PERFORMANCE
SECURITY
DIVERSITY
STRUCTURE
SHARED
VALUE

Our structure is our strength.

2022 PPS NAMIBIA INTEGRATED REPORT

pps
FOR PROFESSIONALS
SINCE 1941

INSURANCE
NAMIBIA

Our structure is our strength.

Success does not happen in a vacuum. Behind all great achievements, all that you do, are the things and people and structures that support you – the individuals and foundations that enable your growth.

The same applies to PPS*. PPS is built on a foundation of support and mutual success. Embracing the principle of mutuality, PPS enables members to contribute to the greater whole, and share in the rewards. Ensuring that when the company enjoys long-term growth, so do they.

This structure is what sets us apart. It is our strength.

*All references to "PPS" refer to "PPS Group".

TABLE OF CONTENTS

ABOUT OUR INTEGRATED REPORT

Scope and boundary

The PPS Integrated Report 2022 is a report that details the performance of the PPS Holdings Trust (the Group) for the 12 months ended 31 December 2022. It is intended for the information of our members and includes reporting on relevant events that have occurred between year-end and publication.

The report deals with the Group's strategy, operations and performance and touches on issues such as our approach to sustainability, value creation, innovation and service delivery. We aim to give a comprehensive and balanced view of both our financial and non-financial performance in South Africa and Namibia.

Disclosure and assurance

In this report, the PPS Holdings Trust Board of Trustees (the Board), strove to provide meaningful, accurate, complete, transparent and balanced information. The Board, with its committees and management, was closely involved in finalising all disclosures in this report and assumes responsibility for the information they contain.

The annual financial statements were prepared in accordance with international financial standards and independently assured by Ernst & Young. The nonfinancial information contained in the report has not been independently assured.

Board responsibility

The Board approved the PPS Integrated Report 2022 on 29 March 2023.

The Board acknowledges its responsibility for ensuring the accuracy of all information supplied and has applied its collective expertise in its preparation. In the opinion of the Board, this report addresses all issues material to members and presents a holistic view of the Group's performance in 2022.

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 businesses, we face risks and other factors beyond our control, which may impact on our performance in 2023.

YOU.

Individual.
Or maybe not?
You see, you are many.
Built on the shoulders of others.
Of the ones who encouraged and nurtured.
And held you up with strength throughout your life.
Like you, PPS is built on the foundation of many working as one.
The company, intermediaries and members, all adding to the bigger picture.
With a shared interest in long-term success, we build and grow together.
Contributing to the foundation of mutuality, trust, support and shared value.
Because by pooling our resources, we can unleash the power of shared success.

WHO WE ARE AND WHAT MAKES US DIFFERENT

> "At PPS, we do not have shareholders, we have members: graduate professionals who qualify for membership and the benefits of that membership."
>
> **Izak Smit**
> Group Chief Executive Officer

The PPS story

Throughout the years, PPS has unfailingly demonstrated remarkable resilience, recorded steady growth and provided reliable services to our members without disruption. The fact that we continue to do so today, despite the many challenges we have faced as a business and a society over the past three years, is testimony to the vision and objectives of our founders.

PPS was established in 1941 by a group of eight hardworking dentists who wanted to protect their ability to earn an income. Even then, a financial model that enabled a group of people to benefit from pooled resources was rare in financial circles. The values inherent in mutuality still inform every aspect of our business, from how it is structured to how innovations are designed and implemented.

At PPS, we have members rather than shareholders; highly educated professionals who are eligible for PPS membership because they hold suitable postgraduate qualifications. Members, who enjoy our wide range of products including life and short-term insurance, investments, healthcare and various advisory services also share in the operating profits generated by PPS. Profit-Share is allocated annually to members' notional PPS Profit-Share Accounts™, which grow with investment returns and further profit allocations. The PPS Profit-Share Account of a member vests on retirement from age 60 subject to contractual requirements. The PPS Profit-Share Account accumulates profits simply as a result of a member having a qualifying product.

Over the years, we have steadily expanded our product range, moving beyond our initial focus of income protection to include a comprehensive selection of financial products and solutions. Today, the Professional Provident Society Insurance Company Limited is a registered financial services provider. Our members include leading academics, captains of industry and prominent members of the various professional sectors.

Our mission and values express what we aim to deliver to our members.

Our mission

It is our mission 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 having evolved into a diversified financial services group that not only provides exceptional insurance benefits – both long and short-term– but also investments, fiduciary services and various wealth and advisory services especially designed for graduate professionals. We help our members to secure their current and future financial positions by providing peace of mind throughout their professional careers and during their retirement years.

Our values

At PPS, we believe that what we value drives our behaviour. 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 to our members. We are committed to innovation, giving staff the licence to experiment while recognising and responding to our members' unique, complex and changing needs.
- We **do the right thing.** We conduct our business with empathy, authenticity and also with the highest standards of ethics, fairness, governance and respect for all.

The ethos of mutuality

Although this model is very popular in the developed world, it is a rarely used model in financial services in South Africa today. Mutuality is what defines us at PPS. It refers to our origins where graduate professionals worked together to protect every member's financial future.

PPS is not listed on any stock exchange and has no external shareholders who demand returns on the capital they invest. Members with qualifying products ultimately benefit directly from our profits through their dedicated PPS Profit-Share Accounts. The ethos of mutuality is at the heart of PPS; it is in our DNA. It permeates every aspect of our business and is fundamental to our success.

Our highly skilled asset managers invest profits and investment returns on behalf of our members, taking a long-term view of wealth creation. Irrespective of claims our members may submit, a share of the Group's profit accumulates to their individual PPS Profit-Share Accounts annually. PPS Profit-Share Accounts vest on retirement or death. This is a unique benefit in the South African insurance sector and there is no other benefit to rival it.

Once our members retire from their professional careers at the age of 60 or after, the profits they have accumulated in their PPS Profit-Share Accounts throughout their membership period become available to them through a Vested PPS Profit-Share Account. Although this may be withdrawn in full without any deductions, many members choose to keep these assets invested as part of their post-retirement savings to generate further returns and supplement their retirement incomes.

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 across PPS subsidiaries and affiliates, the more their Profit-Share allocation will be. In fact, many long-standing members have received more in Profit-Share allocations in a particular year – irrespective of any claims under their policies – than what they have paid in premiums in that year. In a way, it is a counterintuitive scenario with members being paid to enjoy product benefits.

A business that essentially pays its members to enjoy its products? That is what the mutual model at PPS delivers for our members.

Professional focus

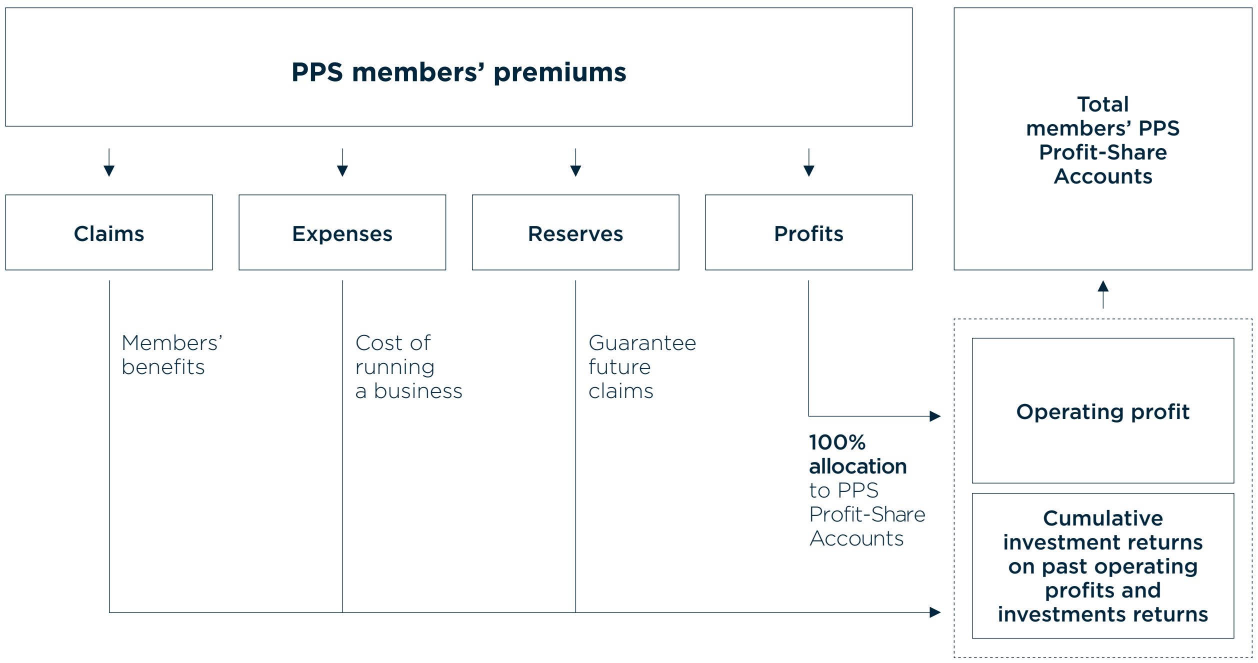
Professional focus is another defining PPS characteristic. We are very discerning about granting membership. Only graduate professionals with a qualifying postgraduate degree are eligible to become members. This applies across all industries and professions, making PPS a leader in the professional segment.

Not only are our products, services and solutions specifically tailored to meet our members' needs, financial advisers also undergo 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.

WHO WE ARE AND WHAT MAKES US DIFFERENT

How Profit-Share works



STRATEGY

Focus

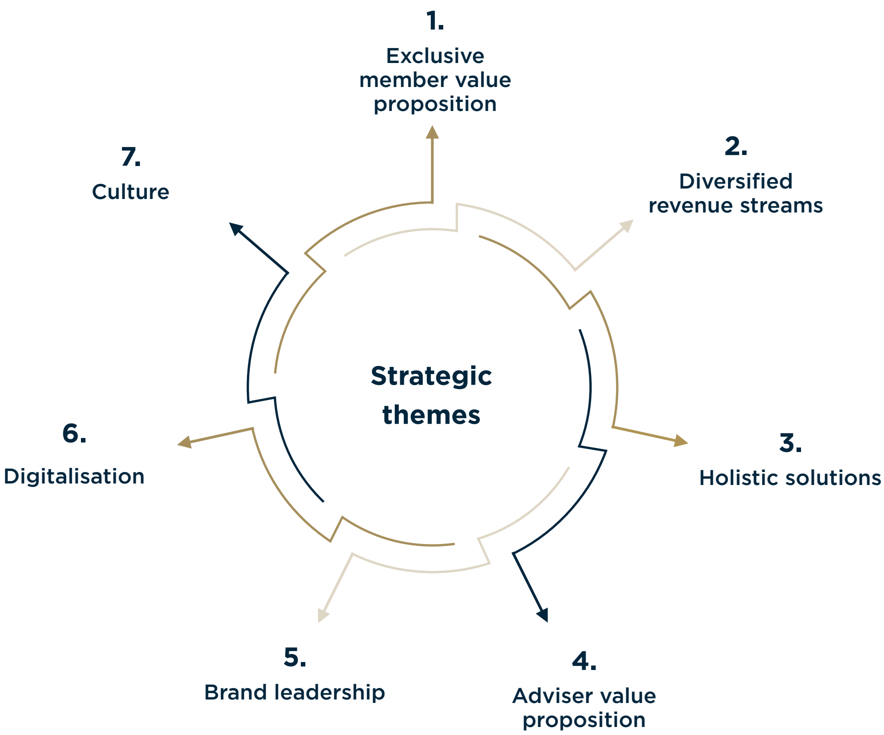
PPS is – and always has been – committed in the pursuit of helping graduate professionals to secure their financial well-being. Mutuality is the key to our success. Throughout our long history, this model has enabled us to weather many storms. Our mutual business model ensures that members not only benefit from the protection that the products they hold offers, but it also ensures they share in PPS's profits.

We understand that professionals want more than just innovative financial products and efficient services. This is a unique added value that we constantly strive to provide and improve on.

Vision

Our strategic vision is to continue building PPS as an aspirational brand that meets 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:



STRATEGY

We maintain a strong business culture and focus to realise this vision, featuring actionable workstreams that consistently support efficient and effective implementation.

In this way, we aim to:

- offer integrated and holistic financial services solutions for our members that help them to protect their financial well-being and to create wealth;
- ensure that our member value proposition (MVP) and our adviser value proposition (AVP) are unique across all our delivery channels;
- create, lead and sustain remarkable member and adviser services by consistently improving our processes, systems and people capabilities;
- enrich our unique PPS Profit-Share Account through continuous innovation;
- Continue to be relevant to all our members across all life-stages, with an emphasis on our mature members;
- Ensure that we are digitally advanced and secure so that we can deliver innovative services to our members and protect their data
- Maintain and enhance our marketing and communication capabilities, which are used to promote our unique PPS value proposition to both existing and potential members
- Focus on our people because talent is a competitive advantage in the always-on, digitally enabled environment
- Create sustainable value and growth by making a difference through environmental, social and governance (ESG) outcomes.

Strategic focus areas

Exclusive Member Value Proposition

Why is it important?
Our business revolves around membership. We create meaning for our members by developing and implementing customised financial and lifestyle solutions to enrich their lives. We also strive to build and maintain an active and engaged community that enables members to interact and network with one another.

Objectives
To enrich professional lives.
To be acknowledged for best-in-class products and solutions.
To create a compelling community experience for members and their families.
To introduce exclusive community benefits over and above products and services.

Focus
To continue to provide an exceptional MPV and make membership even more meaningful.

Action
- Make our MVP unique through PPS Specialist Support Services (S^3), a team of experts working with intermediaries to deliver an exceptional PPS member experience.
- Create, lead and sustain remarkable member and adviser experiences.
- Develop digitalised omnichannel experiences for members and intermediaries.
- Develop a boundaryless global strategy for professionals.
- Build our loyalty and incentives initiatives.

Diversified revenue streams

Why is it important?

Diversified revenue streams boost members' Profit-Share and offer some protection against factors outside of our direct control, including political uncertainty, recession and foreign exchange volatility.

Objectives

To broaden the MVP through increased access to income streams and opportunities.

To support member uptake of new products by demonstrating value to graduate professionals at different stages of their lives. To grow PPS Mutual (Australia), an affiliate business of the Group which, over time, will make meaningful contributions to local members' Profit-Share.

To actively explore opportunities in other geographic jurisdictions.

Focus

To create wealth for our members by growing and diversifying our revenue streams.

Action

- Develop a boundaryless global strategy for professionals.
- Grow the new revenue streams, which will support Profit-Share.
- Grow established subsidiaries, especially PPS Investments and PPS Healthcare Administrators, so that they have a serious impact on their sectors.
- Generate leads through our data science capability.

Holistic solutions

Why is it important?

PPS products are created for graduate professionals and offer distinct advantages over similar offerings in the market. The more PPS products members hold, the more they can benefit from aggregated Profit-Share.

Objectives

To responsibly build PPS into a mutual financial services organisation that provides graduate professionals with a holistic range of products and services.

To leverage PPS's S^3 for specialised member and channel support.

Focus

To continue to create awareness that PPS provides holistic financial solutions.

Action

- Unlock cross-solutioning through S^3.
- Build our PPS Wealth business.
- Build our student strategy to support the journey from graduation to retirement and beyond.
- Generate leads through our data science capability.

STRATEGY

Adviser Value Proposition

Why is it important?
Advisers are integral to our relationships with our members, which is why we are continuously developing tools and solutions that enable PPS advisers to engage with their clients more seamlessly and effectively.

Objectives
To establish PPS as the financial services provider of choice for financial advisers.
To empower and add value for our advisers so that they can provide a consistently excellent and valuable service to our members.

Focus
To entrench PPS as the no-brainer for advisers who provide financial advice to graduate professionals.

Action
- Unlock cross-solutioning through S^3.
- Create, lead and sustain remarkable member and adviser service.
- Assisting the growth of external intermediaries, our valued business partners.
- To proactively assist our members to identify needs using our data science capability which our solutions can address.
- Develop digital experiences and interfaces for members and advisers.
- Provide learning and development opportunities for advisers through the PPS Academy.

Brand leadership

Why is it important?
Effective brand positioning is crucial in attracting new members, especially younger professionals who need PPS products and services more than they may realise.

Objectives
Position PPS as a thought leader in the professional market.

Focus
To entrench PPS as the undisputed brand leader in the professional market.

Action
- Make it easy for student members to join our community of graduate professionals.
- Use the PPS Academy as our “secret sauce” to drive member education as a differentiator.
- Build on our Group marketing and communications strategy.

Digitalisation

Why is it important?

Most professionals are technology-savvy but time-starved. That is why they demand efficient and intuitive digital services that they can access at their convenience.

Objectives

To develop and deploy an omnichannel sales and service experience for PPS members.

Focus

To expand and enrich our digitalised omnichannel experience for members and advisers.

Action

- Make it easy for student members to join our community of graduate professionals.
- Develop and build our data science capability.
- Develop digital omnichannel interfaces for members and advisers.
- Create efficient processes for innovation, employee balance and service efficiency.

Culture

Why is it important?

An internal culture that drives results, learning and caring, is central to the PPS employee value proposition and ultimately drives the PPS MVP.

Objectives

To create a high-trust culture in which people feel empowered and are engaged.
To inculcate a learning mindset that drives results while always caring about the member experience.

Focus

To sustain a rich and rewarding organisational culture.

Action

- Develop digitalised omnichannel service experiences for members and advisers.
- Create efficient processes for innovation, employee balance and service efficiency.
- Make the PPS Academy our “secret sauce”.
- Embed our values.
- Support a flexible culture, empowering and inspiring.

Strategic performance

The key performance indicators (KPIs) for each strategic focus area are allocated to specific individuals. Scorecards for each area are submitted to the PPS Executive Committee (Exco) and the Board for review.

HIGHLIGHTS*

Annual gross benefits paid to members and Profit-Share allocations

2018 **R3.80bn**
2019 **R8.00bn**
2020 **R7.00bn**
2021 **R11.61bn**
2022 **R5.66bn**

2022
R5.04bn
Total gross benefits paid

Annual gross benefits paid to members

2018 **R3.17bn**
2019 **R3.75bn**
2020 **R4.84bn**
2021 **R6.15bn**
2022 **R5.04bn**

R5.04bn Annual gross benefits paid in 2022

Annual operating profit allocations

2018 **R1.12bn**
2019 **R1.11bn**
2020 **R0.49bn**
2021 **R0.12bn**
2022 **R0.93bn**

R0.93bn Operating profit allocations in 2022

Annual investment profit/(loss) allocations

2018 **-R0.48bn**
2019 **R3.14bn**
2020 **R1.67bn**
2021 **R5.34bn**
2022 **-R0.31bn**

-R0.31bn Annual investment allocation in 2022

New life risk annual premium income

2018 **R228.5m**
2019 **R250.9m**
2020 **R222.6m**
2021 **R273.7m**
2022 **R297.3m**

R297.3m Life risk annual premium income in 2022

Total annual Profit-Share allocations

2018 **R0.63bn**
2019 **R4.25bn**
2020 **R2.16bn**
2021 **R5.46bn**
2022 **R0.62bn**

R0.62bn Total annual Profit-Share allocation in 2022

PPS Group gross premium revenue

2018 **R4.54bn**
2019 **R4.97bn**
2020 **R5.34bn**
2021 **R5.59bn**
2022 **R6.01bn**

R6.01bn Group gross premium revenue in 2022

* All numbers are for PPS Insurance Company (South Africa) and PPS Insurance Company (Namibia) unless stated differently.

PERFORMANCE.

It can be volatile.
Growing one moment
on market confidence and strength.
Shrinking the next.
Stalling.
You cannot avoid the global storms
but you can leverage them a lot better
with the principle of mutuality and shared success.
A structure based on mutuality lets us make the most of good times
while balancing out the tough through long-term support and shared success.
It connects our business, our intermediaries and our members in a way that allows all to thrive.
Through pooled resources and shared success, we enjoy resilience and sustainable growth.

LEADERSHIP COMMENTARY

Group Executive Committee

Front (from left to right)

Mr J A Thomas, Group Executive: Actuarial Services, *B Com (Hons) (Actuarial Science), FASSA* |
Ms A N Seboni, Group Executive: Marketing and Stakeholder Relations, *B Com, MAP* |
Ms K Govender, Group Executive: Life Operations, *GIBS Executive Leadership Programme* |
Ms M D Molefe, Group Executive: Human Resources, *B Com, MBA, MSc (HR Management and Development)* |
Mr I J Smit, Group Chief Executive Officer, *B Com (Hons), FASSA* |
Mr M M Mtshali, Group Executive: Advisory Services and Enablement, *B Com, MBA* |
Ms S Bassudev, Chief Executive Officer: PPS Healthcare Administrators, *B Pharm*

Back (from left to right)

Mr J P Loubser, Group Chief Information Officer, *N Dip Electrical Engineering, B Tech Electrical Engineering* |
Mr W Bosman, Chief Executive Officer: PPS Short-Term Insurance, *B Compt (Hons), CA(SA)* |
Mr V E Barnard, Group Company Secretary, *B Com* | **Mr Q J Augustine,** Group Executive: Member Value Proposition, *BSc, PG Dip (Actuarial Science), FIA* | **Mr W J Mouton,** Group Executive: Life Broker Services, *B Proc* |
Mr N J Battersby, Group Chief Operating Officer, *B Sc Mech Eng, B Com (Hons), MBA, CFP, AMP* |
Ms A Gounden, Group Chief Financial Officer, *B Com (Hons), CA(SA), Higher Diploma in Auditing* |
Mr L du Plessis, Group Executive: Legal and Compliance, *B Juris, LLB, M Com (Business Management)*

CHAIRMAN'S STATEMENT

"
In challenging times, like 2022, we are constantly reminded of the strength and value of our mutual model as well as our founders' powerful goals: to secure the lives and livelihoods of graduate professionals and their families. "

Dr Sybil Seoka
Chairman: PPS Holdings Trust Board

Overview

Contrary to expectations, 2022 proved to be as challenging as the previous two years. While global sentiment was relatively upbeat at the start of the year, reflected in very strong investment market performance in 2021, 2022 provided new and somewhat unexpected challenges. Global growth slowed due to new supply-chain challenges and an energy crisis. Increases in the cost of living affected countries worldwide, pushing inflation up almost universally. According to the Organisation of Economic Cooperation and Development (OECD), 18 of 38 OECD countries experienced double-digit inflation in 2022, while global growth halved to just above 3%.

This was exacerbated by the sharp rise in food prices following Russia's invasion of Ukraine in February 2022. The fact that this conflict remains active is creating a heightened level of uncertainty in the world. The sharp rises in short-term interest rates across the globe – in response to increasing inflation – impacted household budgets and investor sentiment across the globe.

At home, inflation climbed throughout the year and ended on an average of 6.9% for the period. Unemployment also remained high, although it eased slightly off the unprecedented high of 34.9% in 2021 to an average of 32.9% for 2022. The most significant concern, nevertheless, remains that the unemployment rate for people in their early 20s stayed at a high of 66.5% throughout the year, materially impacting growth predictions and, in the short to medium term, creating fertile ground for civil unrest.

Compounded by the impact of the chronic and worsening local power supply situation, growth will continue to be marginal at best. When offset against inflation, South Africa effectively finds itself in a period of constrained growth that seems unlikely to reverse soon, unless government can exercise strong leadership and implement the necessary growth policies.

Yet, within this sobering context, PPS's mutual model continued to provide a high level of stability in an otherwise unstable and unpredictable environment. In fact, it is as if the Group thrives when times are tough. From an operational point of view, all valid claims continued to be paid timeously, and we devoted much attention to improving efficiencies and total member experience. Members continue to benefit from the value of the products they hold and from additional contributions to their PPS Profit-Share Accounts. This is testament to our business model's robust nature and stable and strong leadership, equally solid values and a performance-driven organisational culture.

PPS remains unique in the South African financial services industry, differentiated by its ethos of mutuality. This gives the business a deep purpose – to secure the livelihoods and lives of our members – often even beyond the numbers. As a company with solid capital reserves and diversified business interests, we consistently react to changing circumstances by focusing on longer-term investment performance, business growth and member outcomes.

To amplify the benefits of this model, in 2022, we delivered a ground-breaking marketing and communications campaign relevant to us as a business, our members and South Africans as a whole. Our "Finding the Forgotten Graduate" campaign reminds us of past graduates who broke barriers and recorded remarkable achievements regardless of the social, economic and political challenges they had to face. We find much inspiration in this, to excel despite the circumstances. Their stories emphasise the proud history of academic excellence in South Africa and the support that PPS has offered graduate professionals since the company was established 81 years ago.

While it is naturally difficult to predict what 2023 will bring, I feel confident that PPS will continue to steer a steady course and successfully navigate a world that has changed so rapidly in recent years.

Business performance

This year's results again demonstrate the effectiveness of mutuality in providing financial security and unrivalled long-term benefits for our members. Despite the cost-of-living pressures, we continue to be grateful to our members for their loyalty, which is confirmed by low membership attrition rates, low policy cancellations and low early Profit-Share withdrawals. There can be no doubt that our shared resilience is what keeps us going.

Although it was a year in which we slowly exited the pandemic era, COVID-19 sickness claims remained high. We are grateful that COVID-19-related death claims reduced significantly – almost disappeared – enabling us to return to underwriting profitability on the life insurance side.

New business, the lifeblood of an insurance provider, has had another successful year despite the challenging environment. Where most other life insurers in the industry reflected flat growth, PPS celebrated another record year of new business flows. Expenses also remained within the set parameters.

We continued to see a sound operational performance in all our subsidiaries. PPS Investments, in particular, reached several key milestones in 2022. The business had set itself a five-year goal in 2017 to double in size, internally referred to as its 60/60 target. And indeed, the business increased assets under management (AUM) from R30 billion in 2017 to more than R60 billion in 2022. The number of investors increased from 30 000 to more than 61 000 over the last five years.

The increase in AUM was supported by good fund performance relative to benchmarks and peers. Our investment managers hold diversified multi-manager investment portfolios, enabling them to effectively counteract high levels of risk and sudden reversals in market trends. There was a sizable migration of the portfolio from external fund managers to our internal team. Our investment strategies continue to provide a reliable financial safety net for our members and a great proposition available to our advisers when they advise their clients.

Our healthcare administration business continued to grow, as did our short-term insurance business. We have especially seen significant growth in our health professions indemnity business, now at scale to start delivering profits. This business was started four years ago in response to the increasingly high indemnity insurance costs in an ever-more litigious environment.

Many members are still unaware of all the solutions available to them – beyond life insurance and income protection. To encourage more cross-solutioning, two years ago, we rolled out the PPS Profit-Share Cross-Holdings Booster. This boosts members' share of profits if they use more qualifying products across the business areas. The PPS Investments Family Network, launched in 2019, encourages the aggregation of individual and family assets, enabling members to enjoy lower fees because of a more extensive, combined asset base.

These are examples of many innovations developed and launched over the past years. We believe in consistently innovating according to the evolving needs of graduate professionals. For example, our PRO-FiT digital member engagement platform is constantly being enriched. This enables members to control their PPS portfolios directly, engage with the larger professional community and explore ways to optimise their Profit-Share.

CHAIRMAN'S STATEMENT

Our response to environmental challenges

While the pandemic began to stabilise towards the end of 2021 and early 2022, South Africa was still in various stages of lockdown until April 2022. It was only at the end of June that all COVID-19-related restrictions were lifted.

As we continue to deal with the daily realities of working in such an uncertain environment, I am again humbled and proud of how PPS operates and is guided by the sole purpose of providing value to our members.

Within a broader context, extreme weather events will likely become more frequent and intense in future. We, therefore, take our responsibility to reduce the carbon emissions produced while doing business very seriously. Focused on this goal, we have engaged an environmental consultant to start measuring our emissions so that we can begin a planned process of reducing them over time. We are conversing with our material suppliers about their sustainability journeys. We have also installed solar panels on the roof of our head office in Johannesburg, reducing our impact on the environment and our dependency on Eskom. The solar installation will produce close to 300 MWh per year. This means that at least a third of the electricity used at the head office will now be from a renewable energy source. We are in the process of rolling out similar solar solutions at some of our offices.

Our members can expect PPS's response to sustainability challenges to feature prominently in our annual reporting in future, as our strategy, in tandem with organisations and corporates worldwide, takes shape. I am sure that many of the answers and solutions to these global challenges will emanate from professionals, the market segment we proudly serve.

Regulatory changes and compliance

There were a few regulatory changes in 2022; these details are available on our website. The National Health Insurance Bill, which, if passed, is likely to have the most significant impact on PPS and its members, is due to go before Parliament this year, although the government has yet to confirm a date for this. We will closely track developments regarding this legislation. While we support government's endeavour to make healthcare accessible to all, we remain committed to representing and protecting the voice of graduate 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 work towards finding solutions to the key challenges we face as a developing economy, particularly as those relate to our large youth population.

Since the Foundation was established six years ago, it has gone from strength to strength. In 2022, it continued to run its core Bursary Programme and University Support Programme without interruption, and all funds were allocated and distributed. For the first time since 2019, representatives could also visit all the universities where bursary holders are studying and reconnect with them and various faculty members in person.

The PPS Graduate Internship Programme continues to be oversubscribed every year. The programme is becoming a rich talent pool for the business in various disciplines, including financial advice. Young aspirant financial planners are taken through an internship and are equipped with skills to be successful planners.

And, as always, we are grateful to our professional members who offer their time and expertise to develop new generations of graduate professionals through the PPS Foundation Mentorship Programme.

We are equally grateful to the many staff members who contribute financially and in kind to the work of the Foundation, which was again well-received in 2022. For example, humanitarian organisations responded quickly to provide relief when torrential rains wreaked havoc in parts of KwaZulu-Natal shortly before Easter, resulting in the deaths of 440 people and the destruction of property and infrastructure. We worked with Gift of the Givers, one of the larger of these organisations. Our staff responded swiftly, donating goods and volunteering their time to assist with the distribution of aid. Another example is Cultivating Tomorrow's Professionals, a programme where we take Grade 11 pupils from eight schools in less-privileged areas across the country through a year-long intervention to prepare them for their matric exams and plant a dream for a professional career. Our staff give up their free time over weekends to give extra classqes to these youngsters. This demonstrates how deeply embedded our values-driven culture is and how it serves our members and communities.

PPS Training Academy

The PPS Training Academy is internationally recognised for excellence and continues to be a learning institution we are immensely proud of.

As you will see in our Human Capital Report on our website, the uptake of the online courses the Academy offers for staff and advisers remains exceptionally positive. Since these were introduced in 2020, our staff have shown exceptional interest in skills and career development, taking advantage of courses in their own skills areas and also more general business disciplines.

The digital literacy programme introduced in the same year has also been immensely popular, and in 2022, 32 courses were offered. The programme, made available to advisers as well, is designed to help develop the skills needed to interact effectively in a digitised world.

The tremendous value the Academy can provide does not have to stop with staff and advisers. Our next ambition is to also make this value available to members, and we will start focusing on this from 2023 onwards.

Ethics and corporate governance

PPS has a critical role to play in defending the interests of our members and the broader professional community in South Africa and Namibia.

In line with this, we consistently comply with all relevant legislation and regulations, and our corporate governance practices are based on the King IV™ Report of Corporate Governance principles. In terms of King IV™ and the Companies Act, PPS is governed through a unitary structure that includes a main board, subsidiary boards and their subcommittees. All boards and their committees operate within the parameters of approved charters and terms of reference, which are reviewed periodically. A well-resourced company secretariat supports all boards and committees.

I am also pleased that PPS and its subsidiaries have achieved a Level 3 Broad-Based Black Economic Empowerment (B-BBEE) company status, which affirms our commitment to the country's transformation agenda. The improvement in our score results from the management team's relentless focus on improving key areas of the scorecard, particularly management control, skills development and enterprise and supplier development components.

Changes to the Board

On the PPS Holdings Trust Board, we bid farewell to Prof Leon Snyman, who stepped down in June. I want to thank him for his valuable contribution.

In August, we were excited to welcome Dr Edward Ngwenya, the nominated representative of the South African Medical Association (SAMA), on our Board. Dr Angelique Coetzee, formerly a representative of SAMA, and Dr Boitshoko Ntshabele joined the Board as Independent Trustees.

Thank you

In closing, I would like to extend the gratitude of my fellow Trustees to our Group CEO, Izak Smit, who, together with our Group executive team, has guided the company through unchartered territory over the past three years, always ensuring that we stay true to our purpose and values as we serve our members. He, the executive and the bigger management teams have shown great insight and exceptional empathy for our members. They also implemented innovative solutions to help them with the unprecedented challenges they have had to face.

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

Finally, I would like to express my gratitude for the advice and support of my deputy, Dr Mannie Kruger, my fellow PPS Trustees and the Chairman of PPS Insurance Company, Mr Charles Erasmus, who continue to ensure that the Board is such an enduring example of cooperation, innovation and good governance, and who remain unfailingly committed to the financial security and well-being of the PPS community. I must also thank my family, whose support for me and my work is unfailing.

Dr Sybil Seoka
Chairman
29 March 2023

LEADERSHIP COMMENTARY

The PPS Holdings Trust Board

Front (from left to right)

Ms D L T Dondur, *B Acc (Hons), B Compt, CA(SA), MBA, CD(SA)* |

Dr F Mansoor, *BDS, MBA* |

Dr S N E Seoka, Chairman, *B Pharm, PhD, FPS* |

Mr P Ranchod, *B Compt (Hons), CA(SA), MBL, H Dip Business Data Processing* |

Dr C M Krüger, Deputy Chairman, *MB ChB, M Prax Med, M Pharm Med* |

Ms J K Myburgh, *B Proc, Admitted Attorney*

Back (from left to right)

Mr S Trikamjee, *B Com (Hons), CA(SA)* | **Mr A H de Vries,** *B Acc, CA(SA)* | **Dr R Putter,** *B ChD, M Sc (Dental Public Health), CFO(SA)* | **Dr D P du Plessis,** *B Sc, MBA, DBA, CD(SA)* | **Mr I Kotzé,** *B Pharm* | **Dr N H P Khosa,** *MB ChB, MBA* | **Prof H E Wainer,** *B Acc, CA (SA), Registered Auditor* | **Dr B R Ntshabele,** *BVMCh, Certificate in Entrepreneurship, Diploma in Management Studies, MBA* | **Mr V P Rimbault,** *B Sc Eng (Mech)* | **Mr C Erasmus,** *BSc, FIA, FASSA* | **Dr R E Ngwenya,** *B Sc, MBBCH, FCS (SA), Master of Medicine (Surgery), FC (Plast Surg (SA), Master of Medicine (Plastic and Reconstructive Surgery)* | **Dr A Coetzee,** *B Med Sc, MB ChB, CAHM, ABCD* | **Mr J A B Downie,** *B Sc, MBA, CFP*

CEO'S MESSAGE TO MEMBERS

"As we shape our strategic agenda towards 2027, we shall challenge ourselves continuously on living our purpose, protecting the lives and livelihoods of our professional members and assisting them to live the lives they aspire to."

Izak Smit
Group Chief Executive Officer

Overview

It is my privilege to report that the PPS Group again experienced a very positive year in 2022, supporting our members and returning value to them. PPS continued to support its members and return value to them. Our unique mutual model ensures that all the premiums that our members pay into our insurance businesses are ultimately returned to them – with investment growth – either through claims paid or through allocations to their PPS Profit-Share Accounts™ when they hold qualifying life-risk products. Members who hold additional products with one or more of our subsidiaries and/or affiliates, benefit even further through the PPS Profit-Share Cross-Holdings Booster. The only element that is not returned is the cost of running the business, for which our Board has strict metrics in place. Members who hold additional products with one or more of our subsidiaries and/or affiliates, benefit even further through the PPS Profit-Share Cross-Holdings Booster.

As the effect of the COVID-19 pandemic started to ebb in 2022, our life insurance business returned to profitability. Members will remember that our strategy in 2021 was to support our members to the maximum extent possible through altered claims protocols, resulting in zero life underwriting profit in that year. Especially COVID-19 death claims almost disappeared in 2022, for which we are grateful. We still experienced significant levels of sickness claims, and it was only towards the latter part of 2022 that COVID-19 sickness claims began to reduce meaningfully. On the short-term insurance side, claims ratios also started to return to pre-pandemic levels as vehicles returned to the roads. The severe flooding in KwaZulu-Natal in April 2022 caused an increase in short-term insurance claims, with the homes and businesses of many of our members in that region affected.

From an investment perspective, the markets were volatile throughout the year. This can be ascribed to inflation rising sharply worldwide and the economic impact of the war in Ukraine. These two effects are, of course, strongly correlated due to global supply chain specifics and energy market impacts. At home, this was exacerbated by South Africa's precarious power supply position, especially during the second half of the year when the number of hours lost to loadshedding was at its highest ever.

As I reported in the previous period, 2021 was a very strong year in the investment markets and our funds performed exceptionally well. It is these years that assist longer term average returns to beat targets, and we do not want to miss out on these years. But, like a good personal financial adviser, I had to caution last year against exuberant future expectations. I noted that financial reporting cut-offs are somewhat artificial snapshots in a continuous cycle. From an investment return perspective, we could not have asked for a better cut-off in terms of reporting, than end-2021 for that period. I wrote that we expected returns to be much lower and perhaps even negative over the next year or two. Unfortunately, these comments proved somewhat prophetic! As most of our members will know, investment markets were under significant pressure in 2022. Especially overseas equities and bonds had a torrid time in many months. For good diversification and growth reasons, we hold significant portions of the assets we invest for our members in such overseas assets. As a result, our core balanced portfolio, in which most of our members' Profit-Share assets are invested, ended the year slightly negative. July, October and November were good investment return months, resulting in a more-or-less flat performance for 2022. Our investment managers did well to navigate the challenges presented in 2022 due to their diversification strategy, designed to mitigate risk. But they maintained a bias to growth assets, which generate maximum benefit for our members in the long term. This bias is due to the nature of our members' policies, many of which stay on our books for a generation or more. This enables us to take a long-term approach to investing and gives us a unique competitive advantage, helping us to ride out short-term market volatility and corrections.

It is no exaggeration to say that 2022 was as challenging as the two preceding periods, with our channels having had to work exceptionally hard to recruit new members and provide cross-solutioning to our existing members. Operational staff also continued to be stretched, with claim volumes still far exceeding average pre-COVID-19 volumes. Our IT and operational staff had to deal with ever-greater information security risks. This is not unique to PPS; all organisations face these risks. It is part of doing business in these times where our lives have become ever-more digitally connected.

Yet, it is in our DNA at PPS to come through for our members when times are challenging. New business flows are a barometer of the health of a financial services business. These flows will be weak if your value proposition does not stack up, your service is poor or there is no trust in the organisation to deliver. And this is especially true if most new business is from independent intermediaries, as is the case at PPS. Hence, we took immense pleasure from the 2022 market statistics, which showed exceptional new business growth for PPS in a basically flat market. In fact, new business growth at many other organisations was negative. Across our businesses, we had another record year for new business inflows. The independent adviser channel for life new business grew by 10.8% from 2021 to 2022. Gross flows to PPS Investments grew by 9%. In terms of new life members, the membership in South Africa and Namibia grew from around 128 600 at the start of the year to over 131 000 at the end of 2022. The Group is indeed thriving despite the negativity around us.

Strategy and opportunities

The end of 2022 brought us to the close of a five-year strategic period and the start of a new five-year plan towards 2027. As we look towards the future, the strength of our balance sheet enables us to identify and take advantage of many opportunities. And it is usually in challenging times that there are many opportunities!

Our strategic agenda continues to be framed around seven pillars that are the foundation of our strategy:

- Our exclusive member value proposition that we continue to develop and expand.
- Increasing awareness and cross-solutioning of this member value proposition across different business areas.
- New and diversified revenue streams supporting profit generation for our members and diversifying it away from an over-dependence on life underwriting profits.
- The value proposition to advisers, as the face-to-face channel is so important in our market segment.
- The digitalisation journey.
- Our brand leadership position.
- Our unique culture that supports innovation and the other pillars.

CEO'S MESSAGE TO MEMBERS

In the times that we find ourselves in, it is more apparent than ever that organisations need to develop sustainable solutions. Hence, we have added an eighth pillar (sustainability) to our strategic agenda.

PPS is a member of the global organisation for mutual insurance businesses, the International Cooperative and Mutual Insurance Federation (ICMIF). ICMIF celebrated its centenary last year in Rome, having been founded in Rome in 1922. A few PPS executives were privileged to attend this conference and gain deeper insights from mutuals worldwide. Mutuality is not such a common model in Africa anymore. This is somewhat surprising, given the African spirit and culture of Ubuntu (I am because you are). The essence of insurance is the sharing of risks and outcomes. In other parts of the world, the mutual model is much more common still, with almost a third of global insurance premiums going to mutual organisations. Indeed, most organisations we engaged with in Rome are among the biggest and oldest in their industries.

Our big learning and takeaway from these engagements was that purpose runs very deep in mutual organisations across the globe. This resonated with us. Mutuals everywhere are serious about the sustainability agenda and their roles in climate change. We can learn from them. But more so, they are serious about purpose. As we shape our strategic agenda towards 2027, we shall challenge ourselves continuously on living our purpose, protecting the lives and livelihoods of our professional members and assisting them to live the lives they aspire to. We believe it can go further than great product solutions and Profit-Share numbers. It can and should be about financial roadmaps for the future, continuous professional development and providing a haven of context and certainty in a challenging world.

Performance snapshots

PPS Insurance

PPS Insurance, which offers the Group's core life insurance solutions, had a successful year in 2022, recording the highest inflows ever. This can be attributed to several factors, including the business strategy of developing and managing unique solutions for our professional members, offering a high level of personalised client service, supporting a strong network of both internal and external (independent) financial advisers and continuing to create awareness of PPS's unique mutual model among existing and potential members.

The annual premium income of new life insurance business written in 2022 in South Africa and Namibia was R297.3 million, up 8.6% on the R273.7 million written in 2021, the previous record. The nature of our income-protection and life products in the professional market that we serve is such that advice is an important ingredient in the new business process. Therefore, our (only) distribution channel is face-to-face advisers, both internal and external to PPS. About 75% of new business flows to PPS in 2022 was again due to external (independent) financial advisers. They remain essential business partners to us. The other 25% of new business was from our internally employed advisers.

Gross life premium revenue in South Africa reached R5.52 billion in 2022, up 7.1% on 2021, and is supported by a low lapse rate that came in at just over 4% at the end of the year. This is industry-leading by world standards. Total gross risk claims reduced by 21% from R4.13 billion in 2021 to R3.25 billion in 2022. Sickness (health) claims still saw a 6% increase. COVID-19 sickness claims remained stubbornly high, with the number of such claims reducing by only 32% from around 10 902 in 2021 to around 7 409 in 2022. However, COVID-19 death claims reduced from 191 to only nine in 2022. This reduced total death claims by 52% from R1.94 billion in 2021 to R927 million in 2022. The total value of COVID-19 claims in 2022 was R256 million (before reinsurance).

Our foremost purpose remains to assist our members in times of need, which means paying valid claims; profit is a secondary objective. However, it is great to see profitability returning on the life insurance side. Total operating profit allocated to members is R862 million. This is still much smaller than in pre-pandemic times, as is to be expected with so many COVID-19 claims still in the numbers.

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 of R1.229 billion were within budget and delivered the targeted efficiency ratio.

PPS Investments

PPS Investments reached a significant and laudable milestone in 2022. The business more than doubled both assets under management (AUM) and the number of investors it serves in the five years from 2017. The value of AUM at the end of 2022 was R66.7 billion (up from R54.0 billion in 2021) and it served 61 460 investors at the end of the year. Gross inflows increased by 9% to R7.7 billion during the period and profit before interest and tax increased from R98 million in 2021 to R121 million in 2022.

This achievement is even more notable given the volatility of the markets during the year. The business's diversified multi-manager strategy has again supported performance. Individual funds continued to be ranked first or second quartile over most performance periods, outperforming benchmarks. The PPS Global Fund of Funds, the PPS Managed Fund and the PPS Defensive Fund received five-star ratings from Morningstar global investment analysts.

The strong performance was further supported by the continued transition of the investment portfolio to the in-house multi-manager, enabling members to benefit from economies of scale. This was underpinned by an ongoing focus on cost management, promoting the benefits of cross-solutioning to our members and the exceptional hard work and effort the team puts in to grow the investor base.

The ambition is to double again over the next five-year period towards 2027. There is little reason why every member with a PPS life insurance solution should not also have PPS Investments solutions in their portfolio. From this perspective, there is ample runway for the PPS Investments business to grow.

CEO'S MESSAGE TO MEMBERS

PPS Short-Term Insurance

The PPS Short-Term Insurance team continued to focus on innovation and futureproofing the business. In 2021, the **personal and commercial lines business** had to deal with a high number of claims due to civil unrest, and in 2022, it had to deal with an unexpectedly high number of claims due to the catastrophic flooding in KwaZulu-Natal. While PPS was not as severely affected as some other insurers, many of our members still experienced significant loss or damage because of the floods. Since our primary goal is to support our members in times of need, the short-term insurance team processed flood damage claims quickly and efficiently.

The loss ratio for the business's personal and commercial lines side came in at 66% for the year, up from 55% in 2021, and just above a target ratio of 65%. New business was 21% below plan, still impacted by the COVID-19 lockdowns in the first half of the year but picked up significant momentum in the second half with many months in line with the business plan. We expect this momentum to continue in 2023 and the business should grow to scale over the next two years to start delivering underwriting profit. Gross written premiums for these business lines were just above R200 million over the year. Lapse rates were on a pleasing downward trajectory, reducing to 14% per annum at the end of the year. Total business expenses of R73 million were well managed. The deficit before tax of R20 million was smaller than the business plan, a pleasing performance.

Regarding **PPS Health Professions Indemnity**, it is pleasing to note that this business line generated a net profit before tax of R4.2 million in its fourth year of operations against a budgeted loss. This business has now grown to scale and our members can look forward to good profit growth in future years.

The demise of other providers in the industry presented good opportunities in 2022 to grow the business. Gross written premiums increased by 78% from R50.4 million in 2021 to R89.6 million for the period under review. At year-end, 9 933 active policies provided indemnity protection to 6 640 insured medical professionals. From a claims perspective, the business continues to have a very favourable loss experience. This is evidence of a well-diversified, low-risk insurance portfolio.

PPS Healthcare Administrators

PPS Healthcare Administrators again delivered a good performance in 2022. Revenue of R344 million was 9% up on 2021. Expenses were 11% up on 2021 and within budget. Profit before interest, tax and lease modification was flat on 2021. A disappointment is that membership of the Profmed scheme decreased slightly over the year. Affordability remains an industrywide challenge for members of medical schemes. We undertook several initiatives to help alleviate financial pressures on members. These included the introduction of the PPS Wallet and the PPS Gap solution for Profmed members. An essential part of the strategy of PPSHA is the provision of additional services to existing clients (such as disease and dental management), which supported the growth in revenue. Improvement in operational efficiencies continues to be a major focus. 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 is returned to them in the form of Profit-Share. At the same time, they enjoy industry-leading administration services from a highly professional team.

An especially notable achievement for the business was that it was awarded Level 2 B-BBEE accreditation ahead of its planned schedule.

PPS Namibia

Operating profit for PPS Namibia increased to N$67.4 million from N$46.0 million in 2021. This was largely as a result of a significant reduction in COVID-19-related sickness and death claims, with total net (of reinsurance) claims reducing from N$81.0 million to N$73.6 million. Gross insurance premium revenue increased year on year by 10% from N$194.6 million to N$213.3 million. The committed and professional way in which PPS Namibia supported members during the pandemic has undoubtedly contributed to new member growth through word-of-mouth referrals. Expenses were well managed, increasing by only 3% in the current period. We continue to introduce new product solutions and services in Namibia shortly after launch in South Africa. Investment markets were under pressure during the year, after a strong performance in 2021, but managed to end the year positive.

PPS Mutual (Australia)

PPS Mutual, our affiliate business in Australia that started writing business in 2016 is now well established and operating successfully. The business has just under 10 000 members in Australia and has begun to contribute meaningfully to revenue for our South African members by paying royalties.

Thank you

In 2022, I was again humbled to witness the commitment of our employees through yet another demanding year. As we progress on the culture journey we embarked on five years ago, we are proud to report that our three core values of taking extreme ownership, curiosity and openness to new learning, and doing the right thing, are now firmly embedded. It resonates throughout the organisation and it is heartening to see how these values guide actions and decisions in the business.

Despite the many challenges they had to face, our employees continued delivering the high level of service that we pride ourselves on to more than 100 000 homes throughout South Africa. Our teams are stronger than ever. I thank all my colleagues for their hard work and determination and for making 2022 a year in which we could continue to return significant value to our members.

The contribution and input of our non-executive board members remain invaluable. It is in unprecedented 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 other boards and committees.

I want to take this opportunity to express my condolences to the staff and members who experienced the loss of loved ones during the year. It is an honour for us at PPS to be able to provide support at times like these.

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

Izak Smit
Group Executive Officer
29 March 2023

PPS GROUP PERFORMANCE AT A GLANCE

PPS Insurance Company Limited Board

Front (from left to right)

Dr C M Krüger, *MB ChB, M Prax Med, M Pharm Med* | **Mr S Trikamjee,** *B Com (Hons), CA(SA)* |
Ms D L T Dondur, *B Acc (Hons), B Compt, CA(SA), MBA, CD(SA)* |
Mr I J Smit, Group Chief Executive Officer, *B Com (Hons), FASSA* | **Dr S N E Seoka,** *B Pharm, PhD, FPS* |
Mr N J Battersby, Group Chief Operating Officer, *B Sc Mech Eng, B Com (Hons), MBA, CFP, AMP* |
Mr P Ranchod, *B Compt (Hons), CA(SA), MBL, H Dip Business Data Processing* |
Ms A Gounden, Group Chief Financial Officer, *B Com (Hons), CA(SA), Higher Diploma in Auditing* |
Mr C Erasmus, Chairman, *B Sc, FIA, FASSA*

Back (from left to right)

Mr J A B Downie, *B Sc, MBA, CFP* | **Prof H E Wainer,** Deputy Chairman, *B Acc, CA (SA), Registered Auditor* |
Dr N H P Khosa, *MB ChB, MBA* | **Mr L M de Villiers,** *Nat. Dip. Electronic Data Processing, GITI: Information Technology & Telecommunications (INSEAD), DIS: Information Technology* |
Dr D P du Plessis, *B Sc, MBA, DBA, CD(SA)* | **Dr J A van der Merwe,** *MB ChB, MBL, DBL, PED. (IMD)* |
Mr E J S Franklin, *B Sc Physics and Applied Mathematics, B Sc Elec Eng, M Sc Elec Eng, MBA*

PPS GROUP PERFORMANCE AT A GLANCE

PPS INSURANCE COMPANY (LIFE INSURANCE)

About

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

Our flagship product – the PPS Sickness and Permanent Incapacity Cover – offers much more than other similarly positioned products available in the market. The sickness benefit is designed to support the member during an initial period of sickness for up to 728 days and 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 may have received during that time, nor does it have a negative effect on their participation in the PPS Group's Profit-Share programme.

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 PPS Profit-Share Account and any retirement products they may hold continue to accrue. Other differentiators offered by the PPS life insurance product suite include the 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 with qualifying life or risk insurance products automatically participate in the PPS Group's Profit-Share programme. The PPS Profit-Share Cross-Holdings Booster further allows members with life insurance to boost their annual Profit-Share allocations by taking up other products offered by PPS subsidiaries and affiliates, such as PPS Short-Term Insurance, PPS Investments or Profmed medical aid.

Through our unique mutual model all our profits are ultimately allocated to our members. Both operating profit and investment returns are apportioned to members' PPS Profit-Share Accounts, which become available on retirement from age 60 or to their beneficiaries should they pass away before then.

Performance

As mentioned by the CEO in his report, economic conditions continued to be constrained throughout 2022, which naturally impacted our members.

Within this challenging environment – and in alignment with our strategy – we continued to focus on providing personalised advice, assistance and support for our members. Working in partnership with our intermediaries, we continued to make members aware of the distinctive benefits of our mutual model and what the Group has to offer as an integrated financial services provider. Our new Intermediary Enablement Platform, launched during the reporting period, supported these objectives and markedly improved efficiencies as well as our relationships with our intermediaries.

We continued to enhance the quality of our service delivery, including key touchpoints at which members interact with us as a Group.

We continued to enrich added-value benefits like assistance with practice management through S^3 and the PPS Academy. From a marketing perspective, we focused strongly on brand-building and reaching a broader audience of potential members, including students and young professionals.

PPS Insurance Company had a remarkably successful year in terms of sales performance, recording the highest inflows and uptake of additional cover with PPS. This was partly due to the stabilisation of claim volumes following increased COVID-19 immunity and partly due to an increase in demand for life products in the post-pandemic environment. The dedication and commitment of the life insurance team and our accredited financial advisers also had a significant role to play, as each team member went more than the extra mile to assist existing members and recruit new members.

DOWN 19% from 2021
R4.72 billion
Total benefits paid to members

DOWN 21% from 2021
R3.25 billion
Gross risk claims

UP 10% from 2021
R279.6 million
New life risk annual premium income

DOWN 13% from 2021
R1.47 billion
Exit payments

UP 7% from 2021
R5.53 billion
Gross premium revenue earned

UP 1% from 2021
9 131
Profit-Share millionaires

Looking ahead

As we look to the future, we are optimistic about our prospects. While we anticipate that economic conditions will remain challenging throughout 2023 – and that emigration will continue to impact the size of the graduate market – PPS Insurance Company is well-positioned to serve the specific needs of graduate professionals. We will, therefore, continue to focus on attracting new members, cross-solutioning existing members and providing steadfast support for our adviser network. We will continue to enhance and enrich the overall PPS offering of products and services and promote the benefits of the PPS Profit-Share Cross-Holdings Booster.

PPS GROUP PERFORMANCE AT A GLANCE

PPS ADVISORY SERVICES AND ENABLEMENT (ASE)

About

PPS ASE is an internal advisory channel with a core mandate to ensure that members live the lives they want to live. This is achieved through a holistic and bespoke approach, which enables delivery of customised and integrated financial advice and planning services, to members. The role ASE plays within the PPS Group is vital to creating new business and nurturing existing member relationships

Our team of 130 qualified advisers provides a highly personalised experience to all our graduate professional members through an advice-led approach customised to meet their needs. This provides tailored financial advice and service, always ensuring the highest standards in doing business. In addition, our boutique Wealth Advisory Service consisting of 14 wealth managers, offers high-net-worth professionals tailored financial advice and solutions for all their wealth protection, wealth creation and wealth acceleration needs. Our teams work closely alongside a group of technical specialists who provide expertise on complexities and intricacies often found in business assurance and complex financial planning matters. Our collective capabilities and competencies deliver valuable support to each graduate professional member.

Our internal PPS 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 consider 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.

UP 10% from 2021 **R5.72 billion** Total assets under management	**UP 9%** from 2021 **R1.12 billion** Gross new inflows	**UP 8%** from 2021 **R69.8 million** New life risk annual premium income

Performance

Low economic growth during the reporting period undoubtedly impacted performance, which put pressure on certain of our members who were financially distressed. Despite this, PPS ASE remains the fastest-growing internal advisory channel in the country according to independent consultants, which is a notable achievement.

This is mainly due to our strategy of empowering advisers to be entrepreneurial and the ongoing investment we make in their development. New advisers complete a two-year programme to become accredited financial advisers. We also afford ongoing mentorship and all the benefits of our advanced business and technology solutions.

We focus on professionals in practice or the workplace, which is in itself a clearly defined market niche.

For all these reasons, we regard our business success as a shared success, one we share with both our members and our advisers.

Our tailored financial solutions

Retirement planning

There are only around 480 pay cheques between when professionals start working in their 20s and when they shift gears later in life. Since many will live to the age of 85 or beyond, they will need an income for at least 240 months, covering normal day-to-day costs as well as other expenses such as medical aid. The only way to secure this is to start planning for retirement as early as possible and to select the right investment strategy.

Estate and legacy planning

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

Business planning

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

Risk insurance planning

Risk insurance planning involves planning for unforeseen events including death, disability and severe illness. PPS ASE can help to mitigate the impact of unexpected occurrences on businesses and practices with appropriate lifestyle protection.

Savings and investments planning

Savings and investments have different purposes but both are crucial for professionals to reach their financial goals in the short, medium and long term. They provide financial security and, the longer the period of saving or investment, the better the return will be because of compound growth.

Looking ahead

Although economic recovery to pre-COVID-19 levels is likely to be slow, based on our performance in 2021 and 2022, we believe that we are well-positioned to continue our growth trajectory in 2023. In line with PPS's Vision 2027 strategy, our goal is to double our business from our internal channel over the next five years. We aim to achieve this by continuously improving everything we do.

We will continue to use the PPS Member Value Proposition as a marketing platform and the PPS Profit-Share Cross-Holdings Booster to facilitate cross-solutioning and add value to our members' portfolios. Operationally, we will continue expanding our presence and entrenching our footprint in the country's major cities while simultaneously extending our reach into important regional hubs. We also intend to stimulate growth by continuing to deepen current stakeholder relationships with professional associations and key partner organisations.

PPS GROUP PERFORMANCE AT A GLANCE

PPS Investments Proprietary Limited Board

Front (from left to right)

Ms R G Govender, Chairman, *B Com (Acc), M Com (Tax), Advanced PG Dip in Financial Planning, CFP* | **Mr I J Smit,** *B Com (Hons), FASSA* | **Ms A Gounden,** *B Com (Hons), CA(SA), Higher Diploma in Auditing*

Back (from left to right)

Mr S M Gerber, *B Com (Hons) GDA, CA (SA), C Prac (SA)* | **Dr D P du Plessis,** *B Sc (QS), MBA, DBA, CD(SA)* | **Mr S Trikamjee,** *B Com (Hons), CA(SA)* | **Mr N J Battersby,** Chief Executive Officer, *B Sc Mech Eng, B Com (Hons), MBA, CFP, AMP* | **Mr A J Fraser,** Executive, *MBA, BSc (Comp Sci), CFP*

PPS INVESTMENTS (PPSI)

About

PPSI is an established asset management business with an excellent 15-year performance track record. We manage a diversified range of single- and multi-managed funds, locally and offshore. Our investment process is designed to identify the optimal asset allocation and select exceptional asset managers who are expertly blended to meet the unique investment needs, risk appetite and time horizons of our members. Members benefit from our asset management capability in two ways: through their individual investment portfolios and their PPS Profit-Share Account, which PPSI also manages.

Our investment platform provides a range of investment solutions for pre- and post-retirement and wealth creation, enabling members to meet specific goals across their life stages tax-efficiently.

Members who hold qualifying PPS life products can earn additional Profit-Share allocations when they take up investment solutions from PPSI and invest in one or more of the PPS unit trusts. These Profit-Share allocations are further enhanced through the PPS Profit-Share Cross-Holdings Booster.

Uniquely, investing as a family with PPSI provides additional benefits. Once a family is linked, their combined assets are applied to our sliding administration fee scale. The more assets the family invests, the more everyone in the family can benefit. Additionally, members can link the assets of their non-member family and earn additional Profit-Share allocations on those assets.

UP from **R54.03 billion** to
R66.67 billion
Total assets under management

UP by **9%** to
R7.71 billion
Gross inflows

UP from **R98.4 million** to
R121.3 million
Profit before interest and tax (PBIT)

UP by **10%** to
61 460
Number of investors

Net flows UP by **21%**
R3.31 billion

Morningstar ratings:
3 funds = 5 star
2 funds = 4 star

Performance

As in the previous two years, there were several macroeconomic challenges during 2022. Global growth slowed markedly in the wake of the pandemic as supply chain issues continued to impact markets worldwide. This was exacerbated by steep increases in food and energy costs, primarily driven by the Russian invasion of Ukraine and the ongoing conflict that ensued, as well as China's restrictive zero COVID-19 policy. Internationally, inflation rates remained stubbornly high, while the average annual inflation rate of 6.9% at home pushed up the cost of living significantly. Together with the effects of the ongoing power supply crisis, this had a very real impact on both individuals and businesses.

Despite operating in this environment, PPSI had another exceptional year. Assets under management (AUM) increased from R54.0 billion to R66.7 billion, which saw the business exceeding its five-year goal of doubling AUM from R30 billion to R60 billion. Over the same period, we more than doubled the number of investors to 61 460. Gross inflows increased by 9% to R7.71 billion and net flows bucked the downward industry trend increasing 21% to R3.3 billion. Profit before interest and tax increased from R98.0 million to R121.2 million, making this a milestone year for the business.

More than ever, investing in a diversified portfolio that can deliver on its investment objectives despite negative sentiment and large-scale selloffs proved its value. The key benefit of our multi-manager investment approach is that we can combine different but complementary manager strategies, enabling us to ride out short-term reversals and perform well in various environments.

PPS GROUP PERFORMANCE AT A GLANCE

It is worth noting that, in the particularly uncertain environment that characterised the year, we became progressively more cautious in our response to the markets, increasing our exposure to both local and global cash while simultaneously reducing our exposure to property and equity.

Our funds delivered strong peer-relative returns in the year. The PPS Balanced Fund of Funds, PPS Managed Fund, as well as the PPS Defensive Fund have a five-star rating from Morningstar, and the PPS Moderate Fund of Funds and PPS Conservative Fund of Funds received four stars.

The year was a welcome reminder that South African assets could add value to a portfolio relative to their global counterparts, with local assets continuing to offer investors a good entry point throughout the period. At the start of the year, our domestic and foreign managers had widely divergent views around the attractiveness of the South African equity market, with most foreign managers being far more cautious about emerging market equities than their South African counterparts. We nevertheless maintained a positive view of South African bonds and equities throughout the year, primarily premised on attractive valuations. The bond market, in particular, offers investors double-digit yields well more than inflation.

We also used the strong market rally towards the end of 2022 to move to a neutral allocation in relation to South African equities.

Our performance during the reporting period is attributable to various factors, including the ongoing transition of the PPS Profit-Share Account assets managed by third-party asset managers to PSSI, the growth in the number of clients, new inflows, well-managed operating costs and, not least, sound investment decisions. Due to our longer-term focus, we remained invested throughout the periods of volatility that occurred during the year, which allowed our asset managers to benefit from market disruptions. Members have benefited materially from the strong growth of PPS Investments over recent years in terms of Profit-Share allocation. In fact, allocations to qualifying members fully invested in PPS Investments solutions increased by 100% between 2019 and 2022.

While economic conditions remain challenging – and with inflation and interest rates rising in parallel – the markets are vulnerable to short-term corrections. The size of our equity holdings across many of our portfolios nevertheless means that we are well-positioned to continue to benefit from all the opportunities our asset managers have identified.

Looking ahead

Market expectations at the start of 2023 are that the global slowdown will be relatively mild, inflation will fall rapidly, and the US Federal Reserve (Fed) could be cutting rates by the end of the year. Having said that, the consensus is often wrong and there are several tail risks that could drive market volatility this year, including escalating geopolitical risks and central bank and government policy error.

Last year, the Fed hiked short-term interest rates seven times and the South African Reserve Bank six times. The market consensus is that further rate hikes are warranted to bring inflation back towards their target bands. These interest rate increases work with a lag effect and in a recessionary outcome could well drive global economic growth below 2%, especially if China unsuccessfully manages its COVID-19-exit strategy or the war in Ukraine escalates.

PPS and PPSI will continue to follow a diversified investment strategy to mitigate various risks, including South Africa's low economic growth rate. We nevertheless believe that restoring consumer, business and investor confidence in the country is crucial for economic growth and we are committed to playing a constructive role in doing so.

After 15 years in operation, we have consistently demonstrated excellent peer-relative investment performance. Our pre- and post-retirement solutions offer some unique and compelling benefits and we continue to grow the business materially. However, in our view we remain a "best kept secret" for graduate professionals, their families and intermediaries. Having met the audacious target we set ourselves at the beginning of the previous five-year period, we are now implementing a new five-year strategy. This increased scale will have numerous benefits for members in terms of further cost reduction within the business and the PPS Funds, enabling growing and sustainable Profit-Share allocations to members.

We intend to do this by ensuring that graduate professionals, their families and their financial advisers understand the purpose and long-term benefits of being invested with a financial services group with a unique mutuality operating model; by increasing awareness of our superior asset management and investment platform's capabilities; and by being the global investment partner of choice for professionals, their families and their advisers.

PPS Short-Term Insurance Company Limited Board

Front (from left to right)

Mr J D van der Sandt, Executive, *B Com (Hons), CA(SA)* | **Mr I J Smit,** *B Com (Hons), FASSA* |
Ms A Gounden, *B Com (Hons), CA(SA), Higher Diploma in Auditing* |
Mr P Ranchod, Chairman, *B Compt (Hons), CA(SA), MBL, H Dip Business Data Processing*

Back (from left to right)

Dr N H P Khosa, *MB ChB, MBA* | **Mr C Erasmus,** *BSc, FIA, FASSA* |
Mr W Bosman, Chief Executive Officer, *B Compt (Hons), CA(SA)* | **Dr D P du Plessis,** *BSc (QS), MBA, DBA, CD(SA)*

PPS GROUP PERFORMANCE AT A GLANCE

PPS SHORT-TERM INSURANCE (PERSONAL AND COMMERCIAL LINES)

About

PPS Short-Term Insurance 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, business and professional indemnity cover, are carefully tailored to meet the needs of each member. Secondly, we operate under the ethos of mutuality, so profits are returned to members with qualifying life products. Since we do not have to consider shareholder interests, the fair treatment of the whole pool of policyholders, claimants and non-claimants, is our sole consideration.

Gross written premiums of **R201.4 million** UP 7% on 2021	Lapse rate ratio of **14.3%**	**7 713** insured professionals

Performance

PPS Short-Term Insurance (personal and commercial lines) had to face various challenges during the reporting period. Most notably, severe flooding in KwaZulu-Natal in April 2022 impacted the industry as a whole. Although PPS was not as severely affected as other providers, many of our members experienced flooding in their homes and businesses. Ongoing loadshedding (rolling power blackouts), especially in the second half of the year, also saw a spike in claims for equipment affected by power surges and, on a macro level, continued to contribute to poor economic growth. The business performed well overall, doing better than target on a bottom-line basis. This is mainly due to good claims experience, prudent expense management and a low lapse or cancellation rate. It is encouraging to see that the continuous focus on providing our members with a superior claim and service experience is yielding positive results. Members tend to stay with PPS Short-Term Insurance once they move their insurance to us. Although the above favourable variance was partly offset by the impact of lower-than-expected new business volumes, the business has started to make good inroads in cross-solutioning our PPS Group members, especially as holding a short-term insurance product in addition to a life product qualifies members for participation in the PPS Profit-Share Cross-Holdings Booster. There are now various self-service options available to make life easier for our members. They can access their policy information, submit claims and access concierge services via the mobile app. The business introduced innovations such as #PPSInsure, a self-service option, without needing a member to download a mobile app.

PPS SHORT-TERM INSURANCE (HEALTH PROFESSIONS INDEMNITY)

Profit before interest and tax (PBIT) **R4.2 million** **UP 200%**	**Gross written premiums of** **R89.6 million**	**6 640** **insured health professionals**

PPS Health Professions Indemnity is a product designed for healthcare professionals who are registered with the Health Professions Council of South Africa and working in clinical practice. It was developed in response to member demand for a solution to steep hikes in the cost of indemnity insurance due to an increasingly litigious environment. The product provides the security health professionals need to allow them to focus on their clinical practices, safe in the knowledge that their indemnity needs are in the hands of 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 individual and/or practice to determine the cost of their indemnity insurance. We do not use standard rates based on either location or speciality, each case is assessed by considering clinical history, caseloads and geography. 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 use a voluntary claims-deductible feature to lower their premiums.

In 2022, we continued to absorb the pandemic's ongoing impact on our members, helping them to ease cash flow by restructuring payment agreements where needed. We further reassessed the clinical risk profiles of members unable to work due to lockdown restrictions and offered reduced premiums for those with lower risk profiles.

Looking ahead

Having recorded low attrition rates, an increase in new sales and improved efficiencies in 2022, PPS Short-Term Insurance's prospects for 2023 are good. As well as concentrating on our product offering, we will focus on continuous improvements to our value proposition, greater efficiencies and cost management. There is scope, in particular, for cross-solutioning established PPS members with lower risk profiles, especially retired members who can now use their Vested PPS Profit-Share Accounts to pay for short-term insurance.

There is scope for growth among newly qualified health professionals who have completed their university training and require indemnity insurance. Our association with ProAssurance, a US indemnity assurance provider, ensures that we can offer our members local knowledge and expertise while also providing them with the support of a global partner.

Further opportunities exist for developing innovations that will reach younger graduates and make them more aware of the long-term benefits of both the PPS mutual model and the PPS Profit-Share Cross-Holdings Booster. We will continue to maintain a strong focus on providing competitive pricing and superior levels of customer service to our existing members, as well as timeously paying out all valid claims.

PPS GROUP PERFORMANCE AT A GLANCE

PPS Healthcare Administrators Proprietary Limited Board

Front (from left to right)

Mr I J Smit, *B Com (Hons), FASSA* | **Ms A Gounden,** *B Com (Hons), CA(SA), Higher Diploma in Auditing* | **Dr F Mansoor,** *BDS, MBA* | **Ms S Bassudev,** Chief Executive Officer, *B Pharm*

Back (from left to right)

Mr S J van Molendorff, Chief Financial Officer, *B Compt (Hons), CA(SA)* | **Mr I Kotzé,** *B Pharm* | **Dr R Putter,** *B ChD, MSc (Dental Public Health), CFO(SA)* | **Dr N H P Khosa,** Chairman, *MB ChB, MBA*

PPS HEALTHCARE ADMINISTRATORS (PPSHA)

About

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

The medical schemes in our portfolio are:

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

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

Customised solutions for schemes based on member needs	PPS Gap for Profmed members to cover shortfalls	PPS Wallet for Profmed members to control savings

Performance

We have consistently paid dividends to PPS members and contributed to their PPS Profit-Share Accounts. Members who hold a qualifying PPS life product and belong to Profmed earn additional Profit-Share, which is reflected in their PPS Profit-Share Accounts. They also earn further profit allocations through the PPS Profit-Share Cross-Holdings Booster.

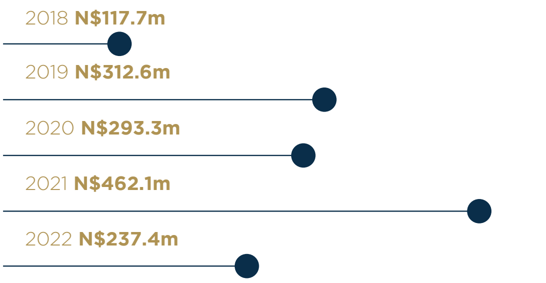
During the reporting period, one of our most significant challenges was retaining existing medical scheme members. This was mainly due to members coming under financial pressure and having to drop medical aid cover altogether, emigration and the flooding of the market with unregulated health insurance products, which consumers often confuse for medical aid schemes.

PPS INSURANCE (NAMIBIA) BOARD

Mr R A van Rooi, *B Econ, B Com (Hons) (Accounting)* |
Mr S I de Bruin, Chairman, *B Com (Hons), CA(Nam/SA), H Dip (Tax)* |
Dr E Maritz, *MB ChB* |
Mr I J Smit, *B Com (Hons), FASSA* |
Ms M D Erkana, *LLB* |
Mr J van der Westhuizen, Chief Executive Officer, *B Com, HDE, CAIB(SA), CFP* |
Mr J A Thomas, *B Com (Hons) (Actuarial Science), FASSA*

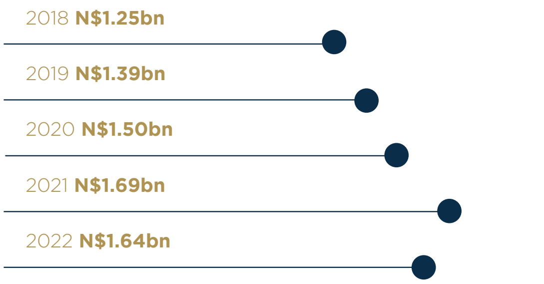
HIGHLIGHTS

Annual gross benefits paid to members and Profit-Share allocations



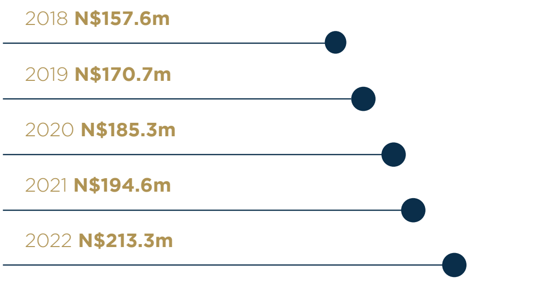
N$237.4m Annual gross benefits and Profit-Share allocations paid in 2022

Total assets



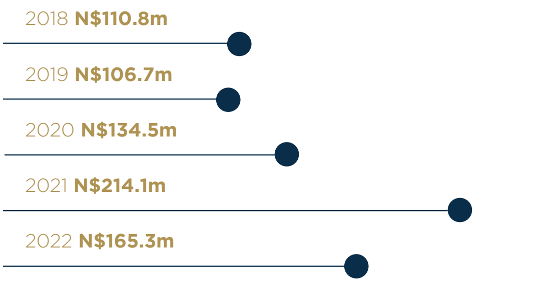
N$1.64bn Total assets

Group gross premium revenue



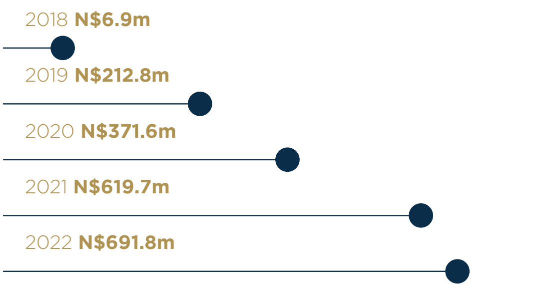
N$213.3m Group gross premium revenue in 2022

Annual gross benefits paid to members



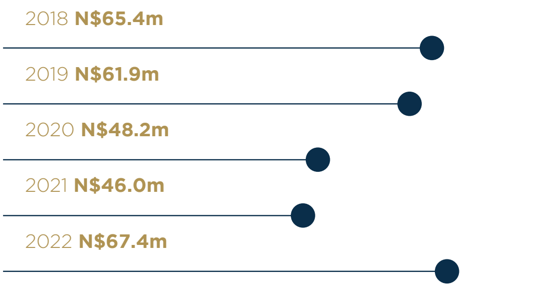
N$165.3m Annual gross benefits paid in 2022

Cumulative profit-share allcations for the last five years



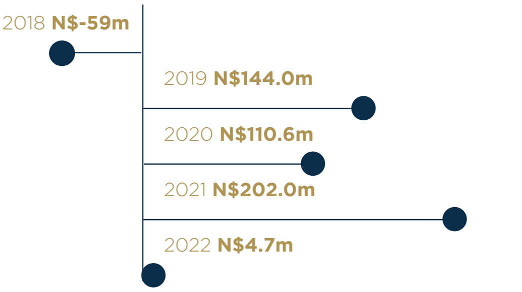
N$860.5m Cumulative profit-share allcations for the last five years in 2022

Annual operating profit allocations



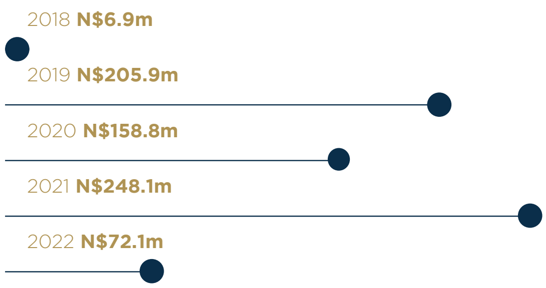
N$67.4m Annual operating profit allocations in 2022

Annual investment profit/(loss) allocations



N$4.7m Annual investment profit/(loss) allocations in 2022

Total annual Profit-Share allocations



N$72.1m Total annual Profit-Share allocations in 2022

PPS GROUP PERFORMANCE AT A GLANCE

To help mitigate the cost of day-to-day expenses, we introduced the **PPS Wallet** for Profmed members on 1 January 2022. PPS Wallet is a flexible, intelligent savings account allowing members to control how much they want to save and extending their medical aid benefits. PPS Wallet funds can be used to pay for any healthcare expenses through a seamless process.

PPS Gap, another new product introduced for Profmed members, is designed to accommodate the payment shortfall between private and medical aid rates. Profmed members with a qualifying PPS life product qualify for an additional Profit-Share allocation if they also take up PPS Gap.

New services introduced during the year included dental risk management for Profmed members, which went live on 1 January 2022 with excellent reception from both members and providers. The disease risk management introduced for De Beers and SEDMED members was equally well received.

From a claims perspective, claims for COVID-19-related treatment and hospitalisations declined significantly, but there was an increase in other categories. Claims for elective surgeries – many of which had been on hold during the pandemic – increased, as did the number and size of claims for maternity and cancer cases. Claims for injuries also increased, especially among younger members. We were nevertheless able to meet all our obligations in terms of our service-level agreements with the schemes we administer.

From an operations point of view, 2022 was a period of consolidating the innovations and developments of 2021. This included increasing the service centre's capacity, extending our telehealth services and introducing a digitally enabled outcomes-based managed-care solution.

One of our strategic objectives is to extend medical scheme administration beyond our country's borders. We therefore partnered with Health Risk Management Botswana (HRMB) to tender for the contract to administer the Botswana Public Officers' Medical Aid Scheme (BPOMAS). BPOMAS is a closed scheme which provides medical aid cover to public service employees as well as employees of parastatals. For this tender, our experience with local government, the military and other government sectors stood us in good stead. The tender was awarded to the HRMB and PPSHA partnership and we are scaling the business to serve the new scheme in 2023.

From a development point of view, we were awarded a B-BBEE Level 2 accreditation. We had been working towards this and achieved the accreditation ahead of schedule. We also continue to make substantial donations to the PPS Foundation. This is to fund bursaries for study in the healthcare disciplines. However, bursaries for study in other fields will be awarded on merit.

Looking ahead

In 2023, we will remain true to our strategic objectives and enrich our service offering.

We will also continue to develop innovative ways to manage costs to enhance the member experience. These will include a "healing at home" initiative designed to shorten the length of stay in hospital after surgery and improved support for patients recovering at home.

From an affordability point of view, we will continue to work with the schemes we administer to ensure that they can offer affordable solutions tailored to meet the needs of their members.

PPSHA continues to keep a steady course and we look forward to a successful year in 2023.

GO ALL IN.

For yourself
and for others.
All means mutuality.
It means sharing the load
and sharing the rewards too.
It is about members joining together
to benefit from pooled resources.
And build a structure that can weather any storm.
So let us go all in and build the stairs to the top, together.

MATERIAL MATTERS AND RISK MANAGEMENT

MATERIAL MATTERS

At PPS, material matters are 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 material to the Group, our members, staff and other stakeholders.

RISK MANAGEMENT

At PPS, we take care of the financial interests of our 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 on the Group, either positively or negatively.

Our methods for identifying risk include the following:

- Monitoring the external environment and industry trends.
- Conducting risk analysis workshops and interviews.
- Analysing various scenarios, data and assumptions.
- Performing audits.

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, our long-term strategic targets and our appetite for each risk category. Mitigation plans and existing controls are articulated and measured for all risks.

We have also adopted a risk-interconnectedness approach to identify the links between risks and understand the anticipated impact of single events on the risk profile. Risks are evaluated based on patterns identified in terms of causal effect and how they are interconnected in ways that can amplify their impact. This is the first stage of mitigating the effects of external risks and providing deeper and actionable risk intelligence.

Operating in a low-growth economy

Defining the issue:

Over the past three years, numerous problems have impacted what was already a constrained economic environment. The economy's ability to grow has been affected by South Africa's energy crisis, coupled with the global surge in fuel prices due to international factors such as the war in Ukraine. The increased frequency and severity of climate events being felt worldwide also affect South Africa. A case in point is the severe flooding in KwaZulu-Natal. Locally, the cost of living has been steadily increasing, driven primarily by international factors such as supply chain disruptions, a sharp increase in inflation and a rising interest rate cycle. Lower consumer confidence makes members and potential members reluctant to take on new financial commitments, challenging the new business environment. It also increases the risk of lapses, impacts costs, affects investment returns and potentially influences profitability negatively. Existing members may also choose to reduce their premiums or forego certain products when their budgets are under strain.

PPS's response:

As we have always done, we take a long-term view of wealth creation and focus on delivering lifetime value for our members. Our investment strategy sensibly combines asset managers who have the ability to deliver long-term value for our members across different asset classes and geographies. This approach yields the best results in the medium to long term, mitigating the adverse effects of short-term conditions. Normal economic cycles and key events are considered when developing investment strategies to maximise or minimise their impact.

To assist our members with the current consumer pressures, we use mitigants such as allowing them to use funds available in their PPS Profit-Share Accounts – subject to terms and conditions – to pay premiums. This has enabled members to keep their benefits in trying times. We continue to focus on lapse rates with retention initiatives implemented on an ongoing basis to mitigate controllable losses and manage costs, all while we continue to invest in efficiency initiatives and future growth. A key growth focus is on attracting and developing solutions for the younger graduate market and developing a breadth of products for the member base.

MATERIAL MATTERS AND RISK MANAGEMENT

Managing information security

Defining the issue:
Two of the most pressing matters for the business are information security and the risk of our system being impacted in any way, either through system failure or cyber-related incidents.

Rapid digitalisation, the global nature of the platforms and services consumed, and the move to hybrid working have all made systems more susceptible to risk than before the pandemic. In addition, cybersecurity authorities in the US, Australia and the UK saw an increase in 2022 in the number of cyberattacks and the severity of high-impact incidents targeted at large companies and critical infrastructure organisations worldwide (Source: US Cybersecurity and Infrastructure Security Agency). PPS continues with deliberate strategies surrounding cyber security to continuously improve the organisation's cyber maturity rating. Threats in the information security landscape remain a focal area that requires continuous monitoring and improvement based on industry best practices.

PPS's response:
We constantly review our information management strategy, manage development centrally and invest substantially in best-of-breed technological solutions. We do this to secure and consistently grow our business and improve our total member experience.

Cyber security is about process, technology and people. We strongly focus on educating employees on cyber hygiene and good practice, creating a cyber security culture.

As part of our comprehensive cyber risk management process, we cooperate with worldwide providers and subscribe to services providing early alerts and insights into the cyber security landscape.

Sustaining stakeholder value

Defining the issue:
PPS's purpose is to create sustainable financial and lifestyle value for members and their families throughout their working lives as well as during retirement. We sustain stakeholder value by operating according to our principles of mutuality, our values as a company, all applicable legal and regulatory guidelines and the guidelines for good governance set out in King IV™. This means we operate the business to benefit all our members without favouring any specific group over another.

PPS's response:
To maintain stakeholder value, we consistently improve on and expand our range of products and services designed to meet members' changing needs throughout their lives. Highly qualified and experienced PPS-accredited advisers not only assist in developing unique financial solutions for each member, but also help minimise the time professionals need to spend on financial planning.

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

We believe the PPS Profit-Share Account is a key tool assisting members in retirement.

Developing innovative products, services and solutions

Defining the issue:
In an environment defined by the rapid emergence of innovative technologies, insurers can analyse customer data and bring new products to market rapidly. We strive to maintain a deep understanding of our members and their needs so that we can consistently 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 goals and requirements. We endeavour to develop, launch and improve our products and services based on this and existing behavioural insights.

Dealing with rapid technological development

Defining the issue:
Large-scale digitalisation, especially since 2020, has fundamentally changed how people engage. Professionals operating in an internet-enabled, always-on 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. They have come to expect constant multi-channel access to providers, as well as features such as remote advice, online applications, digital transactions, speed, efficiency, superior customer service, transparency and data security.

PPS's response:
At PPS, we use technology to improve all aspects of our business. Our solutions include a multi-platform internet presence, several mobile apps, a member and adviser engagement platform, a customised digital dashboard for each member, an AI-enabled query facility, a tool to calculate actual and potential Profit-Share, a data analytics platform that draws on various data points, an AI-powered security platform and a robotics initiative. Analysing and responding to technological developments are fundamental to our commitment to continuous improvement.

Energy crisis

Defining the issue:
Eskom's inability to meet the country's energy requirements significantly impacts all businesses. The slow approval of the mixed-energy policy also delays alternatives to Eskom being implemented. The overall energy situation in the country is disruptive and costly to PPS operations – a situation shared by other organisations.

PPS's response:
We secured energy supply at our head office by installing solar panels at the end of 2022 to augment the Eskom supply shortfall. A third of the monthly electricity used at our head office will now be from solar power, reducing our reliance on Eskom. We continue to look to sustainable energy alternatives to decrease our dependency on diesel generators across all properties.

MATERIAL MATTERS AND RISK MANAGEMENT

Securing 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. We believe how we treat our employees ultimately determines how they treat our members. Managing employee satisfaction is, therefore, a fundamental material matter for the business.

PPS's response:
Our full response to this challenge is outlined in the Human Capital section on our website. Among other initiatives, we conduct an employee satisfaction survey at the end of every year to measure all aspects of employee well-being and development. Engagement in the survey is consistently high and indicates our commitment to our Employee Value Proposition.

Dealing with regulatory issues

Defining the issue:
Financial services is a heavily regulated industry. We comply with all laws and regulations governing the industry. There should, however, be a balance between protecting customers, supporting the financial system's stability and dealing with demanding, voluminous legislative requirements, which are constantly changing.

PPS's response:
Leveraging extensive research and analysis, we have implemented adequate and robust processes. This allowed us to determine capital requirements and the impact on the Group's current and future solvency position. This forms part of the Own Risk and Solvency Assessment (ORSA) and is submitted annually to the Regulators after it has been approved by the Board. We also actively engage with government and regulators on matters that can or do influence our members and the professional community as a whole.

ABRIDGED FINANCIAL STATEMENTS

PPS GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	2022 R'm	2021 Restated R'm	2020 Restated R'm	2019 R'm	2018 R'm	Description of individual items
ASSETS						
Property and equipment	**556**	622	681	736	594	Fixed assets owned and leased. These include PPS's head office premises, furniture, equipment, computers and vehicles.
Investment property	**327**	371	460	501	409	Properties which are held for the purpose of rental income and capital appreciation.
Intangible assets	**264**	244	235	175	168	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	**54 206**	53 145	45 692	40 819	43 215	Assets backing insurance liabilities. These mainly comprise investments in equities and bonds, managed by investment managers who act in accordance with investment mandates set by the board of directors of PPS Insurance.
Current assets	**4 590**	5 226	3 456	3 060	3 203	Primarily cash resources of PPS Group.
Total assets	**59 943**	**59 668**	**50 524**	**45 291**	**47 589**	
EQUITY AND LIABILITIES						
Total equity	**248**	307	339	339	360	Statutory capital requirement of the insurance entities, revaluation reserve of owner-occupied properties and certain reserves of subsidiaries.
Insurance policy liabilities and PPS Profit-Share Accounts	**38 644**	39 730	35 481	33 419	31 137	
PPS Profit-Share Accounts (Discretionary Participation Feature-Policyholder Liabilities)	**32 294***	33 219	29 467	28 975	26 073	Members' PPS Profit-Share Accounts comprising cumulative operating profits and investment profits/(losses).
Actuarial reserves (Non-Discretionary Participation Feature Policyholder Liabilities)	**5 227**	5 297	5 185	3 945	4 527	Capital held to pay future claims.
Current liabilities	**1 123**	1 214	829	499	537	Long-term insurance: Notified claims not yet paid, claims provisions and short-term insurance policy liabilities.
Investment contract liabilities	**4 495**	4 205	3 194	2 589	2 046	Funds of members invested in PPS living annuities and endowment products.
Liabilities to unit trust holders	**15 086**	13 347	10 121	7 197	12 670	Value of outsiders' investments in unit trusts controlled by PPS.
Other liabilities	**1 470**	2 079	1 389	1 747	1 376	Primarily current liabilities.
Total equity and liabilities	**59 943**	**59 668**	**50 524**	**45 291**	**47 589**	

*** Members' PPS 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 2022

	2022 R'm	2021 Restated R'm	2020 Restated R'm	2019 R'm	2018 R'm	Description of individual items
Net insurance premium revenue	**5 336**	5 030	4 898	4 607	4 163	Premiums received from policyholders net of reinsurance premiums paid to reinsurers.
Other income	**655**	605	530	481	418	Administration fees: Long- and short-term insurance, medical aid and retirement annuity. Short-term insurance commissions. Fees earned for asset management.
Investment income and profits/(losses) on financial assets and investment property	**313**	9 178	4 144	4 575	31	Interest, dividends and realised and unrealised gains on investment assets.
Attributable to unit trust holders	**101**	(1 668)	(721)	(964)	(155)	Third-party unit trust holders' share of relevant income and revaluation gains.
Total revenue	**6 405**	**13 145**	**8 851**	**8 699**	**4 458**	
Gross insurance benefits and claims	**(5 042)***	(6 147)	(4 841)	(3 749)	(3 167)	Gross benefits paid to members.
Reinsurance claims recoveries	**453**	696	481	260	235	Claims recovered from reinsurers.
(Increase)/decrease in fair value of policyholder liabilities under investment contracts	**84**	(567)	(166)	(170)	48	Changes in the underlying assets linked to investment policyholder contracts, net of expenses, relating to the underlying assets linked to the investment policyholder contracts.
Expenses	**(2 707)**	(2 498)	(2 131)	(2 211)	(1 910)	Group operating expenses, commissions paid on new business written and investment management fees.
Finance costs	**(7)**	(5)	(19)	(24)	(17)	Interest cost on borrowings and lease liabilities.
(Loss)/profit before movement in insurance policy liabilities	**(814)**	4 624	2 175	2 804	(353)	
Movement to insurance policy liabilities	**868****	(3 838)	(1 691)	(2 436)	334	The amount allocated to members in their capacity as policyholders.
Tax	**(103)**	(799)	(472)	(381)	28	Taxes raised in favour of the South African and Namibian Revenue Services.
(Deficit)/Surplus after tax and policy movements	**(49)**	(13)	12	(13)	9	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.

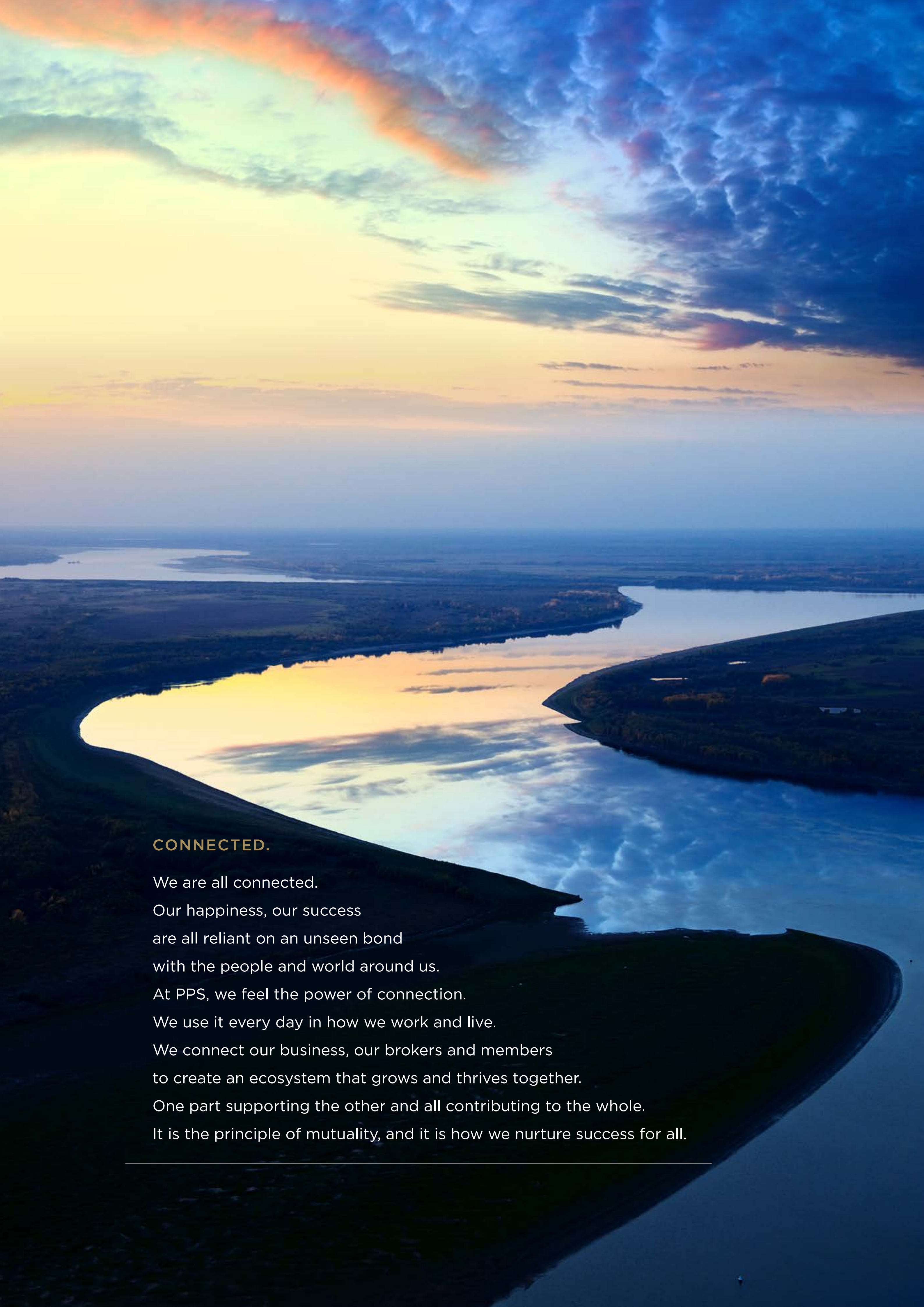
* This comprises insurance claims paid to members and Profit-share pay-outs.
** This amount forms part of the annual allocation to members' PPS Profit-Share Accounts. A further R1.49 billion resulting from movements in the Actuarial Reserve.

KEY PERFORMANCE INDICATORS

Our key KPIs		Unit of measure	**2022 Performance**	2022 Goal	Commentary
Financial stability	Gross premium income	Rand billions	**6.0**	6.1	Gross premium income (long- and short-term insurance) is in line with expectations.
	Investment return	%	**7.5**	7.0	Investment return measured over a five-year rolling period performed ahead of the benchmark.
	Efficiency ratio	%	**18.4**	18.4	Cost control remains an imperative of the Group. Efficiency ratio in 2022 is in line with goals set.
	New annual risk premiums (long-term insurance)	Rand millions	**297.3**	297.8	New annual risk premiums are 9% up on prior year and performed in line with target.
	New gross written premiums (short-term insurance)	Rand millions	**21.8**	30.4	New short-term insurance premiums written are 54% up on prior year, but performed behind target.
	New net investment inflows	Rand billions	**7.7**	8.0	Net investment inflows were slightly behind target, but up 9% on prior year.
Membership	Number of new members recruited during the year	Individuals	**7 310**	8 676	New member recruitment performed behind target in 2022.
	Long-term insurance policies lapse rate	%	**4.1**	4.1	Lower policy lapse rates that were in line with an aggressive target due to enhanced member retention efforts.
	Health claims	Rand billions	**2.4**	2.1	Health claims were ahead of expectations.
	Death claims	Rand billions	**1.0**	1.5	Death claims are significantly less than expected mainly due to less COVID-19-related deaths.
Staff	Employee satisfaction survey results	%	**72**	70	Employee satisfaction scores remain in excess of target.
	Training spend as a percentage of payroll	%	**5.4**	> 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**

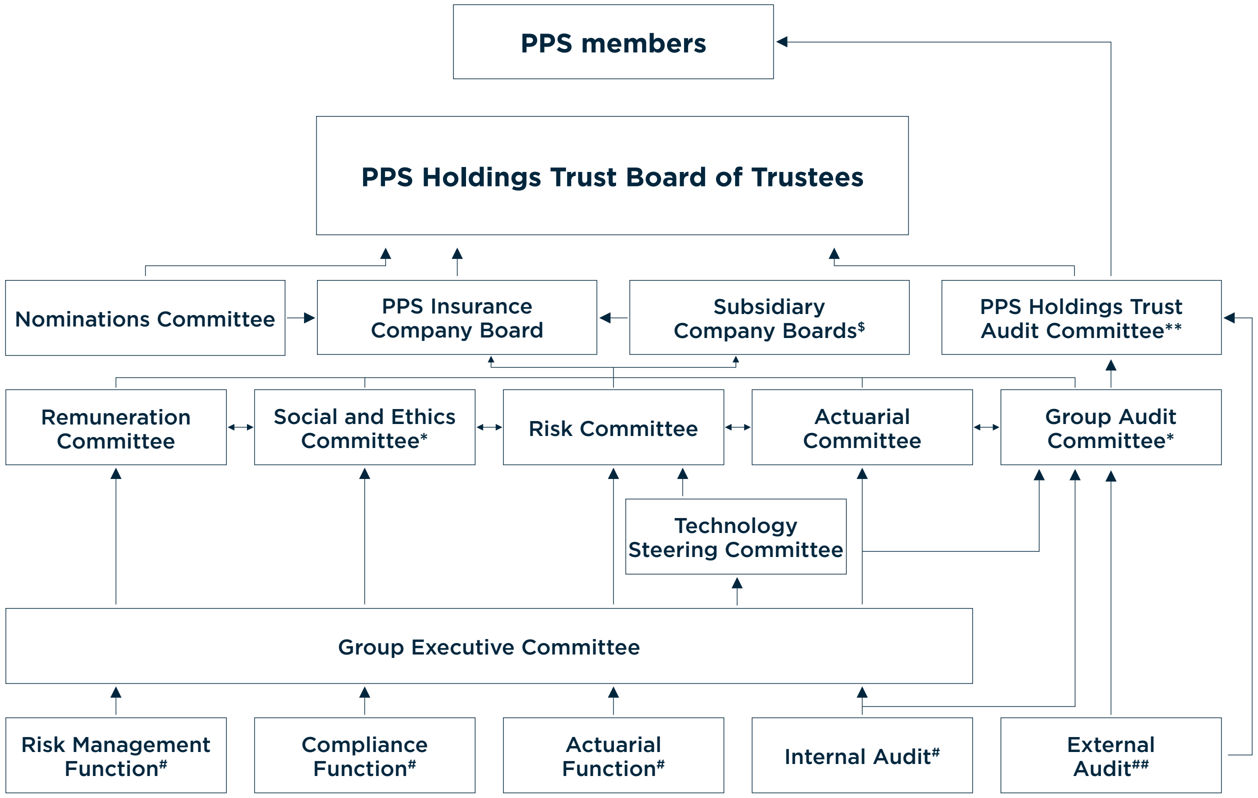


CONNECTED.

We are all connected.
Our happiness, our success
are all reliant on an unseen bond
with the people and world around us.
At PPS, we feel the power of connection.
We use it every day in how we work and live.
We connect our business, our brokers and members
to create an ecosystem that grows and thrives together.
One part supporting the other and all contributing to the whole.
It is the principle of mutuality, and it is how we nurture success for all.

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 (PPS Namibia), 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 (FS4P) and Professional Provident Society Wealth Advisory Proprietary Limited (PPS Wealth Advisory). 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.

CORPORATE GOVERNANCE REPORT

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 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's 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 the PPS Group 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 states 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 Officer (Group CEO) and persons reporting directly to the Group CEO 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 likelihood, consequences, velocity and control effectiveness 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 Group 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; and

CORPORATE GOVERNANCE REPORT

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 Mr P Nkosi 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 Group CEO 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 Group CEO, 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.

CORPORATE GOVERNANCE REPORT

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 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 members 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's 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 using 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

To assist the organisation in attaining its strategic goals, the PPS Group Technology Steering Committee (GTSC), a subcommittee of the Group Risk Committee (GRC), continues to offer strategic direction, prioritise essential initiatives, and oversee technology and information architecture. Global geopolitical risks were considered, especially as the platforms of PPS are mainly cloud-based and where appropriate, risk mitigations were introduced to address areas of risk. Internal Audit and other independent assurance providers reviewed Group IT on an annual basis with regard to, among other things, IT control audits, King IV™ governance, IT disaster recovery, ITIL maturity and for 2023, additional programs related to Information Security.

CORPORATE GOVERNANCE REPORT

PPS Group continued the modernisation and rationalisation of business applications in 2022. Production workloads are now largely cloud-enabled, allowing resilience and agility in the delivery of platforms and services.

Significant attention has also been paid to essential business applications, including the PPS Insurance platforms, to improve system stability, quality, and performance. The additional focus went into the changes and improvements that will provide a meaningful impact on the platforms to serve service delivery better and, as a result, improve the engagement quality and service experience with intermediaries and members. The year also saw success in the output of specific IT interventions that focus on business outcomes and are based on business priorities; this was further driven and instilled by the business and strategic relationship that Group IT has with business and the alignment of stakeholders on common goals and outcomes.

PPS continues with deliberate strategies surrounding cyber security to continuously improve the organisation's cyber maturity rating. Threats in the Information Security landscape remain a focal area that requires continuous monitoring and improvement based on industry best practices.

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 upcoming legislative items for PPS are highlighted below:

1. Market conduct

The Regulation Plan for the period of 1 April 2022 to 31 March 2025 has been published by the Financial Sector Conduct Authority (FSCA). The focus areas of the Regulation Plan are (a) regulatory framework developments (b) regulatory framework developments focused on the financial markets (integrity and efficiency) and (c) regulatory framework developments focused on a broad scope of cross-cutting-sector developments and themes.

A significant focus area forming part of the conduct related regulatory framework developments for the next three years is the development of a holistic, cross-sector, robust and customer-focused regulatory framework to be given effect to under the Conduct of Financial Institutions (COFI) Bill. The intention behind the development of this new framework is to position the FSCA to ensure a smooth and effective transition into the COFI Bill, without much delay.

2. Prudential standards on audit requirements for insurers

The Prudential Authority (PA) has published new prudential standards on audit requirements for insurers. The prudential standards set out the information that insurers must have audited within a specified period in line with the requirement in the Insurance Act, 2017. The audited information establishes and enhances the accuracy, relevance, credibility and reliability of the insurers' and controlling companies' information with the PA, policyholders and other stakeholders.

3. Protection of Constitutional Democracy against Terrorism and Related Activities Bill

The Bill seeks to amend the Protection of Constitutional Democracy against Terrorist and Related Activities Act, 2004, so as to:

- Delete, amend and insert certain definitions for purposes of alignment with international instruments adopted upon the implementation of the Act.
- Provide for offences related to terrorist training and the joining and establishment of terrorist organisations.
- Provide for offences related to foreign travel and attempt to leave the Republic under certain circumstances.
- Provide for offences in respect of the possession and distribution of publications with unlawful terrorism related content.
- Provide for authorisation to be obtained from the Director of Public Prosecutions in respect of the investigation and prosecution of certain offences.

- Provide for the issuing of warrants for the search and cordoning off of vehicles, persons and premises.
- Provide for a direction requiring the disclosure of a decryption key and the effect of a direction to disclose a decryption key.
- Provide for the removal of, or making inaccessible, publications with unlawful terrorism related content; and to provide for matters connected therewith.

4. Amended Employment Equity (EE) Act 55 of 1998

The amended Employment Equity (EE) Act 55 of 1998 that empowers the Minister of Employment and Labour to regulate sector specific EE targets and to regulate compliance criteria to issue EE Compliance Certificate in terms of section 53 of the Act will come into force on 1 September 2023.

5. General Laws (Anti-money Laundering and Combating of Terrorism Financing) Amendment Bill 2022

The Bill seeks to address the deficiencies identified in the customer due diligence measures contained in the Financial Intelligence Centre (FIC) Act. The amendments to the FIC Act contained in the Bill do not substantially change the principles on which the customer due diligence provisions are based. The proposed amendments will result in a stronger money laundering, terrorism financing and proliferation financing regulatory framework.

6. OMNI-Conduct of Business Return (CBR) published by the FSCA

The Omni-CBR is intended to facilitate streamlined cross-sectoral statutory reporting and sets out the types of conduct indicators to be reported on in future by various financial institutions, including Banks, Insurers and Micro-insurers, Investment Providers, Co-operative Financial Institutions (CFIs), Financial Services Providers (FSPs), Retirement Funds and Retirement Fund Benefit Administrators. It will form the cornerstone of the FSCA's off-site supervisory toolkit and reflects the FSCA's increasing focus on embedding an evidence based and data-driven approach to regulation and supervision. In order to fulfil its supervisory mandate, the FSCA requires a strong off-site monitoring tool that will allow it to access meaningful, reliable, measurable, and comparable information on key conduct indicators to assess the delivery of fair customer outcomes across the financial sector.

7. Draft transformation strategy published by the FSCA

The FSCA invited comment on a draft strategy for promoting financial sector transformation. The draft strategy aims to: (a) outline the FSCA's approach to promoting financial sector transformation within the existing policy framework; and (b) outline an approach for the FSCA to promote transformation under the future Conduct of Financial Institutions Act framework.

CORPORATE GOVERNANCE REPORT

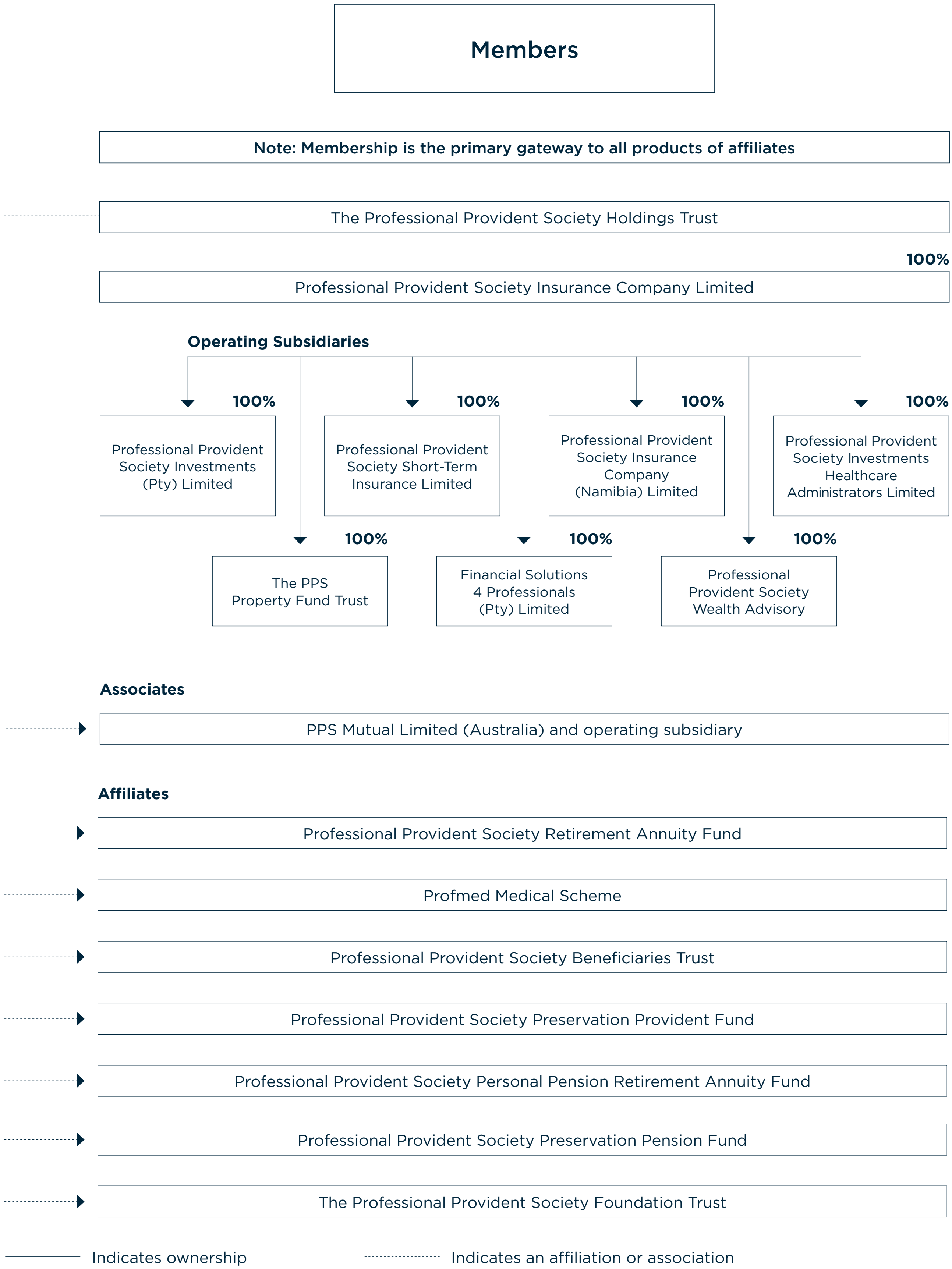
APPLICATION OF THE PRINCIPLES OF KING IV™

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 CEO'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



CORPORATE GOVERNANCE REPORT

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:

- Financial soundness and inter-generational fairness
- Operational efficiency
- Assets and investment returns
- Membership and sales growth
- Value and 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 determination of a suitable professional association in place of the Law Society of South Africa, which is under consideration by the PPS Holdings Trust Board.

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 CEO, 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, diversity 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 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 2022 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 20 June 2022 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 CEO 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 CEO are separated, with a clear division of responsibility to ensure distinction between their respective duties and responsibilities.

CORPORATE GOVERNANCE REPORT

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 CEO 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 CEO 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 CEO 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 CEO 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 CEO 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 and Board Committees, 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 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 three trustees who are retiring by rotation and the abbreviated curricula vitae of the retiring trustees and new nominees who are eligible to stand for election or re-election at the forthcoming annual general meeting to be held on 8 May 2023, 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 2022, none of the directors/trustees had disclosed any interest in contracts or arrangements entered by the PPS Group. The Group CEO 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	67	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	57	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	63	B Med Sc, MB ChB, CAHM, ABCD	Elected for a three-year term	Appointed 11 August 2022 Ends AGM 2025
M A H de Vries Independent Non-executive	45	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	56	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	64	B Sc, MBA, CFP	Co-opted for a three-year term	Appointed 15 April 2010 Ends AGM 2023

CORPORATE GOVERNANCE REPORT

Trustees of the Professional Provident Society Holdings Trust

Trustee	Age*	Qualification	Classification	Term of Office
Dr D P du Plessis Independent Non-executive	68	B Sc (QS), MBA, DBA, CD(SA)	Elected for a three-year term	Appointed 3 June 2013 Ends AGM 2025
Mr C Erasmus Independent Non-executive	71	B Sc, FIA, FASSA	Appointed *ex officio*	Appointed 1 June 2015 Ends N/A
Dr N H P Khosa Independent Non-executive	41	MB ChB, MBA	Elected for a three-year term	Appointed 19 June 2018 Ends AGM 2024
Mr I Kotzé Independent Non-executive	66	B Pharm	Nominated for a three-year term(2)	Appointed 27 August 2001 Ends AGM 2023
Ms M B Mabidi Independent Non-executive	43	B Com (Law), LLB, LLM (Labour Law)	Nominated for a three-year term(3)	Appointed 3 March 2022 Resigned 9 June 2022
Dr F Mansoor Independent Non-executive	43	BDS, MBA	Nominated for a three-year term(4)	Appointed 17 July 2017 Ends AGM 2023
Ms J K Myburgh Independent Non-executive	54	B Proc, Admitted Attorney	Elected for a three-year term	Appointed 23 September 2020 Ends AGM 2023
Dr R E Ngwenya Independent Non-executive	37	BSc, MBBCH, FCS (SA), Master of Medicine (Surgery), FC (Plast Surg (SA), Master of Medicine (Plastic and Reconstructive Surgery)	Nominated for a three-year term(5)	Appointed 11 August 2022 Ends AGM 2025
Dr B R Ntshabele Independent Non-executive	50	BVMCh, Certificate in Entrepreneurship, Diploma in Management Studies (Buckinghamshire Chiltern University College), MBA	Elected for a three-year term	Appointed 11 August 2022 Ends AGM 2025
Dr R Putter Independent Non-executive	44	B ChD, M Sc (Dental Public Health), CFO(SA)	Elected for a three-year term	Appointed 10 July 2019 Ends AGM 2025
Mr P Ranchod Independent Non-executive	67	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	59	B Sc Eng (Mech)	Nominated for a three-year term6)	Appointed 12 September 2011 Ends AGM 2023
Prof L C Snyman Independent Non-executive	60	B Med Sci, MB ChB, M Prax Med, M Med O&G, FCOG, PhD	Elected for a three-year term	Appointed 10 July 2019 Retired 9 May 2022
Mr S Trikamjee Independent Non-executive	44	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	61	B Acc, CA(SA), Registered Auditor	Appointed ex *officio*	Appointed 1 June 2015 Ends N/A

** As at 29 March 2023.*

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 Law Society of South Africa
4. The South African Dental Association
5. The South African Medical Association
6. The Professional Engineers' Societies

Directors of Professional Provident Society Insurance Company Limited

Director	Age*	Qualification	Appointed
Mr C Erasmus (Chairman) Independent Non-executive	71	B Sc, FIA, FASSA	19 February 2007
Prof H E Wainer (Deputy Chairman) Independent Non-executive	61	B Acc, CA(SA), Registered Auditor	30 November 2009
Ms D L T Dondur Independent Non-executive	56	B Acc (Hons), B Compt, CA(SA), MBA, CD(SA)	24 June 2013
Mr J A B Downie Independent Non-executive	64	B Sc, MBA, CFP	24 June 2013
Dr D P du Plessis Independent Non-executive	68	B Sc (QS), MBA, DBA, CD(SA)	19 June 2017
Mr E J S Franklin Independent Non-executive	60	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	41	MB ChB, MBA	10 June 2020
Dr C M Krüger Independent Non-executive	57	MB ChB, M Prax Med, M Pharm Med	29 June 2015
Mr P Ranchod Independent Non-executive	67	B Compt (Hons), CA(SA), MBL, H Dip Business Data Processing	24 June 2013
Dr S N E Seoka Independent Non-executive	67	B Pharm, PhD, FPS	26 June 2006
Mr S Trikamjee Independent Non-executive	44	B Com (Hons), CA(SA)	29 June 2015
Dr J A van der Merwe Independent Non-executive	67	MB ChB, MBL, DBL, PED. (IMD)	18 June 2018
Mr L M de Villiers Independent Non-executive	67	Nat. Dip. Electronic Data Processing, GITI: Information Technology & Telecommunications (INSEAD), DIS: Information Technology (Harvard)	1 January 2023
Mr I J Smit (Group Chief Executive Officer) (Executive)	55	B Com (Hons), FASSA	25 July 2016
Mr N J Battersby (Group Chief Operating Officer) (Executive)	55	B Sc Mech Eng, B Com (Hons), MBA, CFP, AMP (Harvard)	28 September 2016
Ms T Boesch (Group Chief Financial Officer) (Executive)	48	B Com (Hons), CA(SA)	4 May 2009 (Resigned 15 July 2022)
Ms A Gounden (Group Chief Financial Officer) (Executive)	45	B Com (Hons), CA(SA), Higher Diploma in Auditing	1 October 2022

* *As at 29 March 2023.*

CORPORATE GOVERNANCE REPORT

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 (Chairman) Ms T Boesch (Resigned 30 June 2022) Ms S Bassudev (Chief Executive) Ms A Gounden (Appointed 1 October 2022) Mr I Kotzé Dr F Mansoor Dr R Putter Mr I J Smit Mr S J van Molendorff (Chief Financial Officer)	Mr P Ranchod (Chairman) Ms T Boesch (Resigned 30 June 2022) Mr W Bosman (Chief Executive) Dr D P du Plessis Mr C Erasmus Ms A Gounden (Appointed 1 October 2022) 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**
Ms R G Govender (Chairman) Mr N J Battersby (Chief Executive) Ms T Boesch (Resigned 30 June 2022) Dr D P du Plessis Mr S M Gerber (Appointed 1 April 2022) Mr A J Fraser (Executive) Ms A Gounden (Appointed 1 October 2022) Mr I J Smit Mr S Trikamjee	Ms R G Govender (Chairman) Mr N J Battersby (Chief Executive Officer) Ms T Boesch (Resigned 30 June 2022) Dr D P du Plessis Mr A J Fraser (Executive) Mr S M Gerber Ms A Gounden (Appointed 1 October 2022) Mr I J Smit Mr S Trikamjee	Ms R G Govender (Chairman) Mr N J Battersby (Chief Executive Officer) Ms T Boesch (Resigned 30 June 2022) Dr D P du Plessis Mr A J Fraser (Executive) Mr S M Gerber (Appointed 1 April 2022) Ms A Gounden (Appointed 1 October 2022) Mr I J Smit Mr S Trikamjee	Ms R G Govender (Chairman) Mr N J Battersby (Chief Executive Officer) Ms T Boesch (Resigned 30 June 2022) Dr D P du Plessis Mr A J Fraser (Executive) Mr S M Gerber Ms A Gounden (Appointed 1 October 2022) Mr I J Smit Mr S Trikamjee	Ms R G Govender (Chairman) Mr N J Battersby (Chief Executive Officer) Ms T Boesch (Resigned 30 June 2022) Dr D P du Plessis Mr A J Fraser (Executive) Mr S M Gerber Ms A Gounden (Appointed 1 October 2022) Mr I J Smit Mr S Trikamjee

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

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 P Ranchod Ms M D Molefe	Mr M M Mtshali (Chairman) Mr N J Battersby (Appointed 4 November 2022) Mr L du Plessis Ms L Sherlock (Appointed 1 July 2022) Mr I J Smit Mr M Spies Mr A N Thakersee (Resigned 11 August 2022)	Mr I J Smit (Chairman) Mr N J Battersby Ms T Boesch (Resigned 30 June 2022) Ms A Gounden (Appointed 1 October 2022)

Financial Solutions 4 Professionals	Six Anerley Road Holdings
Directors	**Directors**
Mr W Mouton (Chairman) Mr N J Battersby Mr L du Plessis Mr I E L McMaster (Executive) Mr M M Mtshali (Resigned 4 November 2022) Mr I J Smit (Resigned 4 November 2022) Mr M Spies	Mr I J Smit (Chairman) Ms T Boesch (Resigned 30 June 2022) Ms A Gounden (Appointed 1 October 2022)

CORPORATE GOVERNANCE REPORT

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	30 March 2022	9 June 2022	28 Sep 2022	30 Nov 2022
Dr S N E Seoka (Chairman)	✓	✓	✓	✓
Dr C M Krüger (Deputy Chairman)	✓	✓	✓	✓
Dr A Coetzee (Appointed 11 August 2022)	N/A	N/A	✓	✓
Mr A H de Vries	✓	✓	✓	✓
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	✓	✓	✓	✓
Ms M B Mabidi (Appointed 3 March 2022 and resigned 9 June 2022)	AP	N/A	N/A	N/A
Dr F Mansoor	✓	✓	✓	✓
Ms J K Myburgh	✓	✓	✓	✓
Dr R E Ngwenya (Appointed 11 August 2022)	N/A	N/A	✓	✓
Dr B R Ntshabele (Appointed 11 August 2022)	N/A	N/A	✓	✓
Mr N C Nyawo (Resigned 9 May 2022)	✓	N/A	N/A	N/A
Dr R Putter	✓	✓	✓	✓
Mr P Ranchod	✓	✓	✓	✓
Mr V P Rimbault	✓	✓	✓	✓
Prof L C Snyman (Retired 9 May 2022)	✓	N/A	N/A	N/A
Mr S Trikamjee	✓	✓	✓	✓
Prof H E Wainer	✓	✓	✓	✓

N/A = Not Applicable

AP = Apology

PPS Insurance Company Limited	1 March 2022	30 March 2022	20 June 2022	29 Aug 2022	28 Sep 2022	30 Nov 2022
Mr C Erasmus (Chairman)	✓	✓	✓	✓	✓	✓
Prof H E Wainer (Deputy Chairman)	✓	✓	✓	✓	✓	✓
Mr N J Battersby	✓	✓	✓	✓	✓	✓
Ms T Boesch (Resigned 15 July 2022)	✓	✓	✓	N/A	N/A	N/A
Ms D L T Dondur	✓	✓	✓	✓	✓	✓
Mr J A B Downie	✓	✓	✓	✓	✓	✓
Dr D P du Plessis	✓	✓	✓	✓	✓	✓
Mr E J S Franklin	✓	✓	✓	✓	✓	✓
Ms A Gounden (Appointed 1 October 2022)	N/A	N/A	N/A	N/A	N/A	✓
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	✓	✓	✓	✓	✓	✓
Mr L M de Villiers (Appointed 1 January 2023)	N/A	N/A	N/A	N/A	N/A	N/A

AP = Apology

N/A = Not Applicable

Note: *Ad hoc* committee meetings

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

i. 11 October 2022, a sub-committee of the Board met to discuss the finalisation of the PPS Mutual transaction.

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, the Report of the Group Social and Ethics Committee and the Remuneration Report by the Group Remuneration 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.

CORPORATE GOVERNANCE 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

Mr E J S Franklin was replaced by Mr L M de Villiers as a member of the Group Risk Committee with effect from 1 January 2023:

Mr L M de Villiers DIS Information Technology Harvard, GITI Information Technology & Telecommunications INSEAD, National Diploma in Electronic Data Processing.

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 CEO. 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 2022	23 May 2022	1 Sep 2022	9 Nov 2022
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 (former 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 M de Villiers (Appointed as Chairman of the GTSC 1 January 2023) National Diploma in 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

Mr E J S Franklin was replaced by Mr L M de Villiers as Chairman of the GTSC with effect from 1 January 2023. Mr Franklin remains a member of the GTSC.

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 on 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. The specific responsibilities as assigned to the Committee by the GRC are set out in its Terms of Reference.

The GTSC is comprised of

i. two independent PPS Insurance non-executive directors and members of the GRC, being an 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	9 Feb 2022	4 May 2022	17 Aug 2022	31 Oct 2022
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	✓	✓	✓	✓

CORPORATE GOVERNANCE REPORT

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 CEO.

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	21 Feb 2022	23 May 2022	31 Aug 2022	14 Nov 2022
Mr C Erasmus (Chairman)	✓	✓	✓	✓
Mr I J Smit	✓	✓	✓	✓
Prof H E Wainer	✓	✓	✓	✓

Group Remuneration Committee (Remco)

The composition, roles, responsibilities and attendance at meetings of the Remco are set out in Remco's Remuneration Report included in this Integrated Report.

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	9 Mar 2022	10 May 2022	6 Oct2022
Dr S N E Seoka (Chairman)	✓	✓	✓
Mr C Erasmus (Deputy Chairman)	✓	✓	✓
Dr C M Krüger	✓	✓	✓
Mr V P Rimbault	✓	✓	✓
Mr S Trikamjee	✓	✓	✓

CORPORATE GOVERNANCE REPORT

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 CEO)
- Mr Q J Augustine (Group Executive: Member Value Proposition)
- Mr V E Barnard (Group Company Secretary)
- Ms S Bassudev (Chief Executive: PPS Healthcare Administrators)
- Mr N J Battersby (Group Chief Operating Officer and Chief Executive: PPS Investments)
- Ms T Boesch (Group Chief Financial Officer) (resigned 15 July 2022)
- Mr W Bosman (Chief Executive: PPS Short-Term Insurance)
- Mr L du Plessis (Group Executive: Legal and Compliance)
- Ms A Gounden (Group Chief Financial Officer) (Appointed 1 October 2022)
- 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)
- Ms A N Seboni (Group Executive: Brand Marketing and Communication)

Composition and meeting procedures

Group Exco is chaired by the Group CEO 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, FS4P and PPS Wealth Advisory, 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.

SUCCESS.

It does not just happen.
It is calculated, planned, built on.
It is the consequence of time and effort.
It is the result of every decision big and small.
And also of every individual who has contributed.
Every employee, broker and member becomes involved.
Contributing to an extensive pool of diverse skills and resources,
and playing their part in the growth and mutual success of us all.

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 A Gounden CA(SA). An audit was performed by Ernst & Young Inc. in line with requirements of the Trust Deed.

Published: 5 April 2023

STATEMENT OF RESPONSIBILITY BY THE BOARD OF TRUSTEES
for the year ended 31 December 2022

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 80 to 201, 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
29 March 2023

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 2022, 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

29 March 2023

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

for the year ended 31 December 2022

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

- The annual financial statements set out on pages 80 to 201 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

Ms A Gounden
Group Chief Financial Officer

The Professional Provident Society Holdings Trust

29 March 2023

INDEPENDENT AUDITOR'S REPORT

To the Trustees of the Professional Provident Society Holdings Trust

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Professional Provident Society Holdings Trust and its subsidiaries ('the Group') set out on pages 101 to 201, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Trust Deed.

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

Other Information

The Trustees are responsible for the other information. The other information comprises the information included in the 219-page document titled "Professional Provident Society Holdings Trust Annual Financial Statements for the year ended 31 December 2022", which includes the Statement of responsibility by the Board of Trustees, Certificate by the Secretary, Statement of responsibility by the Group Chief Executive Officer and Group Chief Financial Officer, Investment returns and profit allocation to policyholders' PPS Profit-Share Account, Trustees' Report, Audit Committees' Report, Group Social and Ethics Committee's Report and Remuneration Report by the Group Remuneration Committee. The other information does not include the consolidated 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 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 the requirements of the Trust Deed, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- 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.

Other matter

The consolidated financial statements of *The Professional Provident Society Holdings Trust* for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 5 April 2022.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Professional Provident Society Holdings Trust for 1 year.

Ernst & Young Inc.

Director - Sunel Jacobs
Registered Auditor
Chartered Accountant (SA)

102 Rivonia Road
Sandton
Private Bag X14
Sandton
2146
5 April 2023

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

for the year ended 31 December 2022

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. 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 PPS 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 PPS 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	2022 R'm	2021 R'm
Allocation to Special Benefit Accounts	(601)	4 854
Allocation to Apportionment Accounts	1 148	362
Total allocations to PPS Profit-Share Accounts	**547**	**5 216**

Allocation to Apportionment Accounts

PPS Namibia	2022 N$'m	2021 N$'m
Allocation to Special Benefit Accounts	5	188
Allocation to Apportionment Accounts	67	60
Total allocations to PPS Profit-Share Accounts	**72**	**248**

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

for the year ended 31 December 2022 (continued)

The allocations at 31 December 2022 to policyholders' Apportionment Accounts are set out as follows:

PPS Insurance	2022 R'm	2021 R'm
Total investment income allocation	**286**	**289**
PPS Sickness and Permanent Incapacity Benefit	348	–
Hospital benefits	16	–
PPS Provider	349	–
Bonus allocation for PPS Investments' portfolios and products	49	35
Bonus allocation for PPS Medical Aid products	27	29
Bonus allocation for PPS Short-term products	6	4
Broadening Mutuality Products - percentage of premium	–	–
PPS Profit-Share Cross-Holdings Booster allocation	65	5
BEE allocation	2	–
Total profit allocation	**862**	**73**
Total allocated	**1 148**	**362**

PPS Namibia	2022 N$'m	2021 N$'m
Total investment income allocation	**–**	**14**
PPS Sickness and Permanent Incapacity Benefit	48	36
Hospital Benefits	2	3
Broadening Mutuality Products – percentage of premium	10	4
Sickness and Permanent Incapacity	7	3
PPS Retirement Annuity	0.1	0.1
Total profit allocation	**67**	**46**
Total allocated	**67**	**60**

Allocation to Special Benefit Accounts

The following investment allocations for 2022* were made to the Special Benefit Accounts:

PPS Insurance	2022 R'm	2021 R'm
PPS BEE investment income gains	(4)	20
Investment income and gains	(582)	4 611
Vested PPS Profit-Share	(15)	223
Total allocated	**(601)**	**4 854**

PPS Namibia	2022 N$'m	2021 N$'m
Total allocated	**5**	**188**

** 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 pandemic

COVID-19-related claims have significantly decreased compared to 2021 and 2020 on both the Health and Life side. Non-COVID-19-related sickness claims have increased, one of the reasons being that patients are less reluctant to see a medical practitioner for a diagnosis compared to times when the pandemic was prevalent. We continue to monitor the evolution of COVID-19 and therefore continue to hold an appropriate COVID-19 reserve.

Going concern and solvency

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The solvency position of the PPS Group remains resilient.

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 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 2022 the PPS Group commenced with transitioning assets backing the PPS Profit-Share Account to the in-house multi-manager, PPS Multi-Managers, a wholly-owned subsidiary of PPS Investments. This is a multi-year project with R9.1 billion of assets transferred to date. PPS Multi-Managers has managed the assets underlying the Risk Reserves for several years now.

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 was in place for PPS Namibia for 2022. 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.

TRUSTEES' REPORT (continued)

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

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

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

PPS Wealth Advisory (Pty) Ltd is a wholly-owned subsidiary of PPS Insurance, which obtained its Financial Services Provider licence during 2022, and is now able to provide wealth advisory services.

The Professional Provident Society Foundation Trust is a trust founded by PPS Insurance and registered by the Master of the High Court 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.

Unit Trusts and pooled funds for which the Group renders asset management services, or which are 100% owned by the PPS Group are consolidated as required by IFRS. These include the PPS Collective Investment Scheme (South African Unit Trust), PPS Global Equity Fund (Irish Unit Trust) and PPS Namibia Portable Fund (South African Pooled Fund).

Events after financial year-end

The Board has given authority to sign an agreement during 2023 to increase its investment in the Professional Provident Society Mutual Australia Limited by Guarantee Group (PPS Mutual).

The Board has approved the granting of a further facility to the PPS Mutual (Australia) of AUS$8,5m, subject to regulatory approvals.

On 12 September 2022, the Board authorised the investment in Health Risk Management Botswana, a company incorporated in Botswana that has been awarded a contract for medical scheme administration. The Group intends to purchase a 49% shareholding in Health Risk Management Botswana. The Group will purchase shares and will provide funding to the entity. Subsequent to financial year-end, certain of the legal agreements have been concluded.

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 80 to 201 set out the results of the PPS Group (comprising PPS Holdings Trust and all its subsidiaries) for the financial year ended 31 December 2022.

AUDIT COMMITTEES' REPORTS

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 9 May 2022.

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 2022	16 Nov 2022
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, BSc, 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 2022	24 May 2022	1 Sep 2022	16 Nov 2022
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*	✓	✓	✓	✓

*Consultant

Note: *Ad hoc* committee meetings:

In addition to the above meetings, the following *ad-hoc* committee meetings of the members of the GAC were held on 19 September and 9 November 2022 in regard to IFRS 17 and a possible restructure of a subsidiary, respectively.

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 Ernst & Young Inc. (EY) 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.

AUDIT COMMITTEES' REPORT continued

- 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.

Implementation of IFRS 17 'Insurance contracts'

IFRS 17: 'Insurance Contracts' is a new accounting standard impacting long- and short-term insurers, with an effective date of 1 January 2023. PPS, at a group level, has a formalised implementation project governed by an IFRS 17 steering committee. There is governance oversight and reporting on the status of the project at every Group Audit Committee meeting. This implementation project is resourced with both internal and external specialists and is on track for implementation.

External auditors

EY served as the PPS Group's external auditors for the 2022 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 EY 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 in terms of mandatory audit firm rotation (MAFR)

Pursuant to the requirement for the rotation of the external auditor in terms of MAFR, EY was appointed as the external auditor in place of PricewaterhouseCoopers Inc (PwC) with effect from 1 January 2022. The appointment of EY was duly approved at the 9 May 2022 PPS Holdings Trust annual general meeting and at the respective annual general meetings of the subsidiaries of PPS Holdings Trust.

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 2022 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

29 March 2023

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

Ms T Boesch, Group Chief Financial Officer, Executive Director (Resigned 30 June 2022)

Mr L du Plessis, Group Executive: Legal and Compliance (Appointed 1 July 2022)

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 2022	10 Nov 2022
Ms D L T Dondur (Chairman)	✓	✓
Ms T Boesch (Resigned 30 June 2022)	✓	N/A
Mr C Erasmus	✓	✓
Mr I J Smit	✓	✓
Mr L du Plessis (Appointed 1 July 2022)	N/A	✓

N/A = Not applicable

Report to PPS Insurance members by the GSEC

During 2022, 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.
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 2022 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

29 March 2023

REMUNERATION REPORT

Introduction

The PPS Group Remuneration Committee (Remco) has been established as a subcommittee 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 to determine employee and non-executive director/trustee remuneration which is reported to the PPS Group Boards 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 the PPS Holdings Trust and its subsidiaries, as well as their respective related entities.
- Key human resources and employee-related matters, including employment equity and transformation.

Members

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

Mr C Erasmus – BSc, FIA, FASSA

Dr S N E Seoka – B Pharm, PhD

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

Functions

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

- The PPS Group remunerates non-executive directors and trustees, 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.

Remco is chaired by an independent non-executive director and is comprised of independent non-executive directors of PPS Insurance. No employee is involved in deciding their own remuneration. The Group Chief Executive Officer and the Group Executive: Human Resources attend the meetings of Remco by invitation, but are recused from any discussions and/or decisions pertaining to their own remuneration.

Remco does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of the senior management. Remco operates in accordance with the 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 Remco meetings held during the year and attendance thereat were as follows:

Group Remuneration Committee	18 Feb 2022	10 May 2022	15 Nov 2022
Dr D P du Plessis (Chairman)	✓	✓	✓
Mr C Erasmus	✓	✓	✓
Dr S N E Seoka	✓	✓	✓
Prof H E Wainer	✓	✓	✓

Report to the PPS Insurance members by Remco

This report covers the key activities taken by the Remco during the year, the PPS Group's Remuneration Philosophy and Policy. Remco is satisfied that it fulfilled its duty to provide independent oversight on remuneration related matters.

Remuneration Philosophy and Policy

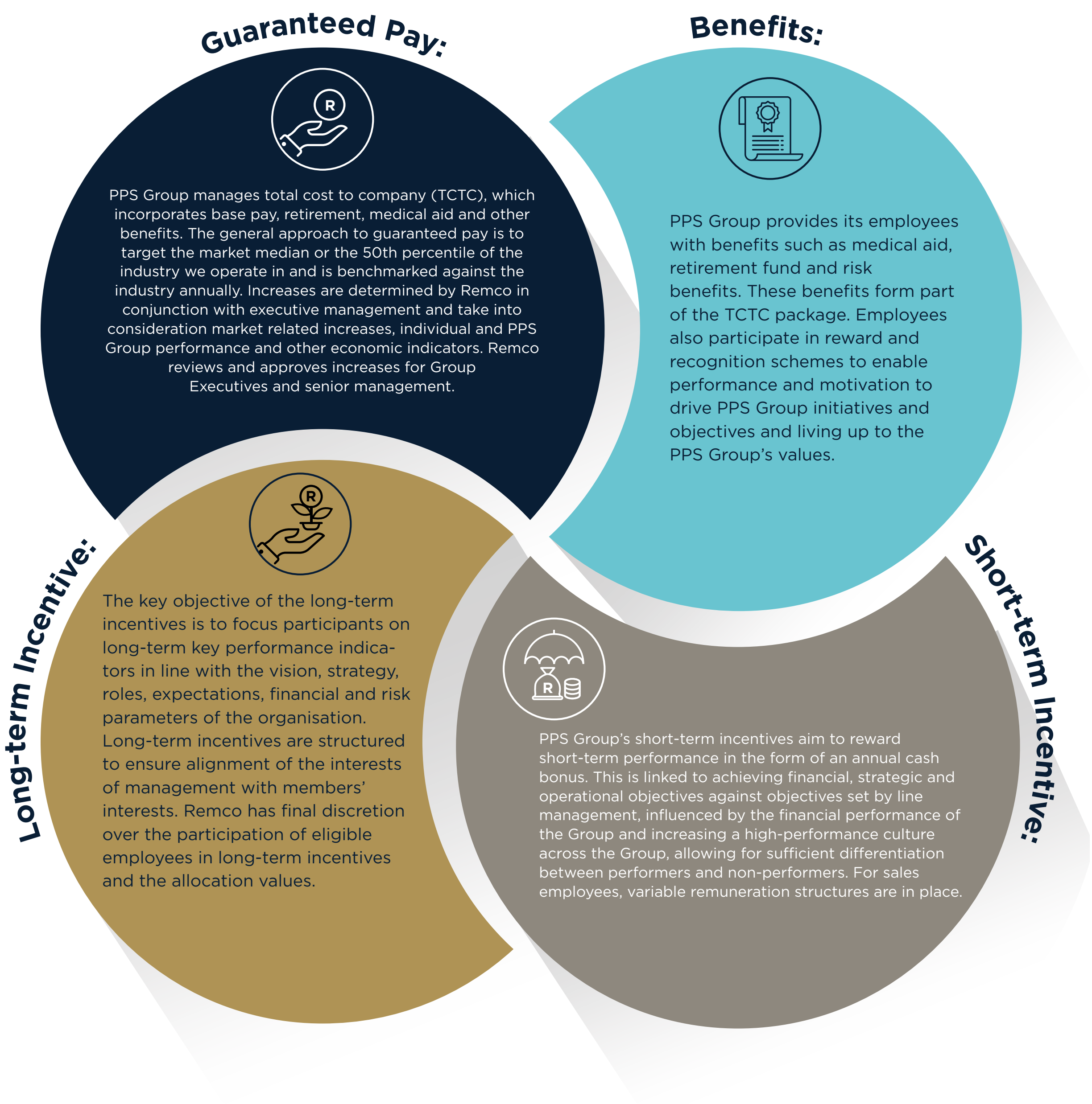
The PPS Group is committed to a remuneration philosophy that is competitive in the market and focuses on rewarding individual and corporate performance. People are one of the PPS Group's strategic differentiators and the achievement of the PPS Group's objectives is supported by the way in which it rewards 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.

Remuneration Framework

The total remuneration packages of employees are determined on an annual basis by Remco within the context of a total reward approach, balanced design and pay mix. The PPS Group remuneration structure is based on the following remuneration principles:

- 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 broad alignment to the PPS Group's objectives and strategies. 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 stretched, 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 objectives.
- Pay fairness: PPS strives for a total reward offering that is aligned with the principle of equal pay for equal work.

Remuneration Framework



REMUNERATION REPORT continued

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.

On behalf of the PPS Group Remuneration Committee:

Dr D P du Plessis
Chairman of Remco

29 March 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2022

		Group		
	Note	2022 R'm	2021 Restated* R'm	1 Jan 2021 Restated* R'm
Assets				
Property and equipment	2	**556**	622	681
Investment property	3	**327**	371	460
Assets held for sale	4	**–**	60	–
Intangible assets	5	**264**	244	235
Deferred tax	18	**192**	192	179
Financial assets – Investments at fair value through profit or loss	6	**53 897**	52 788	45 470
Reinsurance assets	7,13,14	**118**	165	43
Insurance and other receivables	8	**1 666**	1 410	999
Current income tax asset		**8**	262	151
Cash and cash equivalents	9	**2 915**	3 554	2 306
Total assets		**59 943**	**59 668**	**50 524**
Equity				
Accumulated funds	10	**247**	296	320
Revaluation Reserve	11	**1**	11	30
Equity attributable to Group		**248**	307	350
Non-controlling interest	12	**–**	–	(11)
Total equity		**248**	**307**	**339**
Liabilities				
PPS Profit-Share Accounts and Long-term insurance policy liabilities	13	**38 489**	39 621	35 417
Short-term insurance policy liabilities	14	**157**	109	64
Investment contract liabilities	15	**4 495**	4 205	3 194
Liabilities to outside unit trust holders	16	**15 086**	13 347	10 121
Borrowings	17	**–**	98	152
Deferred tax	18	**502**	798	394
Retirement benefit obligations	19	**5**	5	6
Employee related obligations	20	**341**	312	263
Reinsurance liabilities	7,13,14	**59**	–	22
Insurance and other payables	21	**523**	581	473
Current income tax liabilities		**38**	285	79
Total liabilities		**59 695**	**59 361**	**50 185**
Total equity and liabilities		**59 943**	**59 668**	**50 524**

*** Refer Note 35**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2022

	Note	Group 2022 R'm	Group 2021 Restated* R'm
Net insurance premium revenue	22	**5 336**	5 030
Other income	23	**655**	605
Net investment income and gains on financial assets, excluding attributable to third party unit trust holders		**414**	7 510
Investment income	24	**2 529**	2 120
(Losses) / Gains on financial assets and investment property	25	**(2 216)**	7 058
Attributable to outside unit trust holders	16	**101**	(1 668)
		6 405	13 145
Net insurance benefits and claims expense	26	**(4 589)**	(5 451)
Fair value movement of policyholder liabilities under investment contracts	15	**84**	(567)
Expenses	27	**(2 707)**	(2 498)
Finance costs	29	**(7)**	(5)
(Deficit) / Surplus before movement in insurance policy liabilities		**(814)**	**4 624**
Movement from / (to) insurance policy liabilities	13	**868**	(3 838)
Tax charge	30	**(103)**	(799)
Deficit after tax and policy movements		**(49)**	(13)
Other comprehensive income: (not to be reclassified to profit or loss):			
Revaluation of owner-occupied property net of deferred tax		**-**	(23)
Total comprehensive loss for the year		**(49)**	(36)

*** Refer Note 35**

The mutual nature of PPS should be noted. The allocation to policyholders – described above as "Movement from / (to) insurance policy liabilities" of R868m (2021: R3.838bn) – is a portion of the annual allocation to members' PPS Profit-Share Account in their capacity as policyholders. A further R1.49 billion is from the movements in the Actuarial Reserve (non-DPF liability) inclusive of Exits. The deficit after tax is the result of operations of the non-life insurance and other subsidiaries and any change required to maintain capital in the life-insurance subsidiary .

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

		Group			
	Note	Accumulated funds R'm	Revaluation reserve R'm	Non-controlling interest R'm	Total R'm
Balance at 1 January 2021	10,11,12	320	30	(11)	339
Transfer from DPF liability*	13.2	–	4	–	4
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	10,11	296	11	–	307
Transfer to DPF liability*	13.2	**–**	**(10)**	**–**	**(10)**
Total comprehensive loss for the year		**(49)**	**–**	**–**	**(49)**
Deficit for the year		**(49)**	**–**	**–**	**(49)**
Other comprehensive loss for the year		**–**	**–**	**–**	**–**
Balance at 31 December 2022	10,11	**247**	**1**	**–**	**249**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

	Note	Group 2022 R'm	Group 2021 Restated* R'm
Cash flows from operating activities			
Cash utilised by operations	31	**(893)**	(1 573)
Interest received		**948**	923
Dividends received		**899**	691
Interest paid	29	**(7)**	(5)
Tax paid	32	**(393)**	(310)
Net cash from / (used in) operating activities		**554**	**(274)**
Cash flows from investing activities			
Purchases of property and equipment	2	**(26)**	(21)
Improvements to investment property	3	**(2)**	(2)
Software development	5	**(62)**	(62)
Purchase of financial assets	6,16	**(59 565)**	(31 304)
Proceeds from sale of investment property, assets for sale, and furniture		**71**	1
Increase in non-current loan receivables		**(159)**	(80)
Proceeds from disposal of financial assets		**58 588**	32 948
Net cash (used in) / from investing activities		**(1 155)**	**1 480**
Cash flows from financing activities			
Decrease in lease liabilities		**(20)**	(24)
Decrease in borrowings	17	**(98)**	(54)
Net cash used in financing activities		**(118)**	**(78)**
Net (decrease) / increase in cash and bank		**(719)**	1 128
Effect of exchange rate changes on cash and cash equivalents		**80**	120
Cash and cash equivalents at beginning of year		**3 554**	2 306
Cash and cash equivalents at end of year	9	**2 915**	**3 554**

* Refer Note 35

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 38.

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 2022:

- Definition of Accounting estimates: Amendments to IAS 8 and
- Classification of Liabilities as Current and Non-current – Amendments to IAS 1.

These do not have a material impact on the Group's overall results and financial position. Additionally, the Group will not early adopt any of these standards.

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):

- IFRS 17, 'Insurance contracts' *(effective for annual periods beginning on or after 1 January 2023):*

IFRS 17 'Insurance contracts' is effective for annual reporting periods beginning on or after 1 January 2023. The Standard has not been early adopted applied in the 2022 Annual Financial Statements.

The Standard will bring significant changes to the accounting for insurance and reinsurance contracts and is expected to have a material impact on the financial statements in the period of initial application.

This includes the manner in which insurance assets and liabilities and the insurance results are measured, the classifications and disclosures, which will materially affect the Statement of Financial Position (balance sheet) and the Statement of Comprehensive Income.

No material changes are currently envisaged to the PPS Profit-Share account, or the profit allocation methodology as the result of the implementation of the Standard. As a result of the PPS mutual operating model, accumulated profits/losses belong to qualifying policyholders of the Group. The 'Equity' will therefore be reported as a component of the total Profit- Share account and Policyholder liabilities under IFRS 17.

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts.

As described above, qualifying policyholders share in the fair value of the remaining interest of the Group. As a result of this requirement, in the separate financial statements of subsidiaries, accounting for Investments in subsidiaries will be changed from Cost less impairment to Fair value through profit or loss. This will be reported as an accounting policy change as in terms of IAS 8.

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 and pooled funds under the control of a PPS entity, are consolidated. Third Party unit trust holders' interests in unit trusts are liabilities of the unit trust and are classified as such in the Group.

Intra-group transactions, balances and unrealised gains on transactions are eliminated on consolidation.

Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. In the Parent's separate annual financial statements, the interests in subsidiaries are accounted for at cost. A provision for impairment is created if there is evidence of impairment.

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 no shareholding in the associate, and therefore has no 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.

3. Financial instruments (continued)

3.2 Financial assets (continued)

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 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 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.

GROUP ACCOUNTING POLICIES continued

3. Financial instruments (continued)

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, property and equipment (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.

4. Insurance and investment contracts (continued)

4.1 Classification of contracts (continued)

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

4. Insurance and investment contracts (continued)

4.2 Valuation and recognition (continued)

4.2.1 Long-term insurance contracts (continued)

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.

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.

4. Insurance and investment contracts (continued)

4.2 Valuation and recognition (continued)

4.2.1 Long-term insurance contracts (continued)

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 recognised 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.

4. Insurance and investment contracts (continued)

4.2 Valuation and recognition (continued)

4.2.1 Long-term insurance contracts (continued)

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.

4. Insurance and investment contracts (continued)

4.2 Valuation and recognition (continued)

4.2.2 Short-term insurance contracts (continued)

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.

Deferred acquisition cost (DAC)

Commissions that are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses when incurred.

Provision for unearned premium reserve (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 365^{th} method.

Provision for unexpired risk

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims (including claims handling fees and related administrative costs). This liability adequacy test is performed annually.

Outstanding Claims Reserve (OCR)

Provision is made for the estimated final cost of all claims that had not been settled on the accounting date, less amounts already paid. Claims and loss adjustment expenses are based on the estimated liability for compensation owed to insurance contract holders or third parties damaged by insurance contract holders. The claims reserve includes an estimated portion of the direct expenses of the claims and assessment charges. The outstanding claims reserve is not discounted.

Provision for claims incurred but not reported (IBNR)

Provision is also made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the Group at that date or up to the date of preparation of the annual financial statements. This provision is calculated using actuarial modeling (refer to note 14.1). This reserve is undiscounted. Gross IBNR uses actuarial projections, a frequency severity approach or a formula based calculation. Once sufficient claims history has been developed, actuarial techniques will be applied to determine the IBNR for all business segmentations. The frequency severity approach is used for the Health Professions Indemnity business. The frequency and severity assumptions result in a calculated best estimate IBNR plus a risk margin. The implicit risk margin is expected to result in an IBNR calibrated at least at a 75th percentile. Assumptions are regularly reviewed and updated as experience emerges. The factor based approach considers the Earned Premium (EP), excluding VAT, per line of business and development year where sufficient data is not available to perform actuarial projections. In addition, a risk factor per line of business and development year is required. The calculation considers 6 development years. The first development year is the 12 months immediately preceding the first development year, etc. The risk factors used

4. Insurance and investment contracts (continued)

4.2 Valuation and recognition (continued)

4.2.2 Short-term insurance contracts (continued)

correlate to a best estimate IBNR plus a risk margin. The implicit risk margin is expected to result in an IBNR at the 75th percentile. The IBNR reserves for all segmentations are held so as to be at least sufficient at the 75th percentile of the ultimate cost distribution. 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 year in which the adjustments are made.

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.

4. Insurance and investment contracts (continued)

4.2 Valuation and recognition (continued)

4.2.2 Short-term insurance contracts (continued)

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. Foreign currency translation (continued)

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.

8. Property and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

• Buildings	50 years
• Vehicles	5 years
• Computer hardware	3 years
• Furniture and fittings	6 years
• Office equipment	5 years
• Leasehold improvements	the lesser of 5 years or the period of the lease
• Right-of-use assets	the lesser of the life of the asset or lease term

Land is not depreciated.

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are included in the Statement of Profit or Loss and Other Comprehensive Income and are determined by comparing sales proceeds with the carrying amount.

9. Intangible assets

Computer software development costs

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as an intangible asset when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Direct costs include the external software development team's costs. Computer software acquired as part of the software development project is capitalised on the basis of the acquisition costs and related costs to bring it to use. All other costs associated with acquiring, 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 and acquired software not exceeding a period of three years. The useful lives of the assets are reviewed at each reporting date and adjusted if appropriate.

9. Intangible assets (continued)

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.

12. Leases (continued)

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 as part of other income, recognised on a straight-line basis.

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 (refer to note 39.3 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 Retirement obligations

The Group provides for retirement benefits of employees by means of a defined contribution provident fund. The assets are held in a separate umbrella fund controlled by trustees appointed by the administrator.

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

Long-term incentive and retention schemes are in place for qualifying employees. The entitlement to these benefits is based on the employee remaining in service of the Group for a period of three to five years, depending on the scheme. The growth of the benefit under the executive retention schemes are based on the five-year rolling historical average return of the PPS Profit-Share Account.

Other long-term employee benefits include employee benefits payable more than 12 months after the related service is rendered. These provisions are measured at present value, using actuarial assumptions. The discount rate is the yield at reporting date of AA-rated government bonds that have maturity dates approximating the terms of the obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

16. Revenue

16.1 Insurance premium revenue

Refer to 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*".

Other income is measured at the fair value of the consideration received or receivable and is recognised as services are rendered and the performance obligation to the customer is met.

Royalties are earned from a licence agreement with PPS Mutual Australia. Long-term Insurance policy administration services are rendered to Noble Oak, a long-term insurance company incorporated in Australia.

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.

Financial advice & Fiduciary service fees are earned for investment advice services as well as activities related to will and estate planning.

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. Interest from unit trusts are recognised when distributed by the unit trust.

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. Dividends from unit trusts are recognised when distributed by the unit trust.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2022

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.

		Group					
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
2021 Restated							
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	(13 347)	–	–	–	(13 347)	(13 347)
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	–	(322)	–	–	(322)	(322)

1. Financial instrument and insurance contract analysis (continued)

		Group					
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
2022							
Equity securities*							
Local listed	6	**15 691**	**–**	**–**	**–**	**15 691**	**15 691**
International listed	6	**6 607**	**–**	**–**	**–**	**6 607**	**6 607**
Debt securities*							
Government and local bonds	6	**20 042**	**–**	**–**	**–**	**20 042**	**20 042**
International listed	6	**57**	**–**	**–**	**–**	**57**	**57**
Unit trusts and pooled funds*	6	**11 500**	**–**	**–**	**–**	**11 500**	**11 500**
Reinsurance assets	7	**–**	**–**	**118**	**–**	**118**	**N/A**
Insurance receivables	8	**–**	**311**	**–**	**–**	**311**	**311**
Prepayments	8	**–**	**–**	**–**	**29**	**29**	**29**
Other receivables	8	**–**	**1 073**	**–**	**–**	**1 073**	**1 073**
Reinsurance receivables	8	**–**	**253**	**–**	**–**	**253**	**253**
Cash and cash equivalents	9	**–**	**2 915**	**–**	**–**	**2 915**	**2 915**
Insurance contract liabilities	13	**–**	**–**	**(38 489)**	**–**	**(38 489)**	**N/A**
Short-term insurance policy liabilities	14	**–**	**–**	**(157)**	**–**	**(157)**	**(157)**
Investment contract liabilities	15	**(4 495)**	**–**	**–**	**–**	**(4 495)**	**(4 495)**
Liabilities to unit trust holders	16	**(15 086)**	**–**	**–**	**–**	**(15 086)**	**(15 086)**
Borrowings	17	**–**	**–**	**–**	**–**	**–**	**–**
Reinsurance liabilities	7	**–**	**–**	**(59)**	**–**	**(59)**	**N/A**
Reinsurance payables	21	**–**	**(90)**	**–**	**–**	**(90)**	**(90)**
Insurance payables	21	**–**	**(56)**	**–**	**–**	**(56)**	**(56)**
Other payables	21	**–**	**(329)**	**–**	**–**	**(329)**	**(329)**

* In the current year, the group transitioned between asset managers. This resulted in a transfer of assets from other instruments such as equities into unit trusts.

2. Property and equipment

	Owner-occupied property R'm	Computer hardware R'm	Vehicles, office furniture & equipment R'm	Leasehold improve-ments R'm	Right-of-use assets: Buildings R'm	Total R'm
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
Year ended 31 December 2022						
Opening net book amount	**481**	**57**	**20**	**11**	**53**	**622**
Additions	**3**	**17**	**5**	**1**	**4**	**30**
Reclassification to intangibles assets*		**(31)**				**(31)**
Disposals: Cost	**–**	**(25)**	**(5)**	**(20)**	**(4)**	**(54)**
Disposals: Accumulated Depreciation	**–**	**25**	**5**	**15**	**4**	**49**
Depreciation charge	**(16)**	**(15)**	**(8)**	**(3)**	**(19)**	**(61)**
Revaluation surplus	**1**	**–**	**–**	**–**	**–**	**1**
Closing net book amount	**469**	**28**	**17**	**4**	**38**	**556**
At 31 December 2022						
Cost or valuation	**485**	**84**	**80**	**17**	**95**	**761**
Accumulated depreciation	**(16)**	**(56)**	**(63)**	**(13)**	**(57)**	**(205)**
Net book amount	**469**	**28**	**17**	**4**	**38**	**556**
Non-current	**469**	**28**	**17**	**4**	**38**	**556**

* Acquired software was reclassified to Intangible assets to be grouped with internally developed software.

2. Property and equipment (continued)

Owner-occupied property

The land and buildings revaluation surplus / (deficit) represents the capital appreciation/(depreciation) on the owner-occupied properties. As the properties are held to back insurance policy liabilities, with discretionary participation features, the movement in insurance policy liabilities as a result of the revaluation is recognised directly in equity.

Deferred tax has been provided on the revaluation difference arising on owner-occupied property owned by PPS Insurance Company Limited, based on the amounts and at the rate applicable to recovery through use.

Owner occupied property is carried at fair value and is classified as level 3 in terms of the IFRS 13 hierarchy.

All of the Group's owner-occupied property consisting of office blocks situated at 6 and 7 Anerley Road, Parktown, and PPS Centurion Square were valued at 31 December 2022 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 38.5 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	
	2022 R'm	2021 R'm
Cost	**459**	456
Accumulated depreciation	**(48)**	(39)
Net book amount as at 31 December	**411**	417

2. Property and equipment (continued)

Leases

Amounts recognised in the Statement of Financial Position

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

	Group	
	2022 R'm	2021 R'm
Right-of-use assets		
Buildings	**38**	53
Lease Liabilities (note 21)		
Current	**21**	19
Non-current	**25**	43
Total lease liabilities	**46**	62

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	
	2022 R'm	2021 R'm
Depreciation – Right-of-use assets: Buildings (included in expenses – Note 27)	**19**	22
Interest expense (included in finance costs – Note 29)	**4**	5
Expenses relating to short-term leases (included in expenses – Note 27)	**12**	3

The total cash outflow for leases in 2022 was R28.6 million (2021: R32.4 million).

3. Investment property

	Group	
	2022 R'm	2021 R'm
Opening net book amount	**371**	460
Additions	**2**	2
Revaluation deficit	**(33)**	(31)
Disposals	**(13)**	–
Transfer to Assets held for sale	**–**	(60)
Net carrying value at end of year	**327**	371

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 38.5 for further information.

Amounts recognised in profit or loss

Rental income generated by the group during 2022 was R44.7 million (2021: R51.0 million) and was included in Other income.

	Group	
	2022 R'm	2021 R'm
Income-generating properties	**45**	51
Vacant properties	**0**	0
	45	51

4. Assets held for sale

	Group 2022 R'm	2021 R'm
Opening net book amount	**60**	–
Transfer from investment property	**–**	60
Disposals	**(60)**	–
Closing net book amount	**–**	60

Erf 414 Wendywood was sold on 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 38.5 for further information.

5. Intangible assets

	Computer Software R'm	Customer Relationships R'm	Total R'm
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
Year ended 31 December 2022			
Opening net carrying value	**237**	**7**	**244**
Additions	**62**	**–**	**62**
Amortisation	**(72)**	**(1)**	**(73)**
Impairment	**–**	**–**	**–**
Reclassification from property and equipment*	**31**		**31**
Closing net carrying value	**258**	**6**	**264**
At 31 December 2022			
Cost	**486**	**9**	**495**
Accumulated amortisation and impairment	**(228)**	**(3)**	**(231)**
Net carrying value at end of year	**258**	**6**	**264**

* Acquired software was reclassified to Intangible assets to be grouped with internally developed software.

Computer Software at a cost of R57 million (2021: R12 million) and accumulated amortisation of R57 million (2021: R12 million) was deemed obsolete and written off during the year.

6. Financial assets – investments at fair value through profit or loss

	Group	
	2022 R'm	2021 Restated R'm
Financial assets excluding third party assets	**40 725**	41 171
Unit trusts and pooled funds managed for third parties (note 16)	**13 172**	11 617
Total financial assets at fair value through profit or loss	**53 897**	52 788
Analysis of financial assets held at fair value through profit or loss		
Level 1 fair value financial assets		
Equity securities:		
– local listed	**15 691**	18 587
– international listed	**6 607**	5 218
Total level 1 fair value financial assets	**22 298**	23 805
Level 2 fair value financial assets		
Debt securities – fixed interest rate:		
– government bonds and local listed	**20 042**	16 580
– international listed	**57**	399
	20 099	16 979
Unit trusts and pooled funds:		
– local unit trusts and pooled funds	**6 300**	4 686*
– international equity unit trusts	**5 127**	4 192
– international fixed interest unit trusts	**35**	300
– international balanced unit trusts	**–**	2 797
	11 462	11 975*
Total level 2 fair value financial assets	**31 561**	28 954*
Level 3 fair value financial assets		
Unit trusts and pooled funds:		
– local pooled funds and unit trusts	**38**	29*
Total level 3 fair value financial assets	**38**	29*
Total financial assets at fair value through profit and loss	**53 897**	**52 788**

* Amounts have been restated for the Old Mutual Midina Fund being disclosed as Level 3 instead of Level 2.

At 31 December 2022, investments classified as Level 2 comprise approximately 58.6% (2021 restated: 54.9%) of financial assets measured at fair value. Debt securities are classified as level 2 as directly observable market inputs other than level 1 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. The investments classifies as Level 3 comprise 0.1% (2021 restated: 0.1 %) of financial assets and represents the Group's investment in the Old Mutual Midina Fund.

6. Financial assets – investments at fair value through profit or loss (continued)

The following valuation approaches are applied for the subsequent measurement of the fair value of the underlying investments of the Old Mutual Midina Fund:

- Discounted cash flow model
- Comparable company valuation multiples
- Comparable market pricing

Inter-relationship between key unobservable inputs and fair value measurement:

Key unobservable input	Fair value measurement impact
Future cash flows	Higher cash flows = Higher fair value
Discount rate	Lower discount rate = higher fair value
Adjustment to multiples comparable companies	Higher multiple = Higher fair value
Market value of properties not completed	Higher estimated value = higher fair value
Comparable sales of houses in the area	Higher comparable sales value = higher fair value

International investments denominated in foreign currencies were translated to Rands at the closing exchange rates at 31 December 2022 of:

$1 = R16.93 (2021: $1 = R15.94)

N$1 = R1.00 (2021: N$1 = R1.00)

The Group invested N$709m (2021: nil) in the Prescient Investment Management - PPS Namibia Portable fund. This is a pooled fund of which PPS Namibia holds 100% of the underlying assets.

6. Financial assets – investments at fair value through profit or loss (continued)

Analysis of movements in financial assets held at fair value through profit or loss:	Group 2022 R'm	Group 2021 Restated R'm
Opening balance	**52 788**	45 470
Additions	**66 961**	35 098
Disposals at carrying value	**(61 781)**	(32 898)
Fair value net (losses) / gains excluding net realised gains	**(4 703)**	4 608*
Foreign currency translation reserve	**304**	306*
Accrued interest movements	**328**	204
Closing balance	**53 897**	52 788
The spread of investments by sector:		
Industrial (%)	**44.5%**	47.3%
Financial (%)	**26.2%**	27.2%
Resources (%)	**29.3%**	25.5%
Maturity profile of fixed interest investments:		
Due in 1 year or less	**2 354**	1 513
Due between 1 year and 5 years	**6 215**	4 871
Due between 5 years and 10 years	**3 277**	2 392
Due after 10 years	**8 253**	8 203
	20 099	16 979

* Foreign currency translation reserve has been disclosed seperately

Cash proceeds on disposal of financial assets

	2022 R'm	2021 R'm
Disposals at carrying value	**61 781**	32 898
Net realised gains on disposal of financial assets (Note: 25)	**2 405**	2 441
Redemptions by third -party unit trust holders (Note 16)	**(420)**	(2 310)
Forex realised (losses) /gains on financial assets (Note: 25)	**56**	(81)
Disposal of financial assets - script transfer between asset managers (Note 33)	**(5 234)**	–
Proceeds on disposal of financial assets	**58 588**	32 948

Cash purchases of financial assets

	2022 R'm	2021 R'm
Acquisitions at carrying value	**66 961**	35 098
Investments by third-party unit trust holders (Note 16)	**(1 939)**	(3 552)
Non-cash acquisitions: script transfer between asset managers (Note 33)	**(5 234)**	–
Non-cash dividends invested (Note 33)	**(103)**	(97)
Non-cash interest invested (Note 33)	**(120)**	(145)
Cash purchases of financial assets	**59 565**	31 304

In the current year, the Group transitioned between asset managers. This resulted in a transfer of assets from other instruments such as equities into unit trusts. Some of the transfers were script transfers.

7. Reinsurance assets and liabilities

	Group	
	2022 R'm	2021 R'm
Reinsurance Assets		
Total assets arising from reinsurance contracts at beginning of the year	**165**	43
Reinsurers' share of long-term insurance policy liabilities (note 13.2)	**–**	104
Reinsurers' share of short-term insurance policy liabilities (note 14.2)	**39**	40
Transfer to / from reinsurance liabilities	**(86)**	(22)
Total assets arising from reinsurance contracts at end of the year	**118**	165
Non-current	**118**	165
Reinsurance Liabilities		
Total liabilities arising from reinsurance contracts at beginning of the year	**–**	(22)
Transfer from / to reinsurance assets	**86**	22
Reinsurers' share of long-term insurance policy liabilities (note 13.2)	**(145)**	–
Total liabilities arising from reinsurance contracts at end of the year	**(59)**	–
Non-current	**(59)**	–
Net Reinsurance assets/(liabilities) per Group entity:		
Professional Provident Society Insurance Company Limited	**(52)**	79
Professional Provident Society Insurance Company (Namibia) Limited	**(7)**	7
Professional Provident Society Short-Term Insurance Company Limited	**118**	79
Total net assets arising from reinsurance contracts at end of the year	**59**	165

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 2022 R'm	2021 Restated*# R'm
Receivables arising from insurance policies	**311**	281
due from policy holders	**332**	295
less allowance for impairment losses from receivables from policy holders	**(21)**	(14)
Due from reinsurers	**253**	428
Other receivables	**1 073**	675
accrued interest	**213**	112
accrued dividends	**27**	23#
loan to PPS Mutual and related parties	**582**	455
less allowance for impairment loss of loan to PPS Mutual	**(234)**	(234)
receivables from investment property lessees	**9**	9
less allowance for impairment of receivables from investment property lessees	**(4)**	(3)
sundry receivables	**480**	313
Prepayments	**29**	26
Foreign currency translation reserve	**0**	0#
Total receivables including insurance receivables and prepayments	**1 666**	1 410
Current	**1 173**	1 100*
Non-current	**493**	310*
Fair value of receivables held at amortised cost	**1 637**	1 384

* The loan to PPS Mutual has been reclassified as non-current.
\# Foreign currency translation reserve has been disclosed separately.

	2022 R'm	2021 Restated R'm
Allowances for impairment losses of receivables from policy holders		
Specific allowances for impairment		
At beginning of year	**(14)**	(13)
Impairment loss recognised	**(17)**	(5)
Impairment loss written off	**10**	4
At end of year	**(21)**	(14)
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)**	(3)
Impairment loss recognised	**(2)**	(2)
Impairment loss written off	**1**	2
At end of year	**(4)**	(3)

9. Cash and cash equivalents

	Group 2022 R'm	2021 restated* R'm
Financial assets excluding third party assets under management	**1 146**	1 852
Unit trusts and pooled funds managed for third parties (note 16)	**1 769**	1 702
Total cash and cash equivalents	**2 915**	3 554
Cash at bank and in hand	**1 909**	2 320
Cash on call	**979**	1 224*
Foreign currency translation reserve	**27**	10*
Total cash and cash equivalents	**2 915**	3 554

* Foreign currency translation reserve has been disclosed separately.

The proportion of cash held to fund the working capital of the Group is 65.4% (2021: 26.1%) 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 3.20% (2021: 3.47%). No cash is restricted and all cash is available for general use by the Company.

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 2.1 times (2021: 2.6 times) which has resulted in R49.3 million allocation from (2021: R6.9 million allocation 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 2022 R'm	2021 R'm
Opening balance	**11**	30
Revaluation surplus / (deficit)	**1**	(26)
Deferred tax	**(1)**	3
Transfer (to) / from Long-Term Insurance Policy Liabilities	**(10)**	4
Closing balance	**1**	11

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

12. Non-controlling interest

	Group 2022 R'm	2021 R'm
Total Non-controlling interest	**–**	–

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. PPS Profit-Share accounts and Long-term insurance policy liabilities

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 worse than in the past for the age groups in which the Group has significant exposure to morbidity risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity. The estimated morbidity experience determines the value of the future benefit payments in the policy liabilities.

  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. PPS Profit-Share accounts and Long-term insurance policy liabilities (continued)

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

- *Investment returns*

  Risk-free fixed interest securities: the risk-free rates are based on the gross redemption yield of the South African 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 derived from the South African Prudential Authority's nominal and real yield curves (2021: 2.75% less than the Prudential Authority's nominal yield curve).

- *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 (2021: no change). The non-economic changes amounted to no change (2021: no change) in liabilities.

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.

13. PPS Profit-Share accounts and Long-term insurance policy liabilities (continued)

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

Variable	Change in variable %	Change in liability 2022 R'm	% change	Change in liability 2021 R'm	% change
Liability per note 13.2		**5 321**		5 254	
Worsening in mortality	**10**	**1 633**	**30.70**	1 287	24.49
Worsening in morbidity rates	**10**	**2 695**	**50.64**	2 576	49.02
Worsening in PI inception rate	**10**	**957**	**17.99**	926	17.63
Lowering of investment returns	**(1)**	**1 844**	**34.65**	2 522	47.99
Lowering of terminations	**(10)**	**345**	**6.49**	851	16.21
Worsening of maintenance expense level	**10**	**1 254**	**23.56**	1 765	33.60
Worsening of expense inflation rate	**10**	**1 184**	**22.26**	2 770	52.72

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 2021 and 2022:

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. PPS Profit-Share accounts and Long-term insurance policy liabilities (continued)

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

	Group					
	2022			2021		
	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:						
Non-DPF liability (Sickness and disability and Life Policies)	**5 297**	**43**	**5 254**	5 121	(51)	5 172
DPF liability (PPS Profit-Share Accounts)	**33 219**	**–**	**33 219**	29 467	–	29 467
Cessation benefits (PPS Profit-Share Accounts) (notified claims)	**483**	**–**	**483**	295	–	295
Sickness and disability policies						
– Claims payable (notified claims)	**29**	**–**	**29**	27	–	27
– Unintimated claims (IBNR)	**149**	**16**	**133**	150	8	142
Life policies						
– Claims payable – (notified claims)	**325**	**–**	**325**	266	–	266
– Unintimated claims (IBNR)	**119**	**27**	**92**	91	25	66
Total at beginning of the year	**39 621**	**86**	**39 535**	35 417	(18)	35 435
Change in Insurance policy liabilities per Statement of Comprehensive Income	**(1 013)**	**(145)**	**(868)**	3 942	104	3 838
Transfer to Revaluation Reserve	**10**	**–**	**10**	(4)	–	(4)
Movement in claims liabilities						
– arising from current year claims	**(134)**	**–**	**(134)**	123	–	123
– arising from prior year claims	**5**	**–**	**5**	143	–	143
Total movement in insurance policy liabilities	**(1 132)**	**(145)**	**(987)**	4 204	104	4 100

13. PPS Profit-Share accounts and Long-term insurance policy liabilities (continued)

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

	Group					
	2022			2021		
	Gross R'm	Re-insurance R'm	Net R'm	Gross R'm	Re-insurance R'm	Net R'm
Total movement allocated	**(1 132)**	**(145)**	**(987)**	4 204	104	4 100
Non-DPF Liabilities (Sickness and disability and Life Policies)	**(70)**	**(137)**	**67**	176	94	82
DPF liability (PPS Profit-Share Accounts)	**(925)**	**–**	**(925)**	3 752	–	3 752
Cessation benefits (PPS Profit-Share Accounts) (notified claims)	**(34)**	**–**	**(34)**	188	–	188
Sickness and disability policies						
– Claims payable (notified claims)	**(5)**	**–**	**(5)**	2	–	2
– Unintimated claims (IBNR)	**78**	**13**	**65**	(1)	8	(9)
Life policies						
– Claims payable (notified claims)	**(86)**	**–**	**(86)**	59	–	59
– Unintimated claims (IBNR)	**(90)**	**(21)**	**(69)**	28	2	26
Analysis of balance at end of the year:						
Non-DPF Liabilities (Sickness and disability and Life Policies)	**5 227**	**(94)**	**5 321**	5 297	43	5 254
DPF liability (PPS Profit-Share Accounts)	**32 294**	**–**	**32 294**	33 219	–	33 219
Cessation benefits (PPS Profit-Share Accounts) (notified claims)	**449**	**–**	**449**	483	–	483
Sickness and disability policies						
– Claims payable (notified claims)	**24**	**–**	**24**	29	–	29
– Unintimated claims (IBNR)	**227**	**29**	**198**	149	16	133
Life Policies						
– Claims payable (notified claims)	**239**	**–**	**239**	325	–	325
– Unintimated claims (IBNR)	**29**	**6**	**23**	119	27	92

13. PPS Profit-Share accounts and Long-term insurance policy liabilities (continued)

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

	Group					
	2022			2021		
	Gross R'm	Re-insurance R'm	Net R'm	Gross R'm	Re-insurance R'm	Net R'm
Total at end of the year	**38 489**	**(59)**	**38 548**	39 621	86	39 535
Current	**968**	**35**	**933**	1 105	43	1 062
Non-current	**37 521**	**(94)**	**37 615**	38 516	43	38 473
Total	**38 489**	**(59)**	**38 548**	39 621	86	39 535

	Group	
	2022 R'm	2021 R'm
The non-DPF liabilities developed as follows:		
Liabilities at beginning of the year	**5 254**	5 172
Unwinding of discount rate	**359**	277
Expected cash flows	**(240)**	(458)
Expected risk liability at year-end	**5 373**	4 991
Impact of movements	**(345)**	(260)
Asset value adjustments	**(10)**	95
Risk benefit liability for new business issued	**303**	428
Non-DPF liabilities at end of the year	**5 321**	5 254
The DPF liabilities developed as follows:		
Liabilities at beginning of the year	**33 219**	29 467
Claims paid during the year	**(1 574)**	(1 642)
Allocation of profits	**619**	5 464
Movement in unallocated profit	**–**	(33)
Asset value adjustments	**30**	(37)
DPF liabilities at end of the year	**32 294**	33 219
Analysis of total insurance policy liabilities, net of reinsurance:		
Non-DPF liabilities	**5 321**	5 254
DPF liabilities	**32 294**	33 219
Notified claims & IBNR liabilities	**933**	1 062
Liabilities at end of the year	**38 548**	39 535

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 a reserve for 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 first 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. The need for an unexpired risk reserve is assessed on the basis of the information available at the reporting date. Claims events occurring after the reporting date in relation to the unexpired period of policies in force at the time are not taken into account in assessing the need for an unexpired risk reserve. 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 reserve (OCR)

The OCR 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. The case estimates on direct business written for commercial and personal lines, are determined by the outsourced claims function, 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. The claims function employs employees experienced in claims handling and rigorously applies standardised policies and procedures to the claims assessment process.The Health Professions Indemnity line of business follows a similar approach. This function is performed in-house and legal advice is obtained as and when required. The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available. The provision for outstanding claims is initially estimated at a gross level. A separate calculation is performed to estimate reinsurance recoveries. 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

14. Short-term insurance policy liabilities (continued)

14.1 Short-term insurance contracts – assumptions (continued)

claim. A quota share arrangement is in place for the Heath professions indemnity line of business. On the inwards reinsurance business, reliance is placed on the expertise and processes applied by the cedent in arriving at the relevant individual case estimates that have been reported.

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. or directly underwritten Personal Lines, the stochastic chain-ladder methodology assists in developing a greater understanding of the trends inherent in the data being projected to estimate the ultimate cost of claims. This process is performed separately for Motor and Non-Motor business. The same approach is used for Commercial Lines business where a separate process in respect of Motor and Non-Motor is applied.

For directly underwritten Health Professions Indemnity business, the experience of the Chief Medical Officer and Internal Legal Advisor is of critical importance to assess the risk presented by each reported incident. The IBNR is then further assessed by considering the actual in-force book composition within the various risk categories of business underwritten. Frequency and severity assumptions are applied to the composition to estimate the ultimate losses for policies written and allocated to the relevant underwriting years. The projected ultimate losses earned at the valuation date is compared to the known claims incurred, with the difference representing the IBNR disclosed. Once a sufficient claims history has been built up, additional actuarial techniques will be employed to determine the IBNR for this segmentation.

The Stochastic chain-ladder technique involves analysing historical claims development factors and selecting estimated development factors based on this historical pattern. The selected development factors are applied to cumulative internal claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year. It is the nature of this technique that a weighted average of claims inflation within the past data will be projected into the future.

A stochastic process is applied to the choice of development factors for each accident year in accordance with standard statistical practices. Numerous simulations are performed to obtain a distribution of the ultimate claims cost. The IBNR reserve is held so as to be. As this method uses historical claims development information, it assumes that the historical claims development pattern is a predictor of future claim developments. There are reasons why this may not be the case. Such reasons include: change in processes that affect the development/recording of claims paid and incurred, economic, legal, political and social trends, and changes in mix of business, random fluctuations and including the impact of large losses. The degree of uncertainty will vary by policy class according to the characteristics of the insured risks and the cost of a claim will be determined by the actual loss suffered by the policyholder. There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Company. Following the notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. The establishment of insurance liabilities is an inherently uncertain process and as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims can vary substantially from the initial estimates. The Company seeks to provide appropriate levels of claim provisions taking the known facts and experience into account. It should be emphasised that the estimation techniques for the determination of insurance liabilities involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the overall estimate.

14. Short-term insurance policy liabilities (continued)

14.2 Short-Term insurance policyholder liabilities

	Group					
	2022			2021		
	Gross R'm	Re-insurance R'm	Net R'm	Gross R'm	Re-insurance R'm	Net R'm
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 beginning of the year	109	79	30	64	38	26
Movement in insurance policy liabilities:						
– Notified claims	8	4	4	–	1	(1)
– Incurred but not reported	21	18	3	36	32	4
Unearned premiums	19	17	2	9	8	1
Total movement in insurance policy liabilities	48	39	9	45	41	4
Notified claims	30	12	18	22	8	14
Incurred but not reported	85	69	16	64	51	13
Unearned premiums	42	37	5	23	20	3
Liabilities at end of the year	157	118	39	109	79	30
Current*	77	47	30	78	51	27
Non-current*	80	71	9	31	28	3

* The Policyholder liabilities Non-current portions have been reclassified to show a current and non-current portion.

	Group	
	2022 R'm	2021 R'm
Claims and loss adjustment expenses developed as follows:		
Notified claims	14	15
Incurred but not reported	13	9
Total at beginning of the year	27	24
Increase in liabilities		
– arising from current year claims settled	131	105
– movement in insurance liabilities and current year claims	(124)	(102)
Notified claims and incurred but not reported liabilities at end of the year	34	27
Notified claims	18	14
Incurred but not reported	16	13
Total	34	27
Unearned premiums is developed as follows:		
Total at the beginning of the year	3	2
Charged to the Statement of Comprehensive Income	2	1
Unearned premiums liabilities at end of the year	5	3

15. Investment contract liabilities

	Group	
	2022 R'm	2021 Restated R'm
Level 2 fair value investment contract liabilities		
Linked investment contracts	**4 495**	4 205
Current	**436**	421*
Non-current	**4 059**	3 784*

* The investment contract liabilities non-current portion has been reclassified to show a current and non-current portion.

All investment contracts are designated on initial recognition as at fair value through profit or loss. The liabilities relating to linked contracts are measured with reference to the underlying assets linked to these contracts. PPS is contractually required to pay linked investment contract holders an amount equal to the fair value of the assets linked to these contracts. Linked contracts do not include any minimum guarantees and hence, there will be no difference between the carrying amount and the amount payable at the maturity date.

Investment contract liabilities are classified as Level 2, as the assets backing up these liabilities are unit trust funds of which the fair values are derived from the unit prices published by the unit trust fund managers.

	Group	
Movement table for investment contract liabilities	**2022 R'm**	2021 R'm
Linked contracts		
Balance at beginning of the year	**4 205**	3 194
Contributions received during the year	**793**	783
Fair value of policyholder liabilities under investment contracts	**(84)**	567
Investment return (debited) /credited to account balances	**(39)**	605
Net fees and charges deducted from account balances	**(45)**	(38)
Benefit payments	**(419)**	(339)
Balance at end of the year	**4 495**	4 205

16. Liabilities to outside unit trust holders

	Group	
	2022 R'm	2021 Restated* R'm
Liabilities to outside unit trust holders		
Balance at beginning of the year	**13 347**	10 121
Investment by outside unit trust holders	**1 939**	3 552
Redemptions by outside unit trust holders	**(420)**	(2 310)
Foreign currency translation reserve	**321**	316
Attributable to outside unit trust holders	**(101)**	1 668
Investment income	**1 049**	659
(Losses) / gains on financial assets	**(862)**	1 231
Expenses	**(288)**	(222)
Balance at end of the year	**15 086**	13 347
Current	**15 086**	13 347

* Refer note 35

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	
	2022 R'm	2021 Restated R'm
Net assets backing up liabilities to unit trust holders	**15 086**	13 347
Financial assets – Investments at fair value through profit or loss (note 6)	**13 172**	11 617
Insurance and other receivables	**269**	147
Cash and cash equivalents (note 9)	**1 769**	1 702
Insurance and other payables	**(124)**	(119)

17. Borrowings

	Group	
	Carrying amount and fair value	
	2022 R'm	2021 R'm
Amortised cost		
Mortgage loans (Secured)	**–**	98
Minority beneficiary loans in PPS Property Fund Trust (Unsecured)	**–**	–
Total borrowings	**–**	98
Current	**–**	29
Non-current	**–**	69

Mortgage loans bear interest at between prime less 0.5% and prime less 1% and were settled in 2022.

18. Deferred tax

	Group	
	2022 R'm	2021 Restated* R'm
Deferred tax assets:		
Provisions	**93**	97
Tax losses carried forward	**99**	95
End of year	**192**	192
Deferred tax liabilities:		
Unrealised gains on investments	**494**	791
Unrealised gains on land and buildings revaluation	**8**	7
End of year	**502**	798
Current asset	**–**	–*
Non-current asset	**192**	192*
Non-current liability	**502**	798

* The prior year deferred tax asset was reclassified to non-current.

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 2021	179
Recognised in profit or loss	13
At 31 December 2021	192
Recognised in profit or loss	**–**
At 31 December 2022	**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		
	Investments R'm	**Land and buildings R'm**	**Total R'm**
At 1 January 2021	384	10	394
Recognised in profit or loss	407	–	407
Recognised directly in equity	–	(3)	(3)
At 31 December 2021	**791**	**7**	**798**
Recognised in profit or loss	**(297)**	**–**	**(297)**
Recognised directly in equity	**–**	**1**	**1**
At 31 December 2022	**494**	**8**	**502**

19. Retirement benefit obligations

	Group	
	2022 R'm	2021 R'm
Statement of Financial Position obligations for:		
– post-employment medical benefits	5	5
	5	5
Statement of profit or loss and comprehensive income charge for (note 28):		
– post-employment 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	
	2022 R'm	2021 R'm
Present value of unfunded obligations	5	5
Liability in the Statement of Financial Position	5	5

The latest actuarial valuation of the Group's post-employment benefits, carried out at 31 December 2022 indicated a present value of projected future benefits amounting to R5.1 million (2021: R5.1 million).

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

	Group	
	2022 R'm	2021 R'm
Post-employment medical benefit obligations at beginning of the year	5	6
Interest cost	1	1
Benefits paid	(1)	(1)
Actuarial (gain) / loss recognised during the year	–	(1)
Post-employment medical benefit obligations at end of the year	5	5

19. Retirement benefit obligations (continued)

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

	Group	
	2022 R'm	2021 R'm
Interest cost	**1**	1
Actuarial (gain) / loss recognised during the year	**–**	(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 (%)	**10.53**	9.51
Medical cost inflation (%)	**7.49**	7.49

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	
	2022 R'm	2021 R'm
Leave pay accrual		
Opening balance	43	40
Charged to the Statement of Profit or Loss and Other Comprehensive Income		
– additional provisions	28	19
Used during the year	(25)	(17)
Closing balance	46	42
Current	46	42
Provision for performance related incentives		
Opening balance	270	223
Additional provisions (executive directors and employees)	180	172
Used during the year	(155)	(125)
Closing balance	295	270
Current	172	148
Non-current	123	122
Total employee-related obligations	341	312

21. Insurance and other payables

	Group 2022 R'm	2021 Restated R'm
Payables arising from insurance policies	**56**	129
due to policy holders	**36**	125
premiums received in advance	**20**	4
Reinsurance Payables	**90**	67
Foreign currency translation reserve	**2**	1
Other payables	**329**	322
accruals	**282**	283
employees tax	**24**	27
sundry creditors	**23**	12
Lease liabilities	**46**	62
Total insurance and other payables	**523**	581
Current	**498**	538
Non-current	**25**	43
Reconciliation of lease liabilities		
Opening balance	**62**	**65**
Additions	**4**	**21**
Interest	**4**	**5**
Payments	**(24)**	**(29)**
Closing balance	**46**	**62**

Lease liabilities – Maturity analysis

Group R'm	Carrying amount	Contractual undiscounted cash flows Total cash flows	Within 1 year	2 – 5 years
2022	**46**	**50**	**23**	**27**
2021	62	70	23	47

22. Net insurance premium revenue

	Group	
	2022 R'm	2021 R'm
Individual premiums from policyholders	**6 005**	5 579
Long-term	**5 734**	5 349
Short-term	**271**	230
Group reinsurance premiums inwards	**–**	6
Long-term	**–**	5
Short-term	**–**	1
Premium revenue arising from insurance contracts issued	**6 005**	5 585
Individual premium revenue ceded to reinsurers on insurance contracts issued	**(669)**	(555)
Long-term	**(599)**	(512)
Short-term	**(70)**	(43)
Total net insurance premium revenue	**5 336**	5 030
Long-term	**5 135**	4 842
Short-term	**201**	188

23. Other income

	Group	
	2022 R'm	2021 R'm
Revenue from contracts with customers	**608**	550
Rental income	**47**	55
Total other income	**655**	605
Disaggregation of revenue with customers:		
Primary geographical markets		
South Africa	**622**	577
Australia	**33**	28
	655	605
Major service lines		
Royalties from licence agreement	**12**	6
Long-term insurance & medical aid policy administration	**364**	338
Investment management services and advice fees	**140**	131
Financial advice & fiduciary services	**92**	75
Rental income	**47**	55
	655	605

24. Investment income

	Group 2022 R'm	2021 Restated R'm
Financial assets held at fair value through profit or loss and at amortised cost		
Interest income	**1 523**	1 329
Dividend income	**1 006**	791
Total investment income	**2 529**	2 120

Interest of R120.7 million (2021 Restated: R145.1 million) and dividends of R102.7 million (2021 Restated: R96.6 million) distributed by unit trusts are directly reinvested *in lieu* of receiving cash and cash equivalents. Refer to Note 33.

25. (Losses) / gains on financial assets and investment property

	Group 2022 R'm	2021 Restated* R'm
Financial assets held at fair value through profit or loss		
Net realised gains on disposal of financial assets	**2 405**	2 441
Net realised foreign exchange (losses) / gains	**56**	(81)
Net unrealised (losses) / gains on revaluation of financial assets	**(4 703)**	4 608
Investment property		
Fair value losses on investment property	**(33)**	(31)
Net realised gains on disposal of investment property	**(1)**	–
Financial assets at amortised cost		
Effect of exchange gains / (losses) on cash and cash equivalents	**62**	110
Effect of exchange (losses) / gains on non-current receivables	**(2)**	11
Total (losses) / gains on financial assets and investment property	**(2 216)**	7 058

The significant losses in the current year are as a result of market performance and the transitioning of assets between fund managers

* Prior year numbers were restated (refer note 35).

26. Net insurance benefits and claims expense

	Group	
	2022 R'm	2021 R'm
Gross		
Long-term insurance contracts with and without DPF		
– Individual sickness and incapacity benefits: Current year	**2 392**	2 100
– Individual sickness and incapacity benefits: Arising from prior year	**5**	143
– Group non-DPF component of death benefits	**957**	2 020
– Individual DPF component of death, retirement and resignation benefits	**1 534**	1 745
Short-term insurance contracts		
– Personal lines	**123**	99
– Commercial lines	**8**	3
– Professional indemnity	**23**	37
Total gross insurance benefits and claims	**5 042**	6 147
Reinsurance recoveries		
Long-term insurance contracts with and without DPF		
– Individual sickness and incapacity benefits	**(235)**	(184)
– Death benefits	**(195)**	(478)
Short-term insurance contracts		
– Personal lines	**(3)**	(1)
– Professional indemnity	**(20)**	(33)
Total reinsurance recoveries	**(453)**	(696)
Total net insurance benefits and claims	**4 589**	**5 451**

27. Expenses

	Group 2022 R'm	Group 2021 Restated R'm
Acquisition of insurance contracts:		
Long-term insurance	**348**	317
Short-term Insurance	**16**	15
Multi-managers' fees in PPS Investments	**201**	138
Marketing and administrative expenses include:		
Amortisation and impairment of intangible assets (note 5)	**73**	53
Auditor's remuneration	**15**	9
– Audit fees	**15**	9
– Other services	**–**	0.1
Data processing and information technology systems maintenance	**329**	322
Depreciation on property and equipment (note 2)	**61**	71
Directors'/Trustees' and executives' remuneration	**44**	46
– Directors/Trustees – non-executive	**13**	11
– Executive directors of PPS Insurance	**23**	25
– Directors of other subsidiaries	**8**	10
Employee costs (note 28)	**1 152**	1 075
Fees for services	**23**	26
– Actuarial	**10**	10
– Legal	**9**	13
– Internal audit	**4**	3
Investment management fees	**138**	184
Other administration, maintenance and product development expenses	**302**	239
Lease rentals	**5**	3
Total expenses	**2 707**	2 498

Value-Added Tax which cannot be recovered from the relevant taxation authority is expensed together with the related expense. Prior year was restated due to a reclassification of a tax expense included in expenses in 2021.

28. Employee costs

	Group 2022 R'm	Group 2021 R'm
Salaries and related costs	**874**	816
Pension costs – defined contribution plans	**100**	90
Other post-employment benefits (note 19)	**1**	–
Performance-related incentives	**177**	169
Total employee costs (excluding executives)	**1 152**	1 075

29. Finance costs

	Group	
	2022 R'm	2021 R'm
Interest expense on borrowings	**3**	–
Notional interest expense on lease liabilities	**4**	5
Total finance costs	**7**	5

30. Tax

	Group	
	2022 R'm	2021 Restated R'm
Current income tax	**289**	300
– Current year tax	**290**	299
– Prior years (over-provision) / under-provision	**(1)**	1
Dividend withholding tax on deemed dividends	**111**	105
	400	405
Deferred tax	**(297)**	394
Total tax	**103**	799
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	**(814)**	4 624
Tax calculated at domestic tax rates applicable to profits in South Africa/Namibia	**(202)**	1 324
Tax effect of income not subject to tax	**(1 476)**	(2 494)
Tax effect of non-deductible expenses	**1 664**	1 900
Tax effect of tax rate on Dividend Withholding Tax on deemed dividends being different to tax rate on the individual policyholder fund ("IPF")	**111**	53
Prior years under-provision / (over-provision)	**4**	1
Tax effect of CF tax rate being different to IPF tax rate	**2**	15
Total tax per Statement of Profit or Loss and Other Comprehensive Income	**103**	799

The applicable tax rate was 28% (2021: 28%) for South African companies and 32% (2021: 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%. Deferred tax is raised at 27% for the Corporate Fund.

Dividend withholding tax is payable on dividends received in the individual policy fund.

The Group has accumulated losses of R370.6 million (2021: R333.8 million) available in certain subsidiaries for offset against future taxable income in those subsidiaries.

31. Cash (utilised by)/generated from operations

	Group	
	2022 R'm	2021 Restated* R'm
Reconciliation of profit before movement in insurance policy liabilities to cash (utilised by)/generated from operations:		
	(915)	6 292
(Deficit) / Surplus before movement in policy liabilities	**(814)**	4 624
Attributable to unit trust holders	**(101)**	1 668
Investment contract receipts	**793**	783
Investment contract surrenders	**(419)**	(339)
Adjustments for:		
– Depreciation	**61**	71
– Fair value of policyholder liabilities under investment contracts	**(84)**	567
– Amortisation and impairment of intangible asset	**73**	53
– Realised loss on disposal of property and equipment	**5**	3
– Investment income	**(2 529)**	(2 120)
– Finance costs	**7**	5
– Total gains on financial assets and investment property held at fair value through profit or loss	**2 216**	(7 058)
– Impairment losses recognised on receivables	**8**	1*
– Increase in non-current insurance and other payables	**1**	18
Changes in working capital:		
– Insurance and other receivables	**24**	(261)*
– Insurance and other payables	**(14)**	142
– Short-term policy liabilities	**9**	4
– Insurance policy liabilities	**(129)**	266
Cash utilised by operations	**(893)**	(1 573)

* Movement on Impairment losses has been disclosed separately.

32. Tax paid

	Group	
	2022 R'm	2021 Restated R'm
Net tax (payable) / receivable at beginning of year	**23**	(72)
Current tax as per Statement of Profit or Loss and Other Comprehensive Income (note 30)	**400**	405
Net tax payable at end of year	**(30)**	(23)
Total tax paid	**393**	310

33. Non-cash transactions

	Group	
	2022 R'm	2021 Restated* R'm
Disposal of financial assets- script transfer between asset managers (Note 6)	(5 234)	-
Acquisition of financial assets- script transfer between asset managers (Note 6)	5 234	-
Non-cash dividends received	108	100*
- Non-cash dividends from unit trusts reinvested	103	97*
-Movement on accrued dividends (Note 8)	5	3
Non-cash interest received	574	406*
- Non-cash interest from unit trusts reinvested	120	145*
- Non-cash interest capitalised on loans granted	26	15
- Movement on accrued interest on investments (Note 6)	328	204
- Movement on accrued interest on receivables (Note 8)	100	42
Total Non-cash transactions	**682**	506*

* Refer Note 35

In the current year the Group transitioned between asset managers. This resulted in a transfer of assets from other instruments such as equities into unit trusts. Some of the transfers were script transfers.

34. Commitments

	Group	
	2022 R'm	2021 Restated R'm
a. **Capital expenditure contracted for at the reporting date but not yet incurred is as follows:**		
– Committed but not contracted for	672	674
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	15	45
Due between one year and five years	13	58
Due after five years	1	2
c. **Irrevocable loan commitments**		
Authorised and contracted	169	106

35. Restatement of comparatives

Restatement of comparatives relate to disclosure matters and therefore do not impact net profit, allocations to members' Profit-Share Accounts, Group net assets, nor the value of members' PPS Profit-Share Accounts.

35.1 Foreign Currency Translation Reserve

The Global Equity Fund ("GEF")is a controlled entity in the PPS Group and is consolidated in the PPS Group Annual Financial Statements. In the 2021 Group Annual Financial Statements, foreign currency movements relating to the translation of the GEF from USD to Rand were reflected in the Statement of Profit or Loss and Other Comprehensive Income as part of investment gains. IAS 21 The Effects of Changes in Foreign Exchange Rates requires that a Foreign Currency Translation Reserve (FCTR) be created for these movements arising on consolidation, which however, clears to zero through the Liabilities to Unit Trust Holders. Movements in investment gains have been restated to movements in FCTR to the value of R307 million to show the movements in foreign currency differences separately. The impact on net cash from investing activities is -R10 million.

35.2 Accruals of distributions in Unit Trusts

The PPS Collective Investment Scheme is a controlled entity in the PPS Group and is consolidated in the PPS Group Annual Financial Statements. In the 2021 and 2020 Group Annual Financial Statements, income distributions from these unit trusts after financial year end were accrued for by raising a separate liability against the Unit Trust Liability.

It was subsequently noted that when a liability relating to a Unit Trust is raised outside of the Unit Trust Liability, it can create unintended equity. Therefore, in order to align with the requirements of IAS32 Financial Instruments, the separate accrual raised was reversed, resulting in an increase in liabilities to outside unit trust holders and a decrease in Insurance and other payables of R893 million (2020: R824 million). Opening balances have been restated in terms of IAS1 Presentation of Financial Statements.

35.3 Reversal of unit trust deemed income

The PPS Collective Investment Scheme is a controlled entity in the PPS Group and is consolidated in the PPS Group Annual Financial Statements. In the 2021 Group Annual Financial Statements, deemed income of R38 million recognised in these unit trusts as part of investment income was not reversed into the contributions account.

Investment income has been restated to reclassify the deemed income raised to the Contributions in the Liabilities to outside unit trust holders.

35.4 Net changes to cash utilised by operations, interest and dividends received

During the current year, the Group recalculated the non-cash components of the Interest and Dividends distributed by unit trusts, particularly those immediately reinvested. This recalculation resulted in a restatement of the interest received R193 million and dividends received R88 million. 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. Consequential adjustments to cash utilised in operations amount to R39 million.

35. Restatement of comparatives (continued)

35.5 Reclassification of movement on non-current receivables

Cash flows relating to non-current receivables and payables have been reclassified from operating cash flows to investing & financing cash flows to the net value of R80 million for non-current receivables.

35.6 Net changes to cash from investing activities

Consequential adjustments for accruals of distributions in Unit trusts R69 million, purchases of financial assets consisting of: foreign currency translation reserve -R10 million, reversal of unit trust deemed income R38 million, non-cash dividends distributed by unit trusts R228 million; and a reclassification of movement on non-current receivables R-80 million, results in an adjustment to cash from investing activities of R245 million.

35.7 Reclassification of tax

The PPS Global equity fund disclosed its tax expense as part of the expenses to the value of R13 million. This expense has been reclassified to tax on the Statement of Profit or Loss and Other Comprehensive Income

The impact of these restatements is indicated below:

	Group					
	2021 Before restatement R'm	Effect of restatement R'm	2021 Restated R'm	1 January 2021 before restatement R'm	Effect of restatement R'm	1 January 2021 Restated R'm
Extract from Statement of Financial Position						
Total assets	**59 668**	**–**	**59 668**	**50 524**	**–**	**50 524**
Total equity	**307**	**–**	**307**	**339**	**–**	**339**
Liabilities to outside unit trust holders	**12 454**	**893**	**13 347**	9 297	824	10 121
Insurance and other payables	**1 474**	**(893)**	**581**	1 297	(824)	473
Other liabilities	**45 433**	**–**	**45 433**	39 591	–	39 591
Total Liabilities	**59 361**	**–**	**59 361**	**50 185**	**–**	**50 185**
Total equity and liabilities	**59 668**	**–**	**59 668**	**50 524**	**–**	**50 524**

35. Restatement of comparatives (continued)

	Group					
	2021 Before restatement R'm	Effect of restatement R'm	2021 Restated R'm	1 January 2021 before restatement R'm	Effect of restatement R'm	1 January 2021 Restated R'm
Extract from Statement of Profit or Loss and Other Comprehensive Income						
Investment income	2 158	(38)	2 120	–	–	–
Investment gains on financial assets and investment property	7 374	(316)	7 058	–	–	–
Attributable to outside unit trust holders	(2 022)	354	(1 668)	–	–	–
Expenses	(2 511)	13	(2 498)	–	–	–
Tax charge	(786)	(13)	(799)	–	–	–
Other income / (expenses)	(4 249)	–	(4 249)	–	–	–
Total comprehensive income for the year	(36)	–	(36)	–	–	–
Extract from Statement of Cash Flows						
Cash utilised by operations	(1 612)	39	(1 573)	–	–	–
Interest received	1 116	(193)	923	–	–	–
Dividend received	779	(88)	691	–	–	–
Taxation paid	(297)	(13)	(310)	–	–	–
Net cash from operating activities	(19)	(255)	(274)	–	–	–
Purchase of financial assets	(31 560)	256	(31 304)	–	–	–
Proceeds from disposal of financial assets	32 879	69	32 948	–	–	–
Increase in non-current loan receivables	–	(80)	(80)	–	–	–
Net cash from investing activities	1 235	245	1 480	–	–	–
Net increase in cash and bank	1 138	(10)	1 128	–	–	–
Effect of exchange rate changes on cash and cash equivalents	110	10	120	–	–	–
Cash and bank at beginning of year	2 306	–	2 306	–	–	–
Cash and bank at end of year	3 554	–	3 554	–	–	–

The relevant impact on risk disclosures has been adjusted.

36. Trustees' remuneration

The PPS Holdings Trust trustees' remuneration from the Group

	2022			2021		
	The PPS Holdings Trust (including committees) R'000	**Subsidiary Companies (including committees) R'000**	**Total remuneration (including committees) R'000**	The PPS Holdings Trust (including committees) R'000	Subsidiary Companies (including committees) R'000	Total remuneration (including committees) R'000
Dr A Coetzee	**119**	**–**	**119**	212	–	212
Mr AH de Vries	**222**	**–**	**222**	103	–	103
Ms D L T Dondur	**372**	**294**	**666**	329	318	647
Mr J A B Downie	**508**	**398**	**906**	481	266	747
Dr D P du Plessis	**221**	**1 384**	**1 605**	212	1 298	1 510
Mr C Erasmus	**104**	**2 205**	**2 309**	100	1 958	2 058
Dr N H P Khosa	**221**	**424**	**645**	212	410	622
Mr I Kotzé	**211**	**27**	**238**	212	26	238
Dr C M Krüger	**456**	**144**	**600**	438	161	599
Dr F Mansoor	**221**	**34**	**255**	212	13	225
Mr E A Moolla	**–**	**–**	**–**	67	147	214
Ms J K Myburgh	**221**	**–**	**221**	212	–	212
Dr R E Ngwenya	**108**	**–**	**108**	–	–	–
Mrs N N Nongogo	**–**	**–**	**–**	67	–	67
Dr B R Ntshabele	**119**	**–**	**119**	–	–	–
Mr N Nyawo	**92**	**–**	**92**	212	26	238
Dr R Putter	**221**	**34**	**255**	212	13	225
Mr P Ranchod	**249**	**784**	**1 033**	238	747	985
Mr V P Rimbault	**262**	**–**	**262**	251	–	251
Prof L C Snyman	**92**	**–**	**92**	212	–	212
Dr S N E Seoka	**784**	**259**	**1 043**	753	271	1 024
Mr S Trikamjee	**343**	**443**	**786**	369	274	643
Prof H E Wainer	**70**	**1 114**	**1 184**	68	1 102	1 170
Total	**5 216**	**7 544**	**12 760**	5 172	7 030	12 202

37. 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, Professional Provident Society Healthcare Administrators Proprietary Limited, Professional Provident Society Short-Term Insurance Company Limited,

37. Related parties (continued)

Professional Provident Society Investments Proprietary Limited, Professional Provident Society Multi-Managers Proprietary Limited, Professional Provident Society Investment Administrators Proprietary Limited, PPS Nominees Proprietary Limited, Professional Provident Society Wealth Advisory Proprietary Limited, Professional Provident Society Management Company (RF) Proprietary Limited, PPS Property Fund Trust, Financial Solutions 4 Professionals Proprietary Limited and Six Anerley Road Holdings Proprietary Limited, which are subsidiary companies/trusts of Professional Provident Society Insurance Company Limited.

Other controlled entities

Entities listed below are controlled through board representation:

Professional Provident Society Foundation Trust and Professional Provident Investments Long-term incentive Trust. The following unit trusts and pooled fund is controlled either through a group subsidiary rendering asset management services, or A group subsidiary owning 100% of the underlying net assets of the fund: PPS Collective investment scheme, PPS Global Equity Fund, PPS Namibia Portable fund.

Associates

Intembeko Investment Administrators Proprietary Limited was an associate company of PPS Investments Proprietary Limited, a wholly owned subsidiary of Professional Provident Society Insurance Company Limited until 31 December 2021 after which date significant influence could no longer be demonstrated. On 1 December 2022, Intembeko Investment Administrators Proprietary Limited completed an asset-for-share agreement whereby PPS Foundation Trust disposed of its 70 shares held in Intembeko Investment Administrators Proprietary Limited to Intembeko HoldCo Proprietary Limited, in consideration for the issue and allotment of 70 shares in Intembeko HoldCo Proprietary Limited. The Trust owns 10% shareholding of the Intembeko HoldCo Proprietary Limited Group. No gains or losses were realised as the fair value of the shares received are deemed to be equal to the fair value of the shares disposed. 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 R26.2 million (2021: R15.0 million) of interest for the year on loan funding of R558.6 million (2021: R432.9 million) provided to PPS Mutual Limited Group, of which R234.4 million (2021: R234.4 million) has been impaired.

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:

37. Related parties (continued)

	Group 2022 R'000	Group 2021 R'000
Life and disability		
– Premiums	**2 725**	2 588
Sickness benefit		
– Premiums	**1 547**	1 500
– Claims	**1 943**	1 170
PPS Profit-Share Account	**17 211**	17 310
Motor and household		
– Premiums	**1 122**	1 125
– Claims	**893**	431
Assets under management	**94 638**	63 382

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 2022 R'000	Group 2021 R'000
Salaries and other employee benefits	**52 273**	49 036
Performance payments	**27 675**	29 137
Trustees' remuneration	**12 760**	12 202
	92 708	90 375

38. 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.

38.1 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.

38. Critical accounting estimates and judgements in applying accounting policies (continued)

38.2 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.

38.3 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%). Deferred tax is raised at 27% for the Corporate Fund. Additional information is provided in Note 30 of these financial statements.

38.4 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.

38.5 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 8.49% to 13.97% (2021: 5.45% to 11.62%), an exit capitalisation range of 10.25% to 11.50% (2021: 10.25% to 11.25%), a revenue escalation range of 3.49% to 9.26% (2021: 3.93% to 10.76%) and an expense escalation range of 5.75% and 10.00% (2021: 5.00% to 11.00%). 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.

38. Critical accounting estimates and judgements in applying accounting policies (continued)

38.6 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.

38.7 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 Executive Retention Scheme include the expected growth in the PPS Profit-Share Account (rolling five-year average historical growth 12.2% (2021: 10.9%), and the turnover of staff participating in the scheme (nil) (2021: nil). Additional information is provided in Note 20 of these financial statements. In respect of the Namibia long term incentive and retention scheme, the cost of the benefits of the long-term incentive scheme depends on a number of assumptions used in calculating the present value under the projected unit credit method. The assumptions used in determining the charge to the statement of profit or loss and comprehensive income arising from these obligations include the expected growth in the Apportionment account (rolling 5-year average historical growth) of 16.8% (2021: Not applicable), the turnover of staff participating in the scheme (nil) and the discount rate (an appropriate market-related yield curve as at the statement of financial position date). Any changes in these assumptions will impact the charge to the statement of profit or loss and comprehensive income.

Other long-term employee benefits include employee benefits payable more than 12 months after the related service is rendered. These provisions are measured at present value, using actuarial assumptions. The discount rate is the yield at reporting date of AA-rated government bonds that have maturity dates approximating the terms of the obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in the statement of comprehensive income in the period in which they arise.

38.8 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.

38.9 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.

38.10 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.

39. Management of risks

39.1 General

The PPS Boards have overall responsibility for the Group's systems of internal control and risk management. The Chief Executives and executive management are responsible for the management and implementation of the PPS Group Enterprise Risk Management Framework and Governance Frameworks.

To assist the PPS Boards in the execution of its fiduciary duties in regard to risk management, legal and compliance accountabilities, as set out in detail in policies and frameworks adopted by the PPS Group, the **Group Risk Committee** has the following responsibilities:

- Assisting the PPS Board 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 Board 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 Board 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 regard to 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;

39. Management of risks (continued)

- 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 93 to 94.

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;

39. Management of risks (continued)

39.1 General (continued)

- 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.
- Ensure effective risk management training programmes are established.

Compliance

- Monitors and reports on compliance with legislative and regulatory requirements;
- Monitors that systems and controls are in place to ensure that the Group's exposure to legal and/or regulatory risk is minimised;
- Employs a risk based compliance monitoring plan/risk matrix;
- Keep a record of all monitoring and other activities conducted;
- Manages the Group's relationship with its regulators;
- Evaluates the impact of forthcoming legislative regulatory changes and provides advice on required processes and controls enhancements and the adequacy of the proposed controls;
- Reports to Group Risk Committee 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.

39.2 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.

39. Management of risks (continued)

39.2 Insurance product risk management (continued)

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 (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 either age-rated or level may be selected as the premium pattern 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.

39. Management of risks (continued)

39.2 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.

39. Management of risks (continued)

39.2 Insurance product risk management (continued)

Type of contract	Terms and conditions
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.

39. Management of risks (continued)

39.2 Insurance product risk management (continued)

Type of contract	Terms and conditions
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 (until June 2022).

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.

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 (refer note 13).

39. Management of risks (continued)

39.2 Insurance product risk management (continued)

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 2022 R'm	Non-DPF component of insurance liabilities	DPF component of insurance liabilities	Total
South Africa			
Gross	**4 931**	**30 755**	**35 686**
Net of reinsurance	**5 016**	**30 755**	**35 771**
Namibia			
Gross	**297**	**1 277**	**1 574**
Net of reinsurance	**305**	**1 277**	**1 582**

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

39. Management of risks (continued)

39.2 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 38.2.

39. Management of risks (continued)

39.2 Insurance product risk management (continued)

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	2022	2021
Loss history		
Net claims paid and provided % of net earned premiums	**64.9%**	55.3%

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-.

39. Management of risks (continued)

39.2 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 2022	% of Net Earned Premium 2021
Motor	**60%**	60%
Property	**35%**	35%
Liability	**5%**	4%
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.

39.3 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.

39. Management of risks (continued)

39.3 Financial risk management (continued)

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.

39. Management of risks (continued)

39.3 Financial risk management (continued)

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	2022	2021
Debt securities*	**22 436**	18 095
Reinsurance assets	**118**	165
Insurance receivables	**311**	281
Cash and cash equivalents*	**4 302**	3 921
Other receivables	**1 073**	675
Reinsurance receivables	**253**	428
Total	**28 493**	23 565

* Including assets held in unit trust funds.

Corporate and government debt

Included in the category designated at fair value through profit or loss are interest instruments of corporate and government debt. Management recognises and accepts that losses may occur through the inability of corporate debt issuers to service their debt. To mitigate this risk, management has formulated guidelines based on ratings from Standard & Poor's, an industry accepted credit ratings agent.

The Group's total exposure to corporate debt amounted to R22.4 billion (2021: 18.1 billion) at 31 December 2022. The following represent the major industry sectors to which the Group is exposed as at 31 December 2022:

39. Management of risks (continued)

39.3 Financial risk management (continued)

Group R'm	2022	2021
Government	**10 611**	12 169
Banks	**5 304**	4 349
Utilities	**538**	682
Corporate	**5 983**	895
Total	**22 436**	18 095

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 2022 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*	**11 627**	**7 428**	**42**	**291**	**3 048**	**22 436**
Reinsurance assets	**–**	**118**	**–**	**–**	**–**	**118**
Insurance receivables	**–**	**–**	**–**	**–**	**311**	**311**
Cash and cash equivalents*	**–**	**3 252**	**419**	**476**	**155**	**4 302**
Other receivables	**–**	**–**	**–**	**–**	**1 073**	**1 073**
Reinsurance receivables	**–**	**253**	**–**	**–**	**–**	**253**

* Including assets held in unit trust funds.

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.

39. Management of risks (continued)

39.3 Financial risk management (continued)

Ageing of financial assets

The following table provides information regarding the credit quality of assets which expose the Group to credit risk:

Group	Financial assets that are past due				
2022 R'm	Not past due with immaterial impairment	Between 0 – 2 months	Between 2 – 5 months	More than 5 months	Carrying value
Insurance receivables	**52**	**1**	**3**	**255**	**311**
Reinsurance assets	**118**	**–**	**–**	**–**	**118**
Reinsurance receivables	**205**	**16**	**21**	**11**	**253**
Other receivables	**951**	**120**	**1**	**1**	**1 073**
Cash and cash equivalents	**4 302**	**–**	**–**	**–**	**4 302**

Group		Financial assets that are past due			
2021 Restated R'm	Not past due with immaterial impairment	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

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. When determining whether credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis, based on the Company's experience and informed credit assessment, that includes forward-looking information such as forecasts which include the impact of macro-economics. 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

39. Management of risks (continued)

39.3 Financial risk management (continued)

The Company writes off the gross carrying amount of the financial assets and insurance contract assets (net of the remaining Profit-Share Account balance) when it has no reasonable expectations of recovering the asset or portion thereof. The Company expects no significant recovery from the amount written off. 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	2022 Gross	2022 Impairment losses	2022 Net	2021 Gross	2021 Impairment losses	2021 Net
Due from contract holders (note 8)	**332**	**(21)**	**311**	295	(14)	281
Loan to associate company (note 8)	**559**	**(234)**	**325**	433	(234)	199
Due from investment property lessees (note 8)	**9**	**(4)**	**5**	9	(3)	6

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments to policyholders under policy contracts and in respect of financial liabilities.

The Group's approach to managing its liquidity risk is as follows:

- Policyholder funds are invested in assets that in aggregate match the reasonable benefit expectation of policyholders, which includes the expectation that funds will be available to pay out benefits as required by the insurance contract.
- Policyholder funds are primarily invested in assets that are listed financial instruments on various stock and bond exchanges and cash or cash equivalents that are actively traded on the various stock and bond exchanges, resulting in the ability to liquidate most of these investments at relatively short notice to be able to timeously pay out benefits as required by the policy contract. Some policyholder funds are invested in less liquid assets, such as fixed property, but not to the extent that this creates a material liquidity risk in meeting commitments to policyholders.
- Furthermore, the operational cash flow is sufficient to cover cash flow of a normal operational nature for example, in order to settle outstanding trade creditor balances.

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).

39. Management of risks (continued)

39.3 Financial risk management (continued)

R'm	Carrying amount	Total cash flows	Contractual cash flows: Within 1 year	2 – 5 years	6 – 10 years	11 – 20 years	Over 20 years
Insurance contract liabilities – DPF	**32 294**	**32 294**	**2 074**	**4 865**	**6 988**	**12 218**	**6 149**
Insurance contract liabilities – non-DPF	**5 321**	**(30 837)**	**523**	**1 371**	**(133)**	**(6 352)**	**(26 246)**
Short-term Insurance liabilities	**157**	**157**	**77**	**80**	**–**	**–**	**–**
Reinsurance payables	**90**	**90**	**90**	**–**	**–**	**–**	**–**
Third-party financial liabilities arising on consolidation of unit trusts	**15 086**	**15 086**	**15 086**	**–**	**–**	**–**	**–**
Investment contract liabilities	**4 495**	**4 495**	**287**	**1 146**	**1 506**	**1 556**	**–**
Borrowings	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other financial liabilities	**329**	**329**	**329**	**–**		**–**	
Lease liabilities	**46**	**46**	**21**	**25**	**–**	**–**	**–**

Group 2021 Restated R'm	Carrying amount	Total cash flows	Contractual cash flows: Within 1 year	2 – 5 years	6 – 10 years	11 – 20 years	Over 20 years
Insurance contract liabilities – DPF	33 270	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	13 347	13 347	13 347	–	–	–	–

39. Management of risks (continued)

39.3 Financial risk management (continued)

Group		Contractual cash flows					
2021 Restated R'm	Carrying amount	Total cash flows	Within 1 year	2 – 5 years	6 – 10 years	11 – 20 years	Over 20 years
Investment contract liabilities*	4 205	4 205	259	1 036	1 372	1 538	–
Borrowings	98	98	29	69	–	–	–
Other financial liabilities	322	322	322	–	–	–	
Lease liabilities	62	62	19	43	–	–	–

* Investment contract liabilities and Other financial liabilities contractual cash flows have been restated.

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.

39. Management of risks (continued)

39.3 Financial risk management (continued)

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.

The cash and cash equivalents and debt securities interest rate sensitivity on profit before movement in insurance liabilities is shown below:

Group	2022 R'm	2021 R'm
Cash and cash equivalents		
Interest rate decrease: 1%	**(61)**	(39)
Interest rate increase: 1%	**61**	39
Debt Securities		
Interest rate decrease: 1%	**(224)**	(181)
Interest rate increase: 1%	**224**	181
Total interest rate risk		
Interest rate decrease: 1%	**(285)**	(220)
Interest rate increase: 1%	**285**	220

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:

	DPF and Investment policies excluding Investment Choice R'm	%	Investment Choice (DPF) R'm	%
Equity - local	8 255	32.3	1 750	27.2
Interest - local and international	10 020	39.2	3 072	47.7
Cash - local and international	1 794	7.0	400	6.2
Equity - international	5 521	21.5	1 220	18.9
Total	**25 590**	**100.0**	**6 442**	**100.0**

39. Management of risks (continued)

39.3 Financial risk management (continued)

Group 2021	DPF and Investment policies excluding Investment Choice R'm	% 	Investment Choice (DPF) R'm	%
Equity - local	11 053	41.7	1 887	29.2
Interest - local and international	5 128	19.4	2 872	44.4
Cash - local and international	2 080	7.9	335	5.2
Equity - international	8 230	31	1 370	21.2
Total	26 491	100.0	6 464	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:

	2022 R'm	%	2021 R'm	%
Equity - local	**752**	**14.1**	646	12.3
Interest - local and international	**4 171**	**78.4**	3 909	74.4
Cash - local and international	**62**	**1.2**	42	0.8
Equity - international	**336**	**6.3**	657	12.5
Total	**5 321**	**100.0**	5 254	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.

39. Management of risks (continued)

39.3 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 45% 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 in terms of local legislation is 55% of assets can be invested outside of Namibia, of which 45% may be invested outside of South Africa.

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	2022 R'm	2021 R'm
Currency risk		
South African Rand exchange rate decrease: 1%	**(136)**	(142)
South African Rand exchange rate increase: 1%	**136**	142

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.

39. Management of risks (continued)

39.3 Financial risk management (continued)

The Equity price risk sensitivity on profit before movement in insurance liabilities is shown below:

Group	2022 R'm	2021 R'm
Equity Price risk		
Price decrease: 1%	**(283)**	(343)
Price increase: 1%	**283**	343

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	
	2022 R'm	2021 R'm
Interest rate risk		
Decrease of 1% in Yield Curve	**(1 475)**	(1 272)
Increase of 1% in Yield Curve	**1 193**	1 570

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.

39. Management of risks (continued)

39.3 Financial risk management (continued)

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.

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.

39. Management of risks (continued)

39.3 Financial risk management (continued)

- 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.

39. Management of risks (continued)

39.3 Financial risk management (continued)

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.

	2022		2021	
R'm	South Africa	Namibia	South Africa	Namibia
Capital held	**459***	**6***	508*	6*
Regulatory capital	**144***	**4***	194*	4*

* Unaudited numbers

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 to 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.

During 2022, the PPS Insurance Board supported a proposal to reduce the required capital cover from 2.6 times to 2.1 times which still provides adequate capital cover based on the analysis performed. This decision has resulted in R49 million allocated from (2021: R7 million 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 (2021: 1.60 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.

39. Management of risks (continued)

39.3 Financial risk management (continued)

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 of potential managers in the domestic market;
- selecting specialist and multi-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.

39. Management of risks (continued)

39.3 Financial risk management (continued)

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.

39. Management of risks (continued)

39.3 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.

39. Management of risks (continued)

39.3 Financial risk management (continued)

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.

39. Management of risks (continued)

39.3 Financial risk management (continued)

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.

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.

39. Management of risks (continued)

39.3 Financial risk management (continued)

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.

39. Management of risks (continued)

39.3 Financial risk management (continued)

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.

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.

39. Management of risks (continued)

39.3 Financial risk management (continued)

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.

40. 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

COVID-19 virus claims have significantly decreased compared to 2021 and 2020 on both the Health and Life side. Non-Covid related sickness claims have increased, one of the reasons being that patients are less reluctant to see a medical practitioner for a diagnosis compared to times when the pandemic was prevalent.

Going concern and solvency

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The solvency position of the Group remains resilient.

ACTION REQUIRED BY MEMBERS IN REGARD TO THE 2023 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, 8 May 2023. In the interest of improving participation by members, the PPS Holdings Trust Board 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.

It is proposed to amend the trust Deed of PPS Holdings Trust in regard to the Board's power to extend the maximum age limit of individual Trustees beyond the current maximum age of seventy-two years in circumstances that warrant such extension and to remove the applicability of the maximum age limit for Trustees to Trustees appointed ex officio. Accordingly, the notice of the annual general meeting incorporated in this Integrated Report includes a special resolution for approval by members authorising the proposed amendment of the Trust Deed and sets out the reasons for the proposed amendment.

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 e-mail, to be received by the Trust Secretary by no later than 18:00 on Wednesday, 3 May 2023 and you are also permitted to withdraw submitted proxy forms up to that date and time.

Physical address
6 Anerley Road
Parktown
Johannesburg

Postal address
PO Box 1089
Houghton
2041

Telephone
011 644 4200

Facsimile
011 644 4641

E-mail
AGMproxies@pps.co.za

Ordinary Members who have not submitted a form of proxy by 18:00 on 3 May 2023, may cast their vote electronically before or at the AGM. Electronic voting will open at 15:00 on Monday, 8 May 2023 and voting will be closed by the Chairman of the AGM during the course of the meeting.

Ordinary Members will on 8 May 2023 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 8 May 2023 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 thirteenth annual general meeting (the meeting) of the members of the Trust will be held VIRTUALLY on Monday, 8 May 2023 at 18:00, for the purposes set out below. Please refer to the section titled "Action required by members in regard to the 2023 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 2022, 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 2023.**

3. **To pass the following special resolution approving the amendment of the Deed of Trust constituting the Trust:**

"RESOLVED THAT the Members of the Trust, in terms of clauses 12.3 and 31.1.3 of the existing deed of trust constituting the Trust, being the Second Amended and Restated Trust Deed as further amended by resolution adopted on 22 May 2017 ("Trust Deed"), hereby approve the amendment of the Trust Deed, with effect from the end of the annual general meeting (AGM) at which this resolution is adopted, but subject to the Prudential Authority confirming in terms of clause 31.1.4 of the Trust Deed that it does not object to the amendment, by:

(i) the replacement of clause 6.11 with the following new clause 6.11:

"6.11 he has reached the Maximum Age applicable to that Trustee (as defined below); provided that:

6.11.1 any Trustee who is already in office when he reaches the Maximum Age shall remain in office until the end of the AGM immediately succeeding his birthday on which he reaches the Maximum Age;

6.11.2 this clause 6.11 shall not apply to an *ex officio* Trustee referred to in 5.3.5; and

6.11.3 in the light of the fact that clause 7.2 allows each Trustee appointed in terms of 5.3.1, 5.3.2, or 5.3.3 to hold office for a period of three years, no person shall be appointed as a Trustee in terms of 5.3.1, 5.3.2, or 5.3.3 if, at the time of his election or nomination by a Nominating Professional Organisation as such, he has already reached the age of sixty nine years unless the Board, in its discretion, has determined that that person is eligible for election or nomination despite having reached the age of sixty nine years."

The "Maximum Age" applicable to each Trustee shall be the age of seventy two years or such greater age as may be determined by the Board, from time to time, in its discretion and in respect of that particular Trustee. The Board shall only be entitled to extend this age limit in respect of a particular Trustee once in every year and by not more than one year at a time. Consequently, in respect of a particular Trustee the Maximum Age may first be extended only to seventy-three years, then may subsequently be extended to seventy-four years and then may subsequently be extended to seventy-five years, etc."

(ii) the replacement of clause 7.1.2.2 with the following new clause 7.1.2.2:

"clause 6.11, he shall cease to hold office on the date stipulated for this purpose in clause 6.11.1; and"

(iii) the replacement of clause 31.1.4 with the following new clause 31.1.4:

"the Prudential Authority has confirmed that it does not object to the Proposed Amendment;"

NOTICE TO THE MEMBERS OF THE ANNUAL GENERAL MEETING AND CVS OF CANDIDATES STANDING FOR ELECTION

EXPLANATORY NOTE ON THE AMENDMENT OF THE TRUST DEED

It is proposed to amend the current Trust Deed of the Trust in regard to the maximum age limit which affects the eligibility of persons to serve as Trustees. It is proposed that:

- the Board be allowed to extend the maximum age limit beyond the current maximum age of seventy-two years; and
- the maximum age limit will not be applicable to *ex officio* Trustees (appointed in terms of clause 5.3.5 of the Trust Deed).

Age Limit

- ***Maximum Age Limit***

The maximum age limit that is currently contained in the Trust Deed is seventy-two years, although it is anticipated that circumstances may warrant an extension of that age limit in relation to a particular Trustee. It is therefore proposed that the maximum age limit of seventy-two years that is currently contained in the Trust Deed will be retained as the generally applicable age limit, but that the Board be empowered to extend that age limit in relation to a particular Trustee by one year at a time if the circumstances warrant such an extension.

- ***Ex Officio Trustees***

Ex officio Trustees are those persons who are automatically appointed as Trustees because they hold the offices of chairman and deputy chairman of the board of directors of PPS Insurance from time to time. Their appointments as Trustees take effect when they assume those offices (or, if later, the date on which letters of authority are issued to them in terms of the Trust Property Control Act). Accordingly, in terms of clause 7.1.4 of the Trust Deed, they cease to be Trustees when they cease to hold those offices. Since their Trusteeships are a consequence of and subject to them holding those offices, *ex officio* Trustees are not elected and do not retire every three years.

However, it has been noted that the memorandum of incorporation of PPS Insurance contains no limitations on the age of appointment of the chairman and deputy chairman of its board of directors and the Trust Deed is therefore not aligned with the memorandum of incorporation of PPS Insurance in this regard. It is therefore proposed that the Trust Deed be amended to specifically provide that the maximum age limit in clause 6.11 of the Trust Deed shall not apply to *ex officio* Trustees in order to align the Trust Deed with the memorandum of incorporation of PPS Insurance in this regard and enable *ex officio* Trustees to remain as Trustees for the duration of their appointments as chairman and deputy chairman of the board of directors of PPS Insurance.

For the sake of completeness, it is noted that the other eligibility and disqualification criteria set out in clauses 6.1 to 6.10 of the Trust Deed shall continue to apply to *ex officio* Trustees.

Prudential Authority

It is also proposed to replace the reference in clause 31.1.4 of the Trust Deed to the "Registrar of Long-term Insurance" with a reference to the "Prudential Authority" following the replacement of the Registrar of Long-term Insurance with the Prudential Authority as the regulator responsible for insurers' prudential matters.

NOTICE TO THE MEMBERS OF THE ANNUAL GENERAL MEETING AND CVS OF CANDIDATES STANDING FOR ELECTION

4. **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).**

   Ms J K Myburgh, Mr P Ranchod and Mr S Trikamjee are retiring by rotation at the meeting in terms of the Trust Deed.

   Mr P Ranchod is not standing for re-election. The following Trustees, being eligible for re-election and appointment, offer themselves for re-election and appointment as trustees of the Trust:

   4.1 **Ms J K Myburgh**

   4.2 **Mr S Trikamjee**

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

   4.3 **Adv L C Haupt SC**

   4.4 **Ms S T Kekana**

   4.5 **Mr A P Louw**

   4.6 **Adv J Malherbe**

   4.7 **Dr R Perumal**

   4.8 **Ms M H Phaleng-Podile**

   4.9 **Dr L Rametsi**

   4.10 **Dr K Ramsamy**

   4.11 **Prof J Rangasamy**

   (Abbreviated biographical details of the persons referred to above are set out on pages 208to 218 of this Integrated Report).

EXPLANATORY NOTE ON THE APPOINTMENT OF THE TRUSTEES

The Trust Deed provides for a maximum of 20 Trustees, all of whom are appointed in accordance with the Trust Deed. There are currently 10 elected Trustees, of whom three are required to retire by rotation in terms of clause 7.2.1 of the Trust Deed. Following these retirements by rotation, there will be seven elected trustees in office. In terms of clause 5.3.1 of the Trust Deed, a maximum of ten Trustees may be appointed by the members in general meeting. There are therefore three vacancies and there are 11 nominees for these vacant positions (including the two Trustees who retire by rotation and who offer themselves for re-election and appointment). The Trust Deed provides that:

(i) Each candidate will be voted upon by a separate election resolution and if the election resolution is not approved then that candidate is not appointed.

(ii) If the number of candidates whose election resolutions are approved exceeds the above-mentioned number of vacancies, the result of the voting shall be determined in accordance with the number of votes cast in favour of each approved election resolution so that the vacancies will be filled by those candidates whose approved election resolutions received the highest number of favourable votes.

5. **To elect the Audit Committee of the Trust by ordinary resolutions. 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:**

   5.1 **Ms D L T Dondur**

   5.2 **Dr D P du Plessis**

   5.3 **Prof H E Wainer**

NOTICE TO THE MEMBERS OF THE ANNUAL GENERAL MEETING AND CVS OF CANDIDATES STANDING FOR ELECTION

6. **To approve, by special resolution, the following remuneration of the trustees (exclusive of VAT) for the period commencing 1 July 2023 until such time as this remuneration is amended by a further special resolution:**

   - remuneration of the chairman, comprising an annual retainer of R564 795 and an attendance fee of R24 404 per meeting;
   - remuneration of the deputy chairman, comprising an annual retainer of R376 530 and an attendance fee of R18 303 per meeting;
   - remuneration of the co-opted members of the Board of Trustees, comprising an annual retainer of R282 398 and an attendance fee of R12 202 per meeting;
   - remuneration of the remainder of the members of the Board of Trustees, comprising an annual retainer of R188 265 and an attendance fee of R12 202 per meeting;
   - remuneration of the chairman of the Trust Audit Committee, being an attendance fee of R30 504 per meeting;
   - remuneration of the members of the Trust Audit Committee, being an attendance fee of R15 252 per meeting;
   - remuneration of the chairman of the Group Nominations Committee, being an attendance fee of R30 504 per meeting;
   - remuneration of the deputy chairman of the Group Nominations Committee, being an attendance fee of R22 878 per meeting; and
   - remuneration of the members of the Group Nominations Committee, being an attendance fee of R15 252 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.

NOTICE TO THE MEMBERS OF THE ANNUAL GENERAL MEETING AND CVS OF CANDIDATES STANDING FOR ELECTION

Proxies

Any member who is entitled to attend and vote at the meeting may appoint a proxy (who need not be a member of the Trust) to attend, speak and on a poll to vote or abstain from voting in his/her stead.

A form of proxy is included in this Integrated Report on pages 219 to 220 and is also available for downloading from www.pps.co.za. **The form of proxy is accompanied by notes indicating the requirements for its completion. Forms of proxy which do not comply with these requirements will be rejected.**

Forms of proxy must be delivered at one of the following addresses physically or via facsimile or e-mail, to be received by, and marked for the attention of, the Trust Secretary, by no later than 18:00 on Wednesday, 3 May 2023 (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
- E-mail: **AGMproxies@pps.co.za**

By order of the Board of Trustees

V E Barnard
Trust Secretary

The Professional Provident Society Holdings Trust

29 March 2023

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE
continued

MS JANINE KIM MYBURGH

Date of birth

- 19 October 1968

Profession

- Practising Attorney, Mediator and Facilitator

Tertiary qualifications

- B Proc (1994)
- Admission as Attorney (1996)

Current positions

- Chairperson of the Legal Practice Council (LPC) 2021 to2024
- Member of the National Efficiency Enhancement Committee as Chaired by the Chief Justice of South Africa
- Managing Director at Myburgh Attorneys Incorporated Accredited Mediator and Facilitator
- Legal Practice Council member (the national regulatory body of the legal profession) (2018 to 2021)
- Trustee of The Professional Provident Society Holdings Trust since 2020
- Immediate Past President/ Chairperson and Board member of the Cape Regional Chamber of Commerce and Industry
- Board member of the International Women's Entrepreneurs Challenge (IWEC) for RSA (since 2014)
- Honorary Consul to Canada (since 2019)
- Honorary Membership to the United Nations bestowed in 2007
- Member of the Programme Advisory Committee of the Independent Institute of Education
- Member of the Consular Corps

Former positions

- Member of the Risk and Audit Committee, Disciplinary Oversight Committee and the Fee Assessments for the Legal Practice Council (2018 – 2021)
- Board member of the Law School (Western Cape) Executive Committee (2014 to 2018)
- Independent Chairperson of the Metrorail (PRASA) Safety and Security Advisory Board
- President for the Tygerberg Region of the Chamber of Commerce and Industry (2003 to 2004)
- National President for the South African Council of Business Women (2003 to 2004)
- Deputy President of the Cape Regional Chamber of Commerce and Industry (2004 to 2005)
- National Executive Member of the AHI (2003 to 2005)
- Small Claims Court Commissioner (2006)
- President and Chairperson of the Board of the Cape Regional Chamber of Commerce and Industry (2005 to 2007)
- Independent Trustee for the Black Staff Prudential Investment Managers (Pty) Ltd and Black Staff Trusts (2005 to 2012)
- Founding Chairperson of the National Accredited Chambers of Commerce (2006)
- Chairperson of CHAMSA WC (2008)
- Council member of the Cape Law Society (2010 to 2018)
- Council Member of the Law Society of South Africa 2014 alternate (2013, 2015, 2018)
- Member of the Cape Law Society Disciplinary Committee (2012 to 2017)
- Member of the Mediation Panel of the Land Rights facility of the Department of Rural Development and Land Reform (2010 to 2011)
- Member of the Western Cape Education Council (2015 to 2017)
- National Forum Member as appointed by the Minister of Justice (2015 to 2018)
- Representative at BUSA and NEDLAC (2013 to 2019)
- Chairperson of the Cape Law Society's Benevolent Fund Committee (2012 to 2014)
- Board member of Mosaic (Training, Service and Healing Centre for Women) (2013)
- Convenor of Business at the Provincial Development Council for two consecutive terms as elected by two Premiers by two different political parties.
- Member of the Audit Committee for the Provincial Development Council
- Vice Chairperson of the Northlink FET College Board for nine years
- Board member for Healing Memories and Trauma Centre for Survivors of Violence and Torture
- Chairperson of Common Purpose Leadership Institute Advisory Board

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE
continued

MR SHAYLEN TRIKAMJEE

Date of birth

- 9 November 1978

Profession

- Chartered Accountant (SA)

Tertiary qualifications

- B Com (Acc) (2000)
- B Com (Acc) (Hons) (2001)
- CA(SA) (2005)

Current positions

- Principal, Corporate Coverage, Absa Bank (2017 to date)
- Non-executive Director of the PPS Insurance Company Ltd (since 2015)
- Non-executive Trustee of the PPS Retirement Annuity Fund (since 2015)
- Non-executive Chairman of the PPS Beneficiaries Trust (since 2013)
- Non-executive Trustee of the PPS Holdings Trust (since 2011)
- Member of the South African Institute of Chartered Accountants

Former positions

- Vice President, CIB Risk, Barclays Africa Group (2013 to 2016)
- Business Manager/Chief of Staff CIB Risk at Barclays Africa Group (2014 to 2016)
- Credit Analyst Mining and Project Finance at Barclays Africa Group (2013 to 2014)
- Vice President of South African Resources at Merrill Lynch South Africa (2005 to 2010)
- Chairman of the Saxonwold Body Corporate (2011 to 2013)
- Vice-Chairman – Durban and District Society, (2003 to 2004)
- District Commissioner at the Durban Central Scouts Association (2002 to 2005)
- Owner Manager of Business in the Hospitality Industry (2010 to 2012)
- Audit Clerk at Grant Thornton (2002 to 2005)

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE
continued

ADV LIEZL CARYL HAUPT SC

DATE OF BIRTH

- 13 January 1970

PROFESSION

- Practising Senior Advocate

TERTIARY QUALIFICATIONS

- Matric (senior certificate): 1987 (Hoërskool Brandwag).
- 1988-1990: B Com Law (University of Johannesburg – Graduation: 26 April 1991).
- 1991-1993: LLB (*Cum Laude*) (University of the North West – Graduation: 11 March 1994).
- 1994-1998: Full time doctoral studies on the enshrinement of children's rights in the South African Constitution, including a comparative study with reference to the protection of Children's rights in the German Grundgesetz and in the USA Constitution. (Promotor: Prof J A Robinson; Co-Promotor: Prof F Venter from the North West University).
- 1995: Six months as a research fellow at the Justice Liebig Universitat Giessen, Germany under the guidance of Herr Prof Dr Gunter Weick (Department Family and Private Law).
- 1994-1998: Part time lecturer in Private Law Family Law and Estoppel and Enrichment (University of the North West).
- 5 November 1996: Admitted as an Advocate of the High Court of South Africa, under Case Number 18483/1996 (TPD).
- December 1998: Completed Doctoral thesis: "Die Reg van die Kind op Oorlewing, Ontwikkeling en Beskerming". (University of the North West) – Graduation: 17 September 1999.
- January-July 1999: Pupillage at the Pretoria Bar.
- From July 1999 - present: Practising member at the Pretoria Bar at Groenkloof Chambers, 205 Florence Ribeiro street, Groenkloof, Pretoria.

CURRENT POSITIONS

- Member of AFSA since May 2004.
- 2021 to date: Convenor of the Pretoria Society of Advocates ("PSA") Arbitration Committee.
- 2019 - present: General Bar Council of the Bar of South Africa ("GCB") representative on the Rules Board (five-year appointment by the Minister of Justice).
- 2022 to date: Member of the Legal Practice Provincial Counsel for Gauteng (Elected as Vice Chair).
- 2023: On the Board of Directors of Groenkloof Chambers (Pty) Ltd.

FORMER POSITIONS

- 2002-2004; 2007-2008; 2010-2012: Member of Brooklyn Advocates' Chambers Management Committee.
- May 2004 – completed AFSA (Arbitration Foundation of Southern Africa) Arbitration Course.
- June to October 2015: Completed the advanced program in Alternative Dispute Resolution (ADR) presented by AFSA and the University of Pretoria on the following modules:
  - Alternative dispute resolution: facilitation and mediation
  - Mediation in divorce law
  - Labour law mediation and arbitration
  - International commercial arbitration
  - Construction law arbitration
- 2015 to February 2020: Member of the PSA Bar Council.
- 2016 to 2018: Member of the Task Team for Children's Court Rules (representing the GCB).
- 2016: Member of AFSA National Training
- 2017 to 2018: Convenor of the PSA *Pro Bono* Committee.
- 2019 to 2020: Convenor of the PSA Essellen Fund.
- 11 and 12 March 2017: Completed Divorce Arbitration.

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE
continued

MRS SOPHIE "PEPPY" THABANG KEKANA

Date of birth

- 31 December 1967

Profession

- Attorney

Tertiary qualifications

- B PROC – University of the North
- LLB – Vista University
- Management in Petroleum Policy and Economics – University of the Witwatersrand

Current positions

- Managing Director – Kekana Hlatshwayo Radebe Inc.
- Director – National Liquidators SA (Pty) Ltd
- Co-Curator – Municipal Councillors' Pension Fund
- Chairperson of the Board – Legal Practitioners Fidelity Fund

Former positions

- Director Seriti Mavundla & Partners (1996 to 2000)
- Director Huntley Kekana Seth Inc. (2000 to 2002)
- Vice President and Board Member Law Society of the Northern Provinces (2007 to 2013)
- Committee Member Audit and Risk Law Society of South Africa (2007 to 2013)
- Trustee Hosmed Medical Scheme (2016 to 2018)
- Board Member National Lotteries Commission (NLC) (2013 to 2022)
- Board Member South African Restructuring and Insolvency Practitioners Association (NPC) (2016 to 2018)
- Legal Advisor Health Professions Council of South Africa (1994 to 1996)

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE
continued

MR ABRAHAM PETRUS LOUW (PIETER)

Date of birth

- 5 March 1978

Profession

- Assurance and governance professional

Tertiary qualifications

- Advanced Certificate in Auditing (2003) – University of Cape Town and RAU (APT)
- Postgraduate Diploma: Auditing (2002) – University of South Africa
- Honours B Compt (Accounting) – (2001) – University of South Africa
- Bachelor of Accounting Science (B Compt) (2000) – University of South Africa

Professional certifications

- CFE Certified Fraud Examiner (2013)
- CRMA Certificate in Risk Management Assurance (2012)
- CCSA Certificate in Control Self-Assessment (2012)
- CISA Certified Information Systems Auditor (2011)
- CIA Certified Internal Auditor (2010)
- CA(SA) Chartered Accountant (2004)

Current positions and professional memberships

- Member of the Institute of Directors South Africa (Since 2023)
- Managing Director at Centurion Growth (Pty) Ltd (Since 2022)
- Member of ACFE – Association of Certified Fraud Examiners (Since 2013)
- Member of ISACA – Information Systems Audit and Control Association (since 2011)
- Member of IIA SA – Institute of Internal Auditors (since 2010)
- Member of SAICA – South African Institute of Chartered Accountants (Since 2004)

Former positions

- Chief Audit Executive at the KAP group of companies (JSE Listed) (2015 to 2022)
- Chief Internal Auditor at Gold Fields (JSE listed) (2008 to 2015)
- Specialist: Project Audit Services at Sasol (JSE Listed)) (2007 to 2008)
- Head of Internal Audit at VKB (2004 to 2007)
- Charter member of RotarAct (Charitable work) (2002 to 2004)
- Senior Audit Firm Manager at Deane & Thresher Chartered Accountants (2000 to 2004)
- Articles of Clerkship at Deane & Thresher Chartered Accountants (1997 to 2000)

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE
continued

ADV JOSEPH MALHERBE

Date of birth

- 23 August 1985

Profession

- Businessman & Advocate

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, RSA (2013)
- Chartered Secretary, Chartered Governance Institute of Southern Africa (2022)
- Certified Director, Institute of Directors South Africa (2022)

Current positions

- Head of Legal & Compliance at Lafeki Group of Companies (since 2021)
- Legal Consultant for Russellstone Group of Companies (since 2022)
- Practicing Advocate of the High Court RSA (since 2013)
- Company Secretary for Lotus Harmonics Investments (Pty) Ltd (since 2023)
- Company Secretary for Kaszas Enterprises (Pty) Ltd (since 2023)
- Company Secretary for Merkle Tree (Pty) Ltd (since 2022)
- Director at Pyramid Protein Company (Pty) Ltd (since 2023)
- Director at Heartland Property Investment (Pty) Ltd (since 2022)
- Director at Lafeki Agriculture (Pty) Ltd (since 2022)
- Director at Riverlands Property Investment (Pty) Ltd (since 2022)
- Director at Riversbreak Property Investment (Pty) Ltd (since 2022)
- Director at Morningside Hills Property Investment (Pty) Ltd (since 2022)
- 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)
- 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
continued

DR RUBESHAN PERUMAL

Date of birth

- 9 November 1986

Profession

- Medical Specialist: Pulmonology and Critical Care
- Clinical Epidemiologist

Tertiary qualifications

- MBChB, University of KwaZulu-Natal (2009)
- Master of Public Health (MPH), University of KwaZulu-Natal (2013)
- Master of Medicine (Internal Medicine), University of KwaZulu-Natal (2016)
- Master of Philosophy (Pulmonology), University of Cape Town (2019)
- Doctor of Philosophy (Medicine), University of KwaZulu-Natal (present)
- Fellow of the College of Physicians, Colleges of Medicine of South Africa (2016)
- Certificate in Pulmonology and Critical Care, Colleges of Medicine of South Africa (2019)
- Young Physician Leaders Programme, InterAcademy Partnership/European School of Management and Technology (2019)

CURRENT POSITIONS

- Specialist Physician and Pulmonologist, Inkosi Albert Luthuli Central Hospital and University of KwaZulu-Natal
- Senior Scientist, Treatment Research Unit, Centre for the AIDS Programme of Research in South Africa (CAPRISA)
- National Department of Health Ministerial Advisory Committee: Long COVID Working Group
- Co-Chair: Global Virus Network Long COVID Taskforce
- KwaZulu-Natal TB Technical Advisory Group
- Guest Editor: Frontiers in Immunology

Former positions

- Senior Lecturer: Department of Medicine, University of Cape Town (2018 to 2021)
- Medical Specialist: Pulmonology and Critical Care, Groote Schuur Hospital (2020 to 2021)
- Private Practitioner: Pulmonology and Critical Care (2020 to 2021)
- Drug-resistant TB Review Board, Western Cape Department of Health (2020 to 2021)
- Senior registrar/Fellow: Pulmonology and Critical Care (2018 to 2019)
- Clinician-Scientist, Centre for Lung Infection and Immunity, UCT Lung Institute (2020 to 2021)
- Registrar: Internal Medicine (2013 to 2016)

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE

continued

MS MMATLOU HELLEN PHALENG–PODILE

Date of birth

- 13 September 1973

Profession

- Attorney, Conveyancer and Notary

Tertiary qualifications

- B Proc (University of Limpopo) (1994)
- LLB (Wits University) (1996)
- LLM(Tax) (Wits University) (1998)
- Diploma in Treasury Management & Trade Finance (Damelin in collaboration with Institute of Bankers) (2000)
- Certificate in Investment Management (University of Johannesburg) (2003)
- Higher Diploma in Company Law (Wits University) (2005)
- Liquidation and Insolvency Diploma (Saripa) (University of Pretoria) (2014)

PROFESSIONAL ADMISSIONS

- Admitted Attorney of the High Court (since 2006)
- Admitted Conveyancer of the High Court (since 2009)
- Admitted Notary of the High Court (since 2013)
- Admitted liquidator of the National Panel of liquidators of the Master of the High Courts (since 2013)

CURRENT POSITIONS

- Founding Director of Phaleng-Podile Attorneys, Conveyancers and Notaries (since 2011)
- Liquidator on the National Panel of the Masters of the High Court (since 2013)
- Chairperson of the Property Valuation Appeals Board ("VAB") for the City of Johannesburg Metropolitan Municipality (since 2019)
- Member of the Health Professional Council of South Africa ("HPCSA") conduct enquiries (since 2015)

Former positions

- Member of the Spatial Planning Land Use Management Tribunal Thulamela Local Municipality (2018 to 2021)
- Member of the Rental Housing Tribunal Coghsta Limpopo ("COGHSTA") (2018 to 2021)
- Chairperson of the Valuation Appeal Board of Co-Operative Governance Human Settlement & Traditional Affairs (Limpopo Provincial Government) (2012 to 2019)
- Member of the MEC's Advisory Panel for the Limpopo Coghsta (2018 to 2021)

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE
continued

DR LESEGO RAMETSI

DATE OF BIRTH

- 11 September 1977

PROFESSION

- Executive: Health & Wellness

TERTIARY QUALIFICATIONS

- Bachelor of Medicine and Bachelor of Surgery MBChB, University of Cape Town (1994)
- Diploma in Occupational Medicine DOH, University of Cape Town (2008)
- Diploma in HIV Management DipHIVMan, College of Medicine of South Africa (2008)
- Masters in business administration MBA, University of Cape Town (2012)
- Advanced Management Programme AMP, International Institute for Management Development (2022)

CURRENT POSITIONS

- Group Head of Health & Wellness, Absa Group, since 2016
- Trustee of Bankmed Medical Scheme since 2019
- Board member of SA Business Coalition on Health and Aids since 2016

FORMER POSITIONS

- Group Head Occupational Health & Hygiene, Kumba Iron Ore (2014-2016)
- Group Wellness Manager, Anglo Platinum (2007-2016)
- Occupational Medical Practitioner, Anglo Platinum (2006-2007)
- Medical Officer, Anglo Platinum (2004-2006)
- Resident Medical Officer, BMI UK (2003-2004)
- Community Medical Officer, Rustenburg Provincial Hospital (2002)
- Medical Intern, Rustenburg Provincial Hospital (2001)

ABBREVIATED CURRICULUM VITAE FOR NOMINATED CANDIDATE
continued

DR KEVIN RAMSAMY

Date of birth

- 8 December 1987

Profession

- Practicing Urologist, Public Health Physician and Lecturer

Tertiary qualifications

- Master of Public Health: Health Management (MPH), Harvard University (2022)
- Master of Medicine of Urology, University of Pretoria (2021)
- Fellow Colleges of Urology of South Africa, Colleges of Medicine of South Africa (2021)
- Bachelor of Medicine & Bachelor of Surgery, University of KwaZulu-Natal (2009)

Current positions

- Private Urologist Netcare Olivedale Hospital (since 2022)
- University of Pretoria Postgraduate Lecturer for Master of Medicine of Urology program (since 2022)
- Private Urologist at Mediclinic Morningside and Mediclinic Sandton Hospitals (since 2022).
- Steve Biko Academic Hospital Honorary Lecturer and visiting surgeon (since 2023).

Former positions

- MassHealth (MA, USA) Billing and Research Internship (2022)
- Harvard Presidential Fellow (2021 to 2022)
- Harvard South Africa Professional Fellowship Fellow (2021 to 2022)
- University of Pretoria Department of Physiology, Master of Science postgraduate research supervisor (2018 to 2022)
- Kalafong Academic Hospital Registrar in Department of Urology (2020 to 2021)
- Steve Biko Academic Hospital Medical Officer in Department of Urology (2015 to 2020)
- Steve Biko Academic Hospital Registrar in Department of General Surgery (2014 to 2015)
- Madadeni Provincial Hospital Medical Officer in Department of General Surgery (2013 to 2014)
- Madadeni Provincial Hospital Community Service Officer (2012)
- Prince Mshiyeni Memorial Hospital Internship (2010 to 2011)
- KZN Health Bursary Holder (2006 to 2009)

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 and 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)
- Board member Woxen University, India

Former positions

- Member of the Executive Committee of the the South African Reserve Bank (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 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, 2012)
- Council Member of Economic Society of South Africa (2013)
- Member of Economic Society of South Africa (since 2001)
- Economic Advisor, European Commission (1994 to 1999)
- Research Fellow, University of Cambridge, UK (1993)
- Visiting professor and research fellowships (various between 2001 to 2020)

FORM OF PROXY 2023

The Professional Provident Society Holdings Trust

(Registration number IT312/2011) (the Trust)

PPS Member's details:

Full name:

Identity number:

Membership number:

E-mail 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, 8 May 2023 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 2022				
2.	Ordinary resolution for the appointment of the auditors of the Trust				
3.	Special resolution approving the amendment of the Deed of Trust constituting the Trust**				
4.	Ordinary resolutions for the election and appointment of trustees#:				
	4.1	Ms J K Myburgh*			
	4.2	Mr S Trikamjee*			
	4.3	Adv L C Haupt SC			
	4.4	Ms S T Kekana			
	4.5	Mr A P Louw			
	4.6	Adv J Malherbe			
	4.7	Dr R Perumal			
	4.8	Ms M H Phaleng-Podile			
	4.9	Dr L Rametsi			
	4.10	Dr K Ramsamy			
	4.11	Prof J Rangasamy			
5.	Ordinary resolutions for the appointment of the members of the Trust Audit Committee				
	5.1	Ms D L T Dondur			
	5.2	Dr D P du Plessis			
	5.3	Prof H E Wainer			
6.	Special resolution for the approval of trustees' remuneration for the period commencing 1 July 2023 as set out in the notice of the annual general meeting**				

There will be three vacancies on the Board of Trustees to be filled by elected Trustees. These three vacancies will be filled by the three candidates receiving the highest number of favourable votes. Refer to the Notice of the Annual General meeting for an explanation in this regard.

* *Trustees who will retire by rotation at the meeting, in accordance with the Trust Deed and, being eligible, offer themselves for re-election.*

** *Authorisation of at least seventy-five (75) per cent of the votes cast by members present (in person or represented by proxy) at the meeting is required.*

Signed this day of 2023

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, 3 May 2023.**
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, 28 April 2023.**
3. **The signatory may insert the name of any person whom the signatory wishes to appoint as his/her proxy in the blank space provided for that purpose. If no name is inserted, the chairman of the meeting shall be appointed as the member's proxy.**
4. By completing and lodging of the form of proxy, it will not preclude the member who is appointing the proxy from attending the annual general meeting and speaking and voting in person thereat, to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
5. **Members are encouraged to indicate how they wish their proxy to vote on their behalf by completing the form of proxy in respect of all the resolutions. If the member does not indicate in the appropriate places on the face hereof how he/she wishes to vote in respect of any resolutions, his/her proxy shall be entitled to vote as he/she deems fit in respect of that resolution.** In regard to the ordinary resolutions for the election of trustees, any indication of how the member wishes to vote in regard to the candidates will be deemed to be the entire vote of the member, i.e. if the member has only indicated a vote for, or against, or to abstain for one or more candidate(s), the proxy holder shall not be entitled to exercise additional votes in respect of candidates for whom no votes were indicated by the member.
6. In respect of the election of Trustees, each candidate will be voted upon by a separate resolution, either 'For', 'Against' or 'Abstain'. In terms of the Trust Deed, if the number of persons approved by such resolutions exceeds the number of vacancies (being three), the result of the voting shall be determined in accordance with the number of votes cast in favour of each resolution so that the vacancies will be filled by the elected candidates receiving the highest number of favourable votes, as set out in the Notice of the Annual General Meeting.

RETURN OPTIONS

Either:

Deliver to:	The Trust Secretary 6 Anerley Road Parktown, 2193 Johannesburg
or Post to:	The Trust Secretary PO Box 1089 Houghton 2041
or Fax to:	The Trust Secretary at 011 644 4641
or E-mail 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
Ernst & Young Inc.
102 Rivonia Road
Sandton, 2146, 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

PERFORMANCE
SECURITY
DIVERSITY
STRUCTURE
SHARED
VALUE

Our structure is our strength.

2022 PPS NAMIBIA INTEGRATED REPORT

pps
FOR PROFESSIONALS
SINCE 1941

INSURANCE
NAMIBIA