LIFE INVESTMENTS HEALTH CORPORATE PROPERTIES ADVICE

LIBERTY

Liberty Holdings Limited

Integrated report 2014

For the year ended 31 December

A reader's guide to our 2014

Integrated report

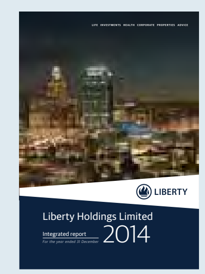
for the year ended 31 December

LIBERTY

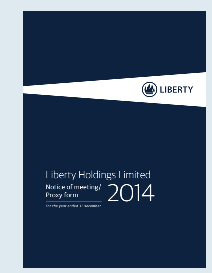
How to use the integrated report and supplementary information efficiently to appreciate the *Liberty story*.

While we encourage you to read our full integrated report, we acknowledge different information requirements of specific users as well as the need for quick and easy access. To facilitate navigation, the chart below shows how the available information is structured.

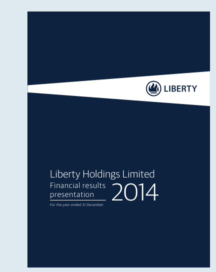
Available in print and online as a pdf



2014 Integrated report*



Notice of annual general meeting and proxy form



Financial results presentation

* *Online version links directly to additional information contained in either the Annual financial statements and supporting information for the year ended 31 December 2014, or to other supplementary information which supports the 2014 Integrated report.*

Available online

Annual financial statements and supporting information for the year ended 31 December 2014 (AFS) – including Liberty Holdings Limited group and company annual financial statements, risk management disclosures and appendices

Statutory and additional information – including expanded versions of Governance at Liberty, share ownership analysis and legal structure of the group

Business unit reviews which provide additional performance information

Online sustainability review, the assurance statement and the GRI G4 index

Navigation

Additional information to the integrated report has been referenced as follows:

100 *Directs readers to the page in the Integrated report with more detail*

AFS 54 *Refers to the page where further detail is contained within the AFS*

Refers to more detailed information available online at
www.libertyholdings.co.za/investor/

SITE MAP

for Liberty's integrated report 2014 and related content

Web content: downloadable interactive PDFs. **IR** in HTML

More on "About us"
Legal entity structure
Bancassurance
BU reviews
Individual arrangements
- Retail SA

Asset management
- STANLIB
- Liberty Properties

Group arrangements
- Liberty Health
- Liberty Africa Insurance
- Liberty Corporate

Additional information according to JSE requirements
- Detailed analysis of ownership
- Major shareholders

Governance – long version, includes:
- Detailed board of director's CVs
- Board and standing committees mandates
- Board meeting attendance records
- Exco and meeting attendance records
- Exco mandate
- King III checklist
- Code of ethics

Online sustainability review
Introduction
- About the review
- Using the review
- Who we are
- Our capital dependencies
- **Responding to our context**
- **Materiality**

Deliver sustainable financial results
Focus on our customers
Build social and relationship capital
Attract and retain quality employees
Provide compliant and responsible financial services
GRI index
Statement of assurance
Abbreviations

Printed versions available on request

Financial reporting

Liberty Holdings Limited Annual financial statements and supporting information, including risk management, the report of the chairman of the group audit and actuarial committee and the independent auditor's report

Appendices
Appendix A – Detailed accounting policies
Appendix B – Report of the independent auditors on the group equity value report and the Group equity value report
Appendix C – South African covered business embedded value
Appendix D – Analysis of ordinary shareholders' funds invested
Appendix E – Liberty Holdings Limited and Liberty Group Limited rights and restricted shares and utilisation of share incentive scheme
Appendix F – Consolidated mutual funds
Appendix G – Long-term policyholder liabilities and short-term insurance liabilities reconciliation
Appendix H – Summary of the group's assets and liabilities by measurement basis
Appendix I – Forward exchange contracts
Appendix J – Six year review
Appendix K – Abbreviations and definitions

Liberty Holdings Limited
Notice of annual general meeting and proxy form

About **our report**

Our integrated report is addressed to you, our shareholders, as the primary stakeholder.

Boundary and scope

Our integrated report covers the performance of Liberty Holdings Limited and its subsidiaries for the year ended 31 December 2014.

The report also identifies any risks, opportunities or events between 31 December 2014 and the date of this report that may have a material impact on the group.

This report informs you of our business, the 2014 performance compared to our previously stated ambitions and our plans for the future.

Materiality

We focus our reporting on material aspects that impact our ability to be commercially viable and socially relevant in the communities in which we operate.

Material aspects are defined as our material issues and any significant developments that would influence an assessment of Liberty's performance or opportunities. In achieving our vision various capital resources are consumed.

We are fully committed to generating competitive sustainable value for our shareholders.
We appreciate that this requires mutually beneficial partnerships with key stakeholders.
We acknowledge that our duty is to prioritise Liberty's ongoing sustainability above short-term maximisation of profits.

Stakeholder partnerships,

The report is themed around our chosen key stakeholder partnerships that maximise our ability to generate competitive sustainable value.

These key partnerships are with:
- Investors – who provide financial capital
- Customers – who purchase our products and services (after obtaining appropriate advice on their financial needs) to achieve their financial goals
- Employees – who supply the necessary skills and expertise to deliver on our promises to stakeholders
- Regulators – who govern financial stability and market conduct for our industry
- Communities – who provide us with our social relevance and our future customers and employees

Our vision is to be the trusted leader in insurance and investment in Africa and in our chosen markets. We aim to provide an improved quality of life to all our customers.

Liberty is not just our name
it's what we do.

Primary reporting framework

This report is prepared under the guidance of the International **Integrated Reporting <IR>** Framework which has been adopted by the board.

Secondary reporting frameworks

Other reporting frameworks are complied with where appropriate, including:

We report on our management of the capital resources and our ability to replenish them through qualitative commentary, supported by assured key indicators. Our material issues were confirmed by the board as unchanged from the prior year.

More emphasis is placed on the group's South African operations as they account for 97% of the group's headline earnings and revenue.

material issues and capitals

Our material issues are:

- Deliver sustainable financial results
- Focus on our customers
- Attract and retain quality employees
- Provide compliant and responsible financial services
- Build social and relationship capital

Liberty acknowledges the dependency of capital resources availability and sustainable utilisation thereof in the conduct of its plans. The board considers financial, human, intellectual as well as social and relationship (brand trust) capitals as the most significant.

Liberty is in itself not a significant consumer of natural resources, however, the board is committed through its investment criteria to promote responsible natural resource utilisation.

Directors' approval

The board acknowledge their responsibility to ensure the integrity of Liberty's 2014 integrated report and has applied its collective mind throughout the preparation of this report. The board believes that the integrated report is presented in compliance with the International Integrated Reporting <IR> Framework.

The directors' unanimously embrace the King Code of Governance Principles (King III).

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

The integrated report contains certain forward-looking statements which, by their nature, involve risk and uncertainty because they relate to future events and circumstances that may be beyond Liberty's control. In addition, regulations of the JSE prohibit making price sensitive forecasts without considerable independent review and process. The directors therefore advise readers to use caution regarding interpreting any forward-looking statements in this report.

The board unanimously approved this report and authorised its release on 18 March 2015.

Assurance

The annual financial statements which comply with the South African Companies Act, are prepared under International Financial Reporting Standards and audited by PricewaterhouseCoopers Inc. (PwC). PwC issued an unmodified audit opinion on the group's consolidated annual financial statements and an unmodified assurance opinion on the group equity value report.

PwC has checked the accuracy of extracts from the annual financial statements as well as the group equity value report contained in our Performance review section and the annexure to this report. In addition, PwC has provided a limited assurance report on selected other information contained in this report. Limited assurance was considered appropriate from a cost benefit perspective. The type of assurance obtained is specifically referenced where applicable.

Assurance reports

Throughout this report

Liberty Holdings Limited and its subsidiaries is referred to as '**Liberty**' or the '**group**'

Liberty Holdings Limited is referred to as the '**company**'

Standard Bank Group Limited and any subsidiary (excluding Liberty) is referred to as '**Standard Bank**'

Abbreviations

BEE *normalised* – Reflects the economic reality of Liberty's 2004 Black Economic Empowerment transaction. The group's BEE preference shares are treated as an asset and the dividends received are included as income. Ordinary shares relating to the transaction are treated as in issue.

CAGR – Compound annual growth rate

CAR – Capital adequacy requirement (minimum amount by which the FSB requires an insurer's assets to exceed its liabilities)

CFU – Customer Facing Unit

FSB – Financial Services Board

FSV – Financial Soundness Valuation (valuation methodology as issued by the Actuarial Society of South Africa used to measure insurance and investment contracts)

GEV – Group Embedded Value

IFRS – International Financial Reporting Standards

JSE – Johannesburg Stock Exchange

KPI – Key Performance Indicator

RDR – Retail Distribution Review

SA – South Africa

SAM – Solvency Assessment and Management

SIP – Shareholder Investment Portfolio

TCF – Treating Customers Fairly

We have chosen to indicate the **various levels of assurance** received on reported information in the **2014 Performance review** section only.

This is indicated by:

- (A) = **Full assurance** provided by PwC
- (L) = **Limited assurance** expressed over selected key performance indicators provided by PwC
- (V) = **Information verified** by Empowerdex Economic Empowerment Rating Agency

Financial **highlights**

Group equity value

R40 billion, up 11%

BEE normalised operating earnings
up **18**%

BEE normalised headline earnings
3% lower

BEE normalised return on IFRS equity
20%

return on BEE normalised group equity value
17%

value of long-term insurance new business
up **12**%

long-term insurance indexed new business
up **12**%

long-term insurance customer net cash flows
R10 billion

Final dividend
up **9**%

Liberty Group Limited CAR cover
3,1 times

assets under management
R633 billion

Chairman's review

On behalf of the board, I am pleased to present Liberty's 2014 integrated report which focuses on how the material matters in respect of our strategy, governance and performance lead to the creation of value for our shareholders and other key stakeholders.

I was appointed Liberty's chairman subsequent to the end of the 2014 financial year. While it gives me great pleasure to be able to report on Liberty's 2014 results, all credit must go to my predecessor, Saki Macozoma, under whose leadership these results have been achieved.

2014 performance

Liberty delivered another strong financial performance in 2014, despite a challenging economic environment, with the return on equity at 20% and the return on group equity value at 17%, both exceeding the medium term targets. The dividend was increased by 9% and the group's capital position was substantially strengthened.

Strategy 2020

The group's strategy 2020, which is covered in more detail in this report, has been developed over the last year and is focused on sustainably and profitably growing the business in this rapidly changing environment.

Changing regulatory landscape

The regulatory landscape continues to evolve at an unprecedented pace and we are charged with navigating this dynamic and challenging environment. Liberty's preparation for the implementation of Solvency Assessment and Management (SAM), the proposed new long-term insurance solvency regime due to come into effect on 1 January 2016, is far advanced and we consider the group well positioned from a capital perspective to meet the requirements of SAM.

Regulatory supervision is set to become more challenging and intrusive as the financial services sector moves into the Twin Peaks supervisory model, with the South African Reserve Bank becoming the prudential supervisor of life insurers. The Financial Services Board's (FSB) Treating Customers Fairly principles will increasingly impact how customers are engaged by the industry. The FSB published its Retail Distribution Review paper in November 2014, which has far reaching consequences for the future distribution of products by the financial services industry. Other significant regulatory developments facing the industry include tax reform, retirement and health reform and protection of personal information requirements.

Liberty embraces these changes that are aimed at improving the sustainability of the industry. Whilst it is a significant challenge, I am comforted by the state of readiness in Liberty to adapt. Through our stakeholder engagement, we proactively engage the regulators and collaboratively influence the formation of regulation and policy where possible.

Board developments

After eleven years of dedicated service to the board, the last seven of which were at the helm as chairman, Saki Macozoma resigned from the board on 31 December 2014. He has been an integral part of the group's turnaround and transformation journeys. On behalf of the board and management, I extend our sincere appreciation to Saki for his significant contribution to Liberty's success and wish him well in his future endeavours.

Angus Band, our lead independent director fulfilled the role of chairman following Saki's resignation, up until my appointment on 19 January 2015.

Mike Ilsley was appointed to the board on 14 November 2014 as a successor for Tim Ross, the group audit and actuarial committee chairman, when Tim retires at the 2015 annual general meeting.

Appreciation

I would like to express the board's gratitude and appreciation to our management team, employees and financial advisers for their commitment to the ongoing success of the group. To our customers, we thank you for your support and look forward to serving you in the future. Finally, we would like to thank you, our loyal shareholders for your continued confidence in us as we strive to build long-term value for you.

Jacko Maree

JH Maree
Chairman

18 March 2015

Chief executive's review

Liberty delivered a solid set of financial results in 2014 with strong earnings growth from the South African insurance operations on the back of positive experience variances and record net inflows. Our group equity value increased by 11% to R40 billion and has doubled in value since 2010. Including the ordinary dividends, this represents a return of 17% for the year.

Indexed new business from long-term insurance sales grew by 12% supported by good single premium sales and institutional flows. Our corporate operations secured several large bulk annuity mandates and there is continued popularity of our innovative Evolve retail investment product range. Net customer cash inflows in our long-term insurance operations of R10 billion are at record levels.

We continue to demonstrate our ability to manage "within model" or better than the actuarial assumptions and have strengthened our capital coverage to more than three times statutory requirements.

Group BEE normalised headline earnings of R3 968 million were 3% lower, representing an 18% growth in operating earnings and a 26% decrease in earnings from the SIP. The growth in operating earnings was the result of strong performances from Retail SA, Liberty Corporate and LibFin Markets. LibFin Markets benefited from the ongoing build of the credit book and a positive asset liability management contribution.

The asset management business achieved a 5% growth in earnings despite the challenging trading environment. Positive net flows into higher margin retail and institutional mandates continued, however, the negative sentiment towards money market funds following the African Bank failure slowed down growth in earnings and assets under management during 2014.

Diversification into new markets and product lines showed satisfactory improvement as evidenced by the positive contribution from Liberty Africa and the improved financial performance of the Health business. We are on course to grow these businesses to contribute meaningfully to the group's overall earnings.

The SIP gross performance of 10,3% was close to benchmark and well above the long-term growth expectations.

Strategy 2020

We have recognised the need to prepare the organisation for the substantial shifts in our operating environment due to the extensive regulatory change, government's social reform programme and the changing behaviour of customers (in part, brought about by the digital era). As a consequence, in 2014 we refreshed our strategy to 2020. Key elements of this strategy are:

- A greater focus on customer value creation in specific segments – we have organised the company around three customer facing units, namely Individual Arrangements, Group Arrangements and Asset Management;
- Continuing to focus on the retail affluent market in South Africa through Individual Arrangements, by launching innovative new products to service targeted customers in this segment, profitably capturing greater market share and managing the insurance operations within acceptable long-term assumption sets;
- Building the Group Arrangements businesses to scale through organic and inorganic strategies to capture growth in the mass market in South Africa and selected sub-Saharan African markets on the back of social and economic reforms;
- Accelerating the asset management growth strategy by increasing our alternative asset franchise offerings and capturing a greater share of flows into Africa;
- Expanding our geographical footprint into expected high growth regions of sub-Saharan Africa with particular focus on West Africa; and
- Maximising opportunities under the Standard Bank bancassurance agreement across the African continent.

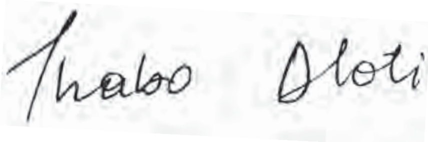
In 2015, our focus will be on transitioning to the new business model whilst continuing to improve the value we provide to our customers in our chosen segments.

Prospects

Our established track record of exceeding our targeted return on equity value gives us confidence that we can continue to sustainably grow the business. Our strategic direction positions us well to adapt to the changing consumer and regulatory environment.

Appreciation

My sincerest thanks to Saki Macozoma for his wise counsel and mentorship. I extend my appreciation to my fellow board members and the Liberty executive committee for their support and camaraderie during the year. A special word of thanks also goes to each of our intermediaries and committed employees for their hard work and contribution to the successes of 2014.



T Dloti
Chief executive

18 March 2015

WHO **WE** ARE

Liberty is a financial services group that offers an extensive, market-leading range of products and services to help customers build and protect their wealth and lifestyle. These include life and health related insurance, investment management and financial support for retirement. Liberty's advisers expertly equip customers with knowledge to make financial decisions that add value throughout their various life stages.

Liberty is listed on the JSE and is controlled by Standard Bank who own 53,6% of the issued ordinary share capital.

OUR **BRANDS**

	OUR **essence**	OUR **objective**	OUR **BELIEF**
LIBERTY	Your *pioneering guide* to **financial freedom**	*to change* ***realities*** *for our* **customers**	*We believe that everyone should have the opportunity to grow their wealth and leave a legacy for their family.* *We understand the value of knowledge and its power to change realities when set in action*
STANLIB	***Intellectual Curiosity Applied***	to create opportunities to preserve and ***grow clients' wealth***	*We embrace diversity and encourage individual focus* *We believe diversity and individual focus, together, create sustainable growth and excellence ... this is our promise to ourselves, our clients and society at large*

OUR **VISION**

To be the trusted leader in insurance and investment in Africa and our chosen markets

OUR **PURPOSE**

We make a difference in people's lives by making their financial freedom possible

This is our passion

OUR **VALUES**

Involvement: Our humanity and empathy

Innovation: Our ingenuity and curiosity to find a better way

Integrity: Our fairness and honouring our promises

Insight: Our knowledge and understanding

Action: We roll up our sleeves and find a way to make things happen

Our **business** model

Our business model is to sustainably utilise and renew our available capital resources to create value by providing solutions to individuals (or represented groups of individuals) with respect to their financial risks and investment needs.

In return we either charge an appropriate fee or derive underwriting profits through pooling similar insurable risks, enhanced by optimising offsetting risks. We maximise our ability to generate revenue through extensive research, identifying customer needs and producing innovative product solutions and effective distribution and servicing.

Of necessity is strong governance and an ability to adapt to the ever changing regulatory environment.

Our balance sheet management capabilities assist us to efficiently manage our financial capital within our board approved risk appetite.

A pioneering guide to financial freedom

Our asset management expertise is highly respected

We have extensive product design experience and skill

This allows us to optimise the use of our human and intellectual capital

Design and develop **innovative products** and **services**

Entity value creation

Value is created from three main activities:

Insurance underwriting profit

+

Asset management profit

+

Investment income

Understanding our customers' financial needs

The new operating model has established three separate customer facing units to target chosen customer segments

This allows us to deliver on our promises and enhance our brand capital

Leverage our **balance sheet**

Our LibFin capability provides world-class balance sheet management capability

This allows us to optimise the use of our financial capital

LIBERTY

STANLIB

>**5 million** active policies of insurance	>**R630 billion** assets under management	Operations in **16 African countries**

Market and **distribute** to chosen markets

Our extensive South African distribution network is providing key insights in developing our distribution capacity throughout Africa

A significant advantage is our Standard Bank relationship including the bancassurance agreement

This allows us to expand our sources of financial, intellectual and human capital

Contracted premium income for risks insured, less claims and related acquisition and service expenses (actual and expected over contract duration)

Performance and asset based fees earned for managing and administering customer mandates, less related acquisition and service expenses

Net investment income on shareholder investment market exposures (capital invested and derived exposures from insurance contract obligations), less group administration and strategic expenses

Service our promises to **customers**

Trusted brand for over 50 years

Substantial committed investment in utilising technology advances to differentiate our service delivery

This further builds our brand trust

Risk management

The board is committed to increasing shareholder value through the prudent management of risks inherent in the production, distribution and maintenance of the group's products and services and is mindful of achieving this objective in the interests of all stakeholders in a sustainable manner.

To ensure appropriate risk prioritisation and mitigation we identify the internal and external events (including stress and scenario tests, often in conjunction with Standard Bank and regulators) that may affect our strategies with potential impact on our results, capitals and reputation.

During the year the group risk committee re-assessed and identified the current top business risk challenges and approved management action to mitigate these risks.

Our risk management policy framework is based on the three lines of defence model. The primary policy framework, known as our risk appetite defines maximum and target risk tolerance levels for our earnings, our statutory capital coverage and our economic capital. Liberty was managed within the target limits set throughout the year.

Besides overall business risk, the group's significant risks are categorised as insurance, market, liquidity, credit operational and concentration. Significant detail pertaining to these risks, including current exposures, mitigation action and governance can be found in the comprehensive risk management disclosure in the annual financial statements.

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Risk management

Over **3 900** tied financial advisers and extensive financial adviser **network**

R35 billion market capitalisation at 31 December 2014

Independent recognition for **product innovation**

Our **history**

1957	1960	1962	1965	1968	1969	1982	1990	1998
Liberty Life Association of South Africa founded by Sir Donald Gordon	Liberty sells the first retirement annuity product in South Africa	Liberty Group is the first life assurance company to be listed on the JSE	Together with two other financial institutions Liberty introduces South Africa's first unit trust	Liberty Holdings listed on the JSE	Liberty Asset Management (Libam) is launched	Corporate headquarters opened in Braamfontein	The Liberty Life Foundation is launched	Liberty HealthCare is launched

The **advantage** *of knowing*

This is a pensioner, retired on a monthly paycheck of just R28. And when his son, Sir Donald Gordon, the founder of Liberty, watched his father unable to afford retirement, he gave his life to changing that reality for millions.

And so, we built a way for any business to offer their employees the retirement they deserve. This is a pensioner. Retired on a paycheck we're responsible for.

Focus on **expansion** in the rest of **Africa**

2008 Liberty sets up new business operations in six African countries

2009 Liberty expands into ten African countries with the launch of Liberty Health Blue and Optimum Global health products

Established presence in Nigeria through Total Health Trust

2010 Expanded Namibian operations through the acquisition of United Funeral Insurance

2011 Established long- and short-term insurance capability in East Africa through the acquisition of CfC and Heritage operations. Increased ownership of asset management operations in Kenya

2014 Long-term insurance operations expanded to Zambia and acquisition of asset management capabilities in Ghana

2014 **Nigeria** becomes **Africa's** largest economy based on GDP

Economic growth in sub-Saharan Africa is estimated in most countries as **>5%** for the foreseeable future

Standard Bank, the largest African bank by assets, operates in **20 African countries**

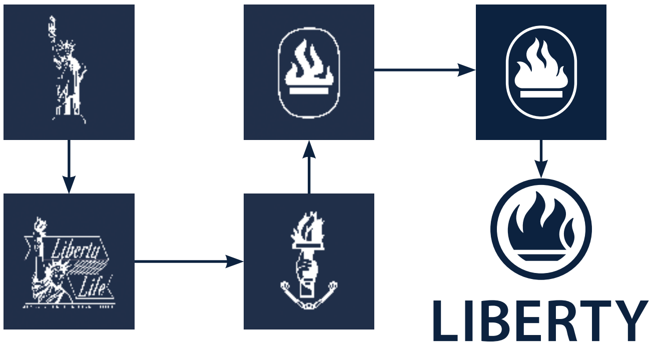
Africa has the **lowest** insurance product penetration per capita

1999	2002	2004	2005	2007	2008	2010	2014
Control of Liberty changes to Standard Bank of South Africa	STANLIB is established as a joint venture with Standard Bank	9,3% of Liberty Group's share capital sold in a BEE transaction Liberty is included on the JSE's SRI Index	Capital Alliance Life is acquired	STANLIB becomes a wholly owned subsidiary	Liberty Group delisted – Liberty Holdings becomes the sole listed entity	Bancassurance agreement with Standard Bank revised and expanded	Strategy 2020 formulated

Because we know after a life of putting food on the table, no parent should be unable to put food on their own.

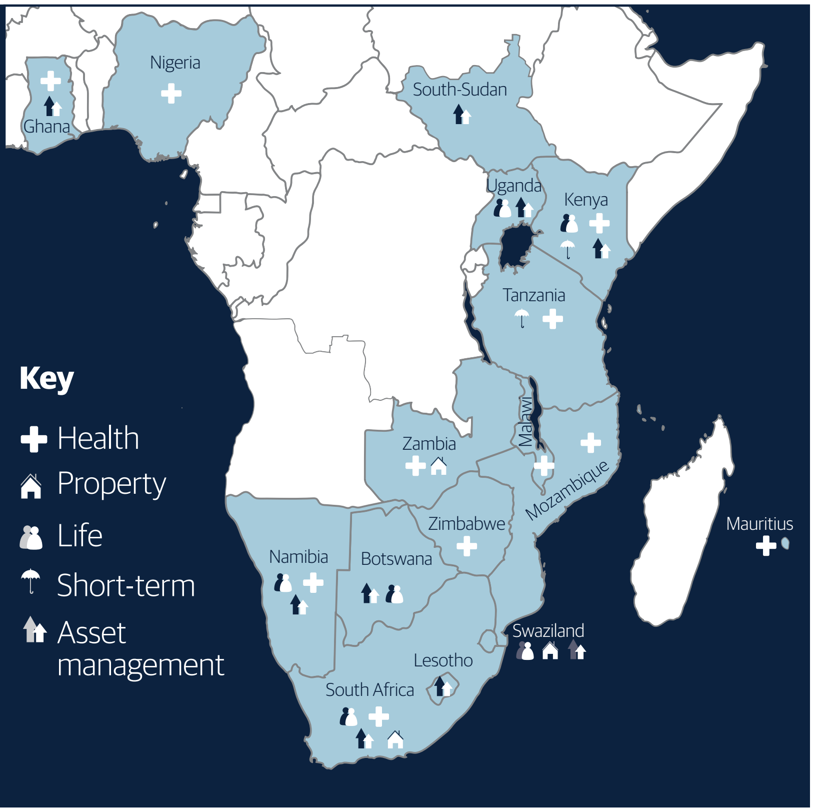
Paycheck media campaign *– September 2014*

Our **brand** journey



We strive to be the trusted leader in Africa for insurance and investment.

Our strategies and operations are directed to optimise the anticipated African market growth



Our **2014** organisational **structure**

For a comprehensive review of Liberty's business units and their 2014 performance

LIBERTY HOLDINGS BOARD OF DIRECTORS

LIBERTY HOLDINGS EXECUTIVE COMMITTEE

BUSINESS UNITS

RETAIL SA

Retail insurance, investment products and services that protect and generate wealth for South African individuals.

Management of the South African distribution force.

INSTITUTIONAL AND ASSET MANAGEMENT

Investment and insurance solutions to institutional customers in sub-Saharan Africa.

Incorporates the following business units:

STANLIB
LIBERTY CORPORATE
LIBERTY PROPERTIES

LIBERTY HEALTH

Health administration services and medical expense insurance provided in various African jurisdictions.

LIBERTY AFRICA INSURANCE

Focused on the expansion of insurance products and services across sub-Saharan Africa (excluding South Africa).

BANCASSURANCE

Partnering with Standard Bank to expand market share and the revenue base in South Africa and facilitate entry into new markets in the rest of Africa.

LIBFIN

Manages market and credit risk inherent in South African insurance operations, originates credit portfolios and oversees investment management of the group's financial capital.

SUPPORTED AND ENABLED BY THE FOLLOWING GROUP FUNCTIONS:
• Information Technology • Finance and Support • Risk and Compliance
• Strategic Services including talent management and brand support

Our **new** organisational **design**

To optimise our ability to achieve Liberty's 2020 strategic goals (refer to Explaining our strategy *section) a new operational model has been developed. This model has been designed to maximise our focus on our chosen customer segments, while more effectively leveraging group shared capabilities.*

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During 2015 we will transition to the following group structure:

GROUP GOVERNANCE AND EXECUTION

Includes the group's mandatory governance functions, stakeholder reporting and strategic support and oversight.

SHARED SERVICE CENTRES

Delivering non-differentiated common services to the group businesses, the key objective of which is to create efficiency through economies of scale while maximising bandwidth of management in the customer facing and strategic competency units.

LIBFIN

Manages market and credit risk inherent in South African insurance operations, originates credit portfolios and oversees investment management of the group's financial capital.

INVESTMENT PLATFORM

Development of a single investment platform to service investment products sold by the group.

STANDARD BANK BANCASSURANCE PARTNERSHIP

INDIVIDUAL ARRANGEMENTS

Provides insurance and investment solutions to individual aspirational and affluent consumers, mainly in South Africa and Nigeria.

GROUP ARRANGEMENTS

Provides insurance and investment solutions to corporate arrangements and retirement funds across sub-Saharan Africa.

ASSET MANAGEMENT

Provides asset management capabilities to manage asset flows, including international flows, that are invested in Africa.

GROUP SHARED CAPABILITIES | **DIFFERENTIATED STRATEGIC COMPETENCIES** | **CUSTOMER FACING UNITS**

We are **proud** of

OUR **2004**
BEE OWNERSHIP SCHEME

which matured in **2014**, providing **R2,3 billion** of value at 31 December 2014 to beneficiaries.

In 2004, shareholders facilitated the transfer of 9,3% of Liberty's ownership ***to broad-based black groupings***

3,7%	3,7%	1,9%
to black managers	to investment holding empowerment groups (Safika and Shanduka)	to the Liberty Community Trust
= R0,9 billion of value to **1 227** participants	**= R0,9 billion** of value	**= R0,5 billion** of value to be utilised by the trustees for future community support

Ranked **10th** amongst **Most Empowered South African Companies** *Mail & Guardian*	**Winner** 2014 **Customer Service Excellence, Long-term Insurance** category *Ask Afrika Orange Index*	**Winner** 2014 Top Brand Award – **Business to Business Long-term Insurance** *Sunday Times Top Brand Survey*
In early 2015, STANLIB received four **Raging Bull Investment Awards** *Personal Finance/Profiledata/ PlexCrown Fund Ratings*	**Winner** Best **Trust** in quality client service and Best **Performing Equity Fund** *Kenya Investment Awards 2014*	In Top **10** of 100 companies **listed on the JSE** for the 3rd consecutive year *EY Excellence in Integrated Reporting*

Governance AT LIBERTY

We believe that **good corporate governance** not only protects, but also adds value to the group and its stakeholders

KING III

The board has unanimously embraced the King Code of Governance Principles (King III) as the key governance framework and regularly assesses compliance therewith. The board further subscribes to full compliance with applicable laws and regulations in those jurisdictions in which the group operates.

During 2014

Governance structures, frameworks, policies, processes and procedures continued to be enhanced across the group in line with the developing requirements of the FSB's *Solvency Assessment and Management* framework.

The *significant transactions committee* was established as a board committee to assist the board with the evaluation of significant acquisitions, disposals, investments, credit arrangements and related party transactions.

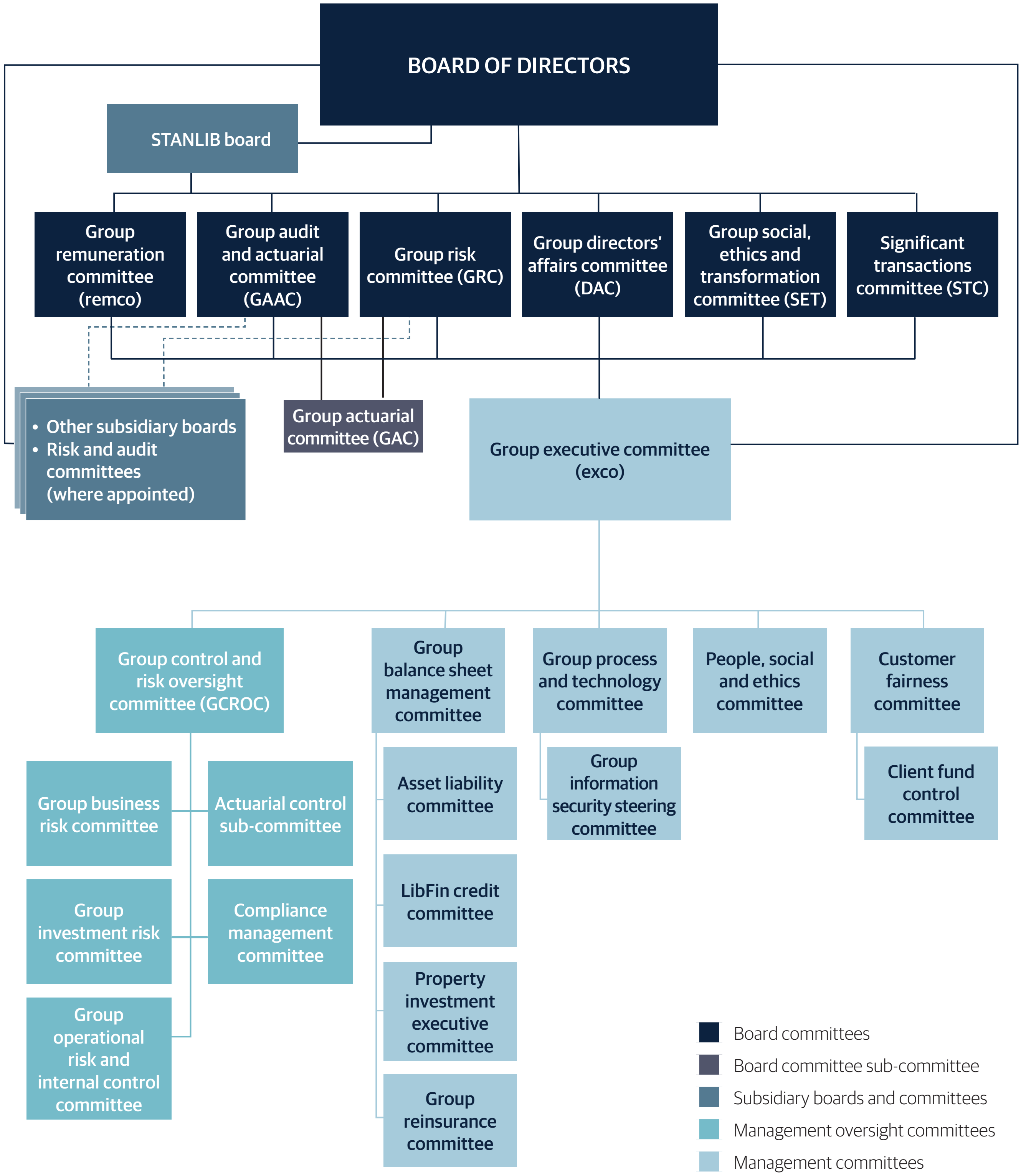
The *customer fairness committee* was established as a sub-committee of the group executive committee to make decisions on customer fairness matters that have a significant systemic financial, operational, policy or stakeholder impact.

The *group actuarial committee* was established as a sub-committee of the group audit and actuarial committee (GAAC) to provide further capacity to assist the GAAC in fulfilling its responsibilities relating to capital adequacy, the review of compliance with actuarial guidance, the discharge of its actuarially related obligations and the review of material statutory reporting to the FSB.

Governance at Liberty (continued)

Governance structures at Liberty

The board applies responsible governance in managing the business within the approved risk appetite through various committees and subsidiary boards:



The three lines of defence model

The group's governance structures and processes are aligned with enterprise-wide value and risk management principles.

The board has adopted the three lines of defence model for managing risk. This model defines the roles, responsibilities and accountabilities for managing, reporting and escalating risks and issues throughout the group. The model incorporates the oversight, management and assurance of risk management, essentially giving three independent views of risk in the organisation. The implementation of this model ensures that risk management is embedded in the culture of the organisation and provides assurance to the board and senior management that risk management is effective.

The board of directors and their standing committees provide an oversight function of the group's risk management activities.

The chief executive utilises the group executive committee and key management committees to manage the components of risk.

Risk mitigation, monitoring and assurance

First line of defence

business unit management

Comprises the appointed managers of the group that:

Manage day-to-day risk exposures by applying appropriate procedures, internal controls and group policies;

Assess the effectiveness of risk management and risk outcomes, and allocate resources to execute risk management activities;

Track risk events and losses, identifying issues and implementing remedial actions to address these issues; and

Report and escalate material risks and issues to the relevant governance bodies as deemed appropriate.

Second line of defence

chief risk officer, statutory actuaries, group and business unit risk policy and oversight functions

The individuals responsible for these positions perform an oversight function to ensure that management identifies key risks and they provide the day-to-day interface between the board's standing committees and management. Their objective is to assist in the effective management of the risks identified within the group. Various assurances are also provided by these functions and reported to the board, regulators and other authorised stakeholder representatives.

Third line of defence

assurance to the group's various governance bodies e.g. internal and external audit and other independent assurance providers

This comprises the group's assurance functions that are intended to combine to provide an independent and balanced view of all aspects of risk management (both first and second line of defence). The third line of defence provides various levels of assurance on account balances, valuation methodologies and reported performance measures.

All significant internal financial controls throughout the group's business units and support functions are attested and assessed for adequacy and application on a rotational basis over a three year cycle by the group's internal audit function within their GAAC approved audit plan.

Combined assurance

Regular communication between internal audit and external audit as well as other assurance providers serve to optimise the areas of reliance and enhance value delivery to all parties. Combined assurance will continue to evolve and further enhance alignment between the key role players from an Enterprise Value and Risk Management Framework (EVRM) perspective. In 2014, the GAAC approved the combined assurance model and a plan that sets out the basis of implementing the combined assurance principles for the organisation. The success of the combined assurance will be further enhanced by the implementation of the approved internal control framework.

Governance at Liberty (continued)

Board of directors *(in alphabetical order)*

Full CVs and other significant subsidiary directorships
(**) denotes age as at 31 December 2014

Jacko Maree (59)

Non-Executive Chairman

BComm (Stellenbosch), MA (Oxford), PMD (Harvard)

Appointed to the board: 19 January 2015

Angus Band (62)

Lead Independent Director

BA, BAcc (Wits), CA (SA)

Appointed to the board: November 2008

Santie Botha (50)

Independent Director

BEcon (Hons) (Stellenbosch)

Appointed to the board: August 2013

Steven Braudo (43)

Deputy Chief Executive

BEconSc (Wits), BSc (Hons) (Wits), FASSA, CFA, AMP (Harvard)

Appointed to the board: November 2013

Tony Cunningham (59)

Independent Director

MA (Cambridge)

Appointed to the board: February 2009

Thabo Dloti (45)

Chief Executive

B Bus Sc (UCT), AMP (Harvard)

Appointed to the board: November 2013

Bruce Hemphill (51)

Non-Executive Director

BA (UCT), CPE, Solicitor

Appointed to the board: November 2008

Monhla Hlahla (51)

Independent Director

BA (Honours) Pomona College, MA (UCLA), AMP (INSEAD)

Appointed to the board: August 2012

Mike Ilsley (53)

Independent Director

BCom (Wits), BAcc (Wits), CA (SA)

Appointed to the board: November 2014

Peter Moyo (52)

Independent Director

BCompt (Hons) (Unisa), CA (SA), HDip Tax Law (Wits), AMP (Harvard)

Appointed to the board: February 2009

Tim Ross (70)

Independent Director

CTA (Natal), CA (SA)

Appointed to the board: November 2008

Dr Sibusiso Sibisi (59)

Independent Director

BSc (Imperial College, London), PhD (Cambridge)

Appointed to the board: November 2008

Jim Sutcliffe (58)

Independent Director

BSc (UCT), FIA

Appointed to the board: September 2009

Casper Troskie (51)

Executive Director – Finance and Risk

BCom (Hons) (UCT), CA (SA)

Appointed to the board: October 2010

Sim Tshabalala (47)

Non-Executive Director

BA LLB (Rhodes), LLM (Notre Dame USA), HDip Tax (Wits), AMP (Harvard)

Appointed to the board: April 2013

Swazi Tshabalala (49)

Non-Executive Director

BA (Econ) (Lawrence, USA), MBA (Wake Forest, USA)

Appointed to the board: November 2008

Completed consecutive years of service as directors and attendance summary

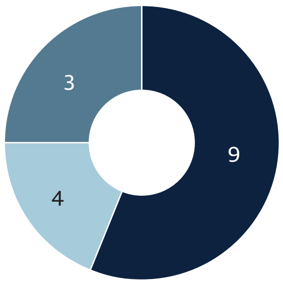
Completed consecutive years of service at 31 December 2014 as directors of Liberty Holdings Limited (LHL) and Liberty Group Limited (LGL) and attendance at board meetings of the two largest subsidiaries, Liberty Group Limited (LGL) and STANLIB Limited, during 2014.

	Years of service		Attendance summary *meetings held/attended*	
	LHL	LGL	LHL and LGL board meetings and strategy session	STANLIB board meetings
Jacko Maree (appointed 19 January 2015)	n/a	n/a	n/a	n/a
Angus Band	6	11	5/5	n/a
Santie Botha	1	1	5/5	n/a
Steven Braudo	1	1	5/5	4/4
Tony Cunningham	5	5	5/5	5/5
Thabo Dloti	1	1	5/5	5/5
Bruce Hemphill	6	8	5/5	5/5
Monhla Hlahla	2	2	5/5	4/5
Mike Ilsley (appointed 14 November 2014)	<1	<1	1/1	n/a
Saki Macozoma (resigned 31 December 2014)	11	11	5/5	4/4
Peter Moyo	5	5	5/5	n/a
Tim Ross	6	7	5/5	n/a
Dr Sibusiso Sibisi	6	11	5/5	n/a
Jim Sutcliffe	5	5	5/5	4/5
Casper Troskie	4	4	5/5	5/5
Sim Tshabalala	1	1	5/5	n/a
Swazi Tshabalala	6	8	5/5	4/4
Seelan Gobalsamy	n/a	n/a	n/a	4/4

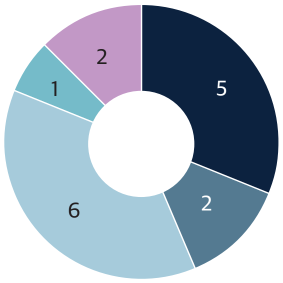
n/a: not applicable

Board profile at 31 December 2014

Board balance



Board transformation



Directorships of board members on other listed entities at 31 December 2014

Angus Band	Chairman of Aveng Limited(1)
Santie Botha	Chairman of Curro Holdings Limited(1) Chairman of Famous Brands Limited(1) Director of Tiger Brands Limited(1) Director of Telkom Limited(1)
Peter Moyo	Chairman of Vodacom Group Limited(1)
Tim Ross	Director of Adcorp Holdings Limited(1) Director of Eqstra Holdings Limited(1) Director of Mpact Limited(1) Director of PPC Limited(1)
Jim Sutcliffe	Director of Lonmin Plc(2) Chairman of Sun Life Financial Inc(3) Chairman of Sun Life Assurance Company of Canada(3)
Sim Tshabalala	Director of Standard Bank Group Limited(1)
Swazi Tshabalala	Director of Standard Bank Group Limited(1)

(1) *Listed on the JSE.*
(2) *Listed on the London Stock Exchange.*
(3) *Listed on the Toronto Stock Exchange and New York Stock Exchange.*

Full board and standing committees mandates

Board of directors

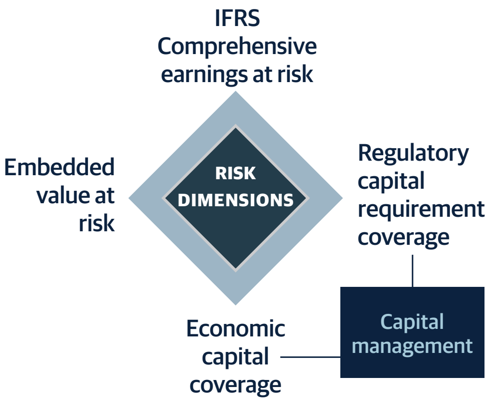
The board provides leadership to the group as well as an independent review on all issues of strategy, performance, resources and standards of conduct, either directly or through its committees.

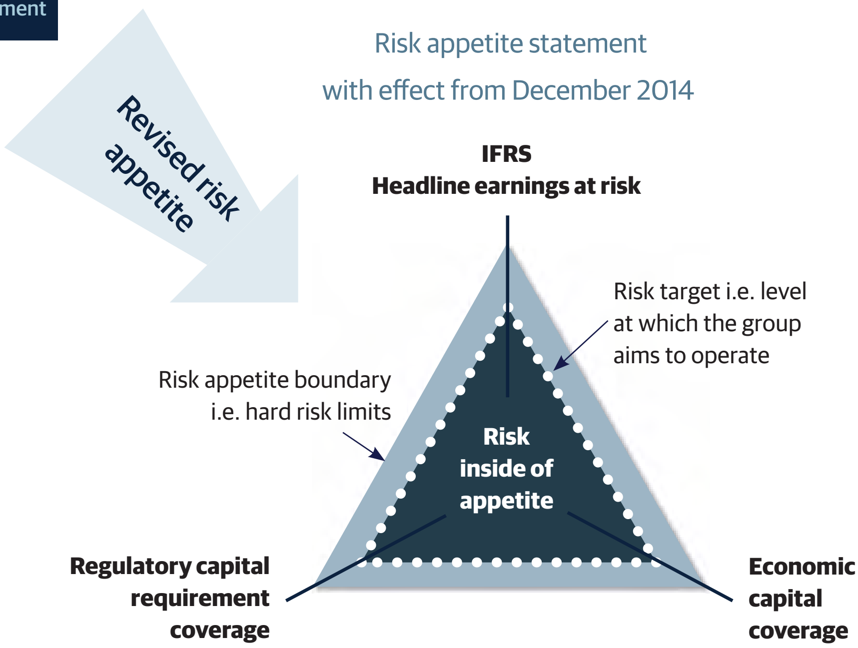
In accordance with the Memorandum of Incorporation of Liberty Holdings Limited, only the non-executive directors are subject to retirement by rotation and re-election by shareholders at least once every three years. The appointment of executive directors is approved by the board on the recommendation of the directors' affairs committee.

The board operates in terms of a detailed mandate, key features of which include: providing effective leadership based on an ethical foundation; ensuring the sustainability of the group; approving the group's objectives and strategies; approving the group's policies on key issues such as risk management and the governance thereof, ethics and transformation; ensuring that an effective governance framework is adopted and implemented; ensuring the group is compliant with its regulatory obligations; and ensuring that an effective risk management process exists and is maintained throughout the group.

Risk appetite

The risk appetite framework, approved by the board, sets quantitative and qualitative boundaries on risk that can be assumed in pursuit of strategy through value creation activities. The quantitative boundaries are summarised as follows:





Risk management

Revised risk appetite

A review of Liberty's quantitative risk appetite framework took place in 2014 to ensure that it remains relevant to our business objectives. As part of this review, it was approved that the embedded value at risk dimension be removed from the risk appetite statement effective 1 December 2014. Whilst embedded value is still considered to be a very important value metric for Liberty, the volatility risk is considered to be adequately captured by the other dimensions.

Board committees

	Responsibilities	Members and 2014 meeting attendance *meetings held/attended*	
Group remuneration **Chairman** Angus Band 3/3 *Lead independent director*	• Formulating remuneration strategy and policies • Monitoring the implementation and effectiveness of such policies • Engaging where necessary with stakeholders on remuneration issues	**Other members** *Independent directors* Peter Moyo 3/3 Jim Sutcliffe 3/3	*Non-executive directors* Saki Macozoma 3/3 (resigned 31 December 2014) Jacko Maree (appointed 19 January 2015) Sim Tshabalala 2/3
Group audit and actuarial **Chairman** Tim Ross[1] 5/6 *Independent director*	• Interaction with assurance providers • Governance and regulatory compliance • Oversee integrated reporting • Consideration of actuarial matters • Principles and practices of financial management (PPFM) • Control functions	**Other members** *Independent directors* Angus Band[1] 4/6 Tony Cunningham[1] 5/6 Mike Ilsley 1/1 (appointed 14 November 2014) Peter Moyo[1] 6/6 Jim Sutcliffe[1] 6/6	
Group risk **Chairman** Jim Sutcliffe 4/4 *Independent director*	• Understanding risk • Setting policy and recommending risk appetite • Scrutinising management actions • Compliance with policy • Sufficiency of capital	**Other members** *Independent directors* Tony Cunningham 4/4 Peter Moyo 4/4 Tim Ross 4/4 Dr Sibusiso Sibisi 4/4	*Non-executive directors* Swazi Tshabalala 4/4 *Executive director* Casper Troskie (appointed 25 February 2015)
Group directors' affairs **Chairman** Angus Band[2] 4/4 *Lead independent director*	• Composition of board and committees • Review of board and committee effectiveness • Review of governance and ownership	**Other members** *Independent directors* Peter Moyo 1/1 (appointed 1 November 2014) Tim Ross 4/4	*Non-executive directors* Jacko Maree (appointed 1 March 2015) Saki Macozoma 4/4 (resigned 31 December 2014) Sim Tshabalala 4/4 Swazi Tshabalala 3/3 (resigned 1 November 2014)
Group social, ethics and transformation **Chairman** Jacko Maree[3] *Non-executive board chairman* (appointed 19 January 2015)	• Transformation • Social and economic development • Ethical conduct • Good corporate citizenship • Sustainability • Stakeholder management	**Other members** *Independent directors* Angus Band[2][3] 3/3 *Lead independent director* Santie Botha 2/3 (appointed 26 February 2014) Monhla Hlahla 3/3	*Non-executive directors* Saki Macozoma 3/3 (resigned 31 December 2014) Bruce Hemphill 1/1 (resigned 1 March 2014) *Chief executive* Thabo Dloti 2/2 (appointed 1 March 2014)
Significant transactions **Chairman** Jacko Maree[3] *Non-executive board chairman* (appointed 25 February 2015) Up to 25 February 2015 Angus Band was chairman This committee meets on an *ad hoc* basis as and when required	• Evaluation of significant acquisitions, disposals, investments, credit arrangements and related party transactions	The terms of reference of this committee require that it is made up of a majority of independent directors. The standing members are: *Independent directors* Angus Band *Lead independent director* Peter Moyo Tim Ross *Non-executive director* Sim Tshabalala	Other directors, as determined by the chairman, are invited from time to time depending on the subject matter under discussion. The committee met six times during 2014 and in each case there was compliance with the terms of reference.

(1) *Two of the six group audit and actuarial committee meetings were special meetings to consider actuarial assumptions.*
(2) *Angus Band took over as chairman of the group directors' affairs committee and group social, ethics and transformation committee from Saki Macozoma effective 1 January 2015.*
(3) *Jacko Maree took over as chairman of the group social, ethics and transformation committee and the significant transactions committee from Angus Band on 19 January 2015 and 25 February 2015 respectively.*

Further information on the standing committees

Independence

The executive element of the board is balanced by a strong independent group of non-executive directors so that no individual or small group of individuals can dominate the board's decision-making, ensuring that all shareholders' interests are protected. In addition, the board's independence from the daily executive management team is ensured by adhering to a number of key principles, including:

- The roles of non-executive chairman and chief executive are separate;
- Thirteen of the sixteen directors are non-executive, with nine of the thirteen non-executive directors being classified as independent in terms of the Companies Act and as defined by King III;
- Two directors, Mr AWB Band and Dr S Sibisi, have served for more than nine years on the board. Therefore an independence assessment was undertaken by the directors' affairs committee in November 2014. An extensive checklist was completed and review undertaken to determine whether these two directors could still be considered to be independent. After debate the committee agreed to recommend to the board that Mr Band and Dr Sibisi be considered independent and the board accepted this recommendation;
- The group audit and actuarial committee consists of six independent, non-executive directors;
- The group risk committee consists of five independent, non-executive directors, one non-executive director and one executive director;
- The group remuneration committee consists of three independent non-executive directors, one non-executive director and the non-executive chairman of the board;
- The group social, ethics and transformation committee consists of three independent non-executive directors, one executive director and the non-executive chairman of the board;
- The group directors' affairs committee consists of the lead independent director, three non-executive directors, two of whom are independent and the non-executive chairman of the board;
- Non-executive directors do not hold service contracts with the group and, with the exception of share rights granted to certain black non-executive directors as part of the 2004 Black Economic Empowerment transaction, their remuneration is not linked to the group's financial performance; and
- All directors have access to the advice and services of the company secretary and are entitled, in terms of an agreed policy and after consultation with the chairman, to seek independent, professional advice on the affairs of the group. The cost of this advice will be borne by Liberty. No director obtained independent professional advice on the affairs of Liberty during 2014 or 2013.

Board meetings

The Liberty board meets quarterly and additional meetings are arranged as and when necessary. Four board meetings were held during 2014 and a two-day strategy session was held in September 2014. In addition, two directors' information sessions were held in April and October 2014.

Separately from the formal board meeting schedule, the chairman holds meetings with the non-executive directors, without any executives being present, to encourage a free-flow of information and the sharing of any concerns.

Closed sessions

After every board meeting, non-executive directors meet without management present in closed sessions led by the chairman. These sessions commence with all executive directors present to answer any questions or raise any matters necessary. The executive directors then leave the meeting to enable the non-executives to continue their deliberations.

The primary objective of these sessions is to provide non-executive directors with an opportunity to test thoughts and insights among peers. The chairman, as the primary link between the board and executive management, provides feedback from the closed sessions to the chief executive.

Conflicts of interest and other commitments

In terms of the Companies Act, if a director has a personal financial interest in respect of a matter to be considered at a meeting of the board or knows that a related person has a personal financial interest, the director is obliged to disclose the interest and its general nature, recuse him/herself and not take part in the consideration of the matter.

The board is aware of the other commitments of its directors and is satisfied that all directors allocate sufficient time to enable them to discharge their responsibilities effectively. The company secretary maintains a register of directors' interests, which is tabled to the board annually and any changes are submitted to the board as they occur. The group complies with the provisions of the Companies Act.

Code of ethics

The board subscribes to the highest levels of professionalism and integrity in conducting Liberty's business and in dealing with stakeholders. All Liberty employees and representatives are expected to act in a manner that inspires trust and confidence from the general public. The board has approved a formalised code of ethics, that prescribes the group's approach to business ethics and its obligations to customers, shareholders, employees, representatives, suppliers, the general public and the authorities. Management is tasked with ensuring there is compliance with this code.

The chairman and lead independent director

Following the resignation of Mr SJ Macozoma with effect from 31 December 2014, the board appointed Mr AWB Band, the lead independent director, as acting chairman until the appointment of the new chairman. On 19 January 2015 Mr JH Maree was appointed as chairman.

Mr JH Maree has the advantage of considerable knowledge and experience of Liberty in his previous role as Standard Bank chief executive for 13 years and Liberty board member for 16 years between March 1997 and March 2013.

The board is of the view that as chairman, Mr JH Maree brings valuable expertise, experience and skill to the board and will exercise independent judgement in relation to board matters. However, Mr JH Maree is not classified as independent in terms of governance best practice criteria given his recent previous role at Standard Bank, and thus, as recommended by King III, and in compliance with the JSE Listings Requirements Regulation 3.84(c), the lead independent director, Mr AWB Band will continue in this role.

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

Board evaluation

Every year the profile of the board is evaluated by the directors' affairs committee to determine an overall view of the skills on the board, identify any possible gaps and make a recommendation to the board should this be necessary.

At the close of every board meeting, an evaluation form is completed by the directors recording the effectiveness of that particular meeting and the quality of any presentations and board papers. In addition, questions in respect of the efficacy of the board standing committees are included in the questionnaire. The feedback from the evaluation process is submitted to the company secretary, and comments and any required actions are taken prior to, or at, the subsequent board meeting.

The performance of the board and its standing committees is evaluated periodically against their respective mandates and the results are collated by the company secretary and communicated to the chairmen of the board committees for appropriate action. This feedback is also taken into account by the chairman of the board in his meetings with the other non-executive directors to ensure that any concerns regarding board processes or capabilities are addressed. During 2014, one-on-one meetings were held between each director and the chairman of the board. Where applicable, significant matters raised were satisfactorily resolved.

Code of ethics

An independent evaluation of the board will be undertaken during 2015.

Appointments, resignations and re-election of directors

In accordance with the Memorandum of Incorporation of Liberty Holdings Limited, only the non-executive directors are subject to retirement by rotation and re-election by shareholders at least once every three years. In February 2015, the directors' affairs committee considered the candidates who are standing for election or re-election at the annual general meeting in May 2015. Messrs MG Ilsley and JH Maree have been appointed since the last annual general meeting and are therefore standing for election. The directors standing for re-election are: Messrs AWB Band, AP Cunningham, MP Moyo and Ms MW Hlahla. Mr TDA Ross will retire immediately following the 2015 annual general meeting having reached the retirement age of 70. The directors' affairs committee therefore recommends to shareholders the re-election of Messrs AWB Band, AP Cunningham, MP Moyo and Ms MW Hlahla, and the election of Messrs MG Ilsley and JH Maree, as detailed in the Notice of annual general meeting.

Notice of annual general meeting

The appointment of executive directors is approved by the board on the recommendation of the directors' affairs committee. There are currently three executive directors. Members of the board have regular contact with the other senior executive management through their invited participation in board and board committee meetings, in addition to other requested or scheduled briefing sessions.

Induction of new directors and ongoing information updates

A comprehensive induction programme has been developed and is in place for new directors to ensure they are adequately briefed and have the requisite knowledge of the group's structure, operations, policies and industry-related issues, to enable them to fulfil their duties and responsibilities. The induction also includes an opportunity for the directors to meet with key executive management of the various business units. The company secretary is responsible for the administration of the induction programme.

In addition, one-on-one meetings are scheduled with management in key positions to provide briefings regarding complex industry-specific issues. Directors also participate in information sessions which are held periodically throughout the year to assist in keeping the directors abreast of economic, regulatory and industry trends and provide training on any relevant matters should this be required.

New directors are provided with details of all applicable legislation, the company's Memorandum of Incorporation, board minutes, relevant mandates and documentation setting out their duties and responsibilities as directors.

Boards of directors of subsidiary companies

Apart from Liberty Group Limited, whose board of directors is the same as that of Liberty Holdings Limited, all other subsidiaries have their own boards of directors. The directors' affairs committee considers the appointment of directors on all material or significant boards (STANLIB Limited and Liberty Kenya Holdings Limited) while the chief executive appoints the directors to the boards of smaller subsidiary companies. The role of these boards involves participating in discussions on, and maintaining the progress of, strategic direction and policy, operational performance, approval of major capital expenditure, consideration of significant financial matters, risk management, compliance, succession planning and any other matters that do or may impact materially on the subsidiary companies' activities.

Liberty Group Limited

Liberty Group Limited is a wholly owned subsidiary of Liberty Holdings Limited and is the group's main South African registered long-term insurance licenced entity. From a materiality perspective the majority of the group's business and associated risks reside in this licenced entity. Consequently the boards and standing committees of Liberty Holdings Limited and Liberty Group Limited are constituted with the same directors, and as far as possible function as an integrated unit. Both boards have the same non-executive chairman, chief executive, deputy chief executive and executive directors. The board meetings of these companies are combined meetings, resulting in improved efficiency and information sharing.

STANLIB Limited

In recognition of the importance of STANLIB, the group's wholly owned asset manager, to the group and to acknowledge the increasing visibility of governance over investors' funds managed and administered by the group, the board of STANLIB includes four non-executive directors, being Messrs AP Cunningham, JB Hemphill, JH Sutcliffe and Ms MW Hlahla.

Mr SJ Macozoma stepped down as chairman and Mr T Dloti was appointed chairman in his stead on 1 March 2014. Messrs SIM Braudo and SG Gobalsamy were appointed to the board on 1 March 2014, Mr SG Gobalsamy as the chief executive. On 7 August 2014, both Mr SJ Macozoma and Ms BS Tshabalala resigned from the board.

Information technology (IT) governance

The board is responsible for ensuring that prudent and reasonable steps have been taken with respect to IT governance, including aligning the IT strategy to the group's strategic objectives. The group audit and actuarial committee has been delegated the authority to ensure the implementation of the IT governance framework. Its design, implementation and execution have been assigned to the group chief information officer as appointed by the group chief executive. The group process and technology committee, a sub-committee of the group executive committee, is chaired by the deputy chief executive with the primary responsibility for IT. This committee is tasked with IT governance oversight and is supported by several management committees that focus on specific aspects of IT governance.

The process and technology executive provides regular updates to the group audit and actuarial committee and to the board on the status of material IT projects as well as other governance-related matters.

The group audit and actuarial committee considers the impact of IT on financial controls in its annual audit plan. Material findings are reported to the group audit and actuarial committee which monitors remedial actions implemented by management. The group risk committee ensures that IT related risks are adequately addressed through risk monitoring and assurance processes.

Share dealing by directors and senior personnel

Liberty has implemented a code of conduct relating to share dealing by directors and other parties who have comprehensive knowledge of the group's affairs. The code imposes closed periods to prohibit dealing in Liberty Holdings Limited securities before the announcement of mid-year and year end financial results or during any other period considered price-sensitive. This is in compliance with the requirements of the Financial Markets Act of 2012, Chapter X, and the JSE Listings Requirements in respect of dealings by directors. The company secretary undertakes the administration required to ensure compliance with this code, under the direction of the chief executive. The code goes further by also restricting dealings by directors and other conflicted parties in any company's securities that may be affected by a transaction or proposed transaction involving Liberty Holdings Limited, any group subsidiary or associated company.

Political party contributions

No contributions were made to any political party during 2014 and 2013.

Company secretarial function

The company secretary, currently Ms JM Parratt, is required to provide the directors of the company, collectively and individually, with guidance on their duties, responsibilities and powers. She is also required to ensure that all directors are aware of legislation relevant to, or affecting, the company and to report at any meetings of the shareholders of the company or of the company's directors any failure to comply with such legislation, including the JSE Listings Requirements. In compliance with section 3.84(j) of the JSE Listings Requirements the board of directors has considered and has satisfied itself that the company secretary is competent, appropriately qualified and experienced to fulfil her role as company secretary of the company. Furthermore, the board is satisfied that the company secretary maintains an arm's length relationship with the board of directors. The company secretary is not a director of the company.

The company secretary is required to ensure that minutes of all shareholders' meetings, directors' meetings and the meetings of any committees of the board are properly recorded and that all required returns are lodged in accordance with the requirements of the Companies Act.

External auditors

For 2014, PricewaterhouseCoopers Inc. (PwC) was Liberty's lead independent firm of external auditors to Liberty Holdings Limited and appointed auditors to the majority of the group's subsidiaries. Certain of the group's subsidiaries, are audited by either SizweNtsaluba Gobodo or KPMG Inc.

The board and the GAAC, having satisfied themselves as to the continued independence of the firm and the audit partner, will be recommending to shareholders at the May 2015 annual general meeting the re-appointment of PwC as the lead external audit firm for 2015.

Statement of compliance

During 2014, Liberty was fully compliant with the requirements of the Companies Act No. 71 of 2008, the Companies Act Regulations and the Listings Requirements of the JSE Limited.

The board has applied the King Code of Governance Principles (King III), with only the following two recommended practices not fully adopted:

King III recommended practice	Liberty's response
Non-executive fees should comprise a base fee as well as an attendance fee per meeting. (Code ref 2.25.4)	The chairman is paid a composite annual fee which includes his committee membership. Board members are paid a fixed annual fee in respect of their board membership and an additional fixed fee in respect of each committee membership. The fee reflects the responsibilities of the directors that extend beyond attendance at meetings and the requirement to be available between scheduled meetings. The history of attendance indicates that there is currently no necessity to pay an attendance fee per meeting.
The board should adopt formal dispute resolution processes for internal and external disputes. (Code ref 8.6.1)	Liberty has various long-standing effective dispute resolution processes which are applied both internally and externally on a case-by-case basis such as complaints resolution processes, an internal Ombudsman and arbitration with suppliers. Accordingly, the board has not yet considered an alternative dispute resolution process.

Complying with all applicable legislation, regulations, standards and codes is integral to the group's culture and imperative to achieving its strategy. The board delegates responsibility for compliance to management and monitors this through the compliance function. The regulatory management committee assesses the impact of proposed legislation and regulation, and any other material regulatory issues are escalated to the group control and risk oversight committee and the group risk committee.

Oversight of compliance risk management is delegated to the group audit and actuarial committee, which reviews and approves the mandate of the group compliance officer. The group compliance officer provides a quarterly report on the status of compliance risk management in the group and significant areas of non-compliance, as well as providing feedback on interaction with regulators. Group internal audit services periodically reviews and audits the group compliance function as well as the compliance policy and governance standards.

Certain minor non-compliance incidents have been reported to governance structures during the 2014 year, however no material breaches have been identified that require separate disclosure.

Total penalties applied by the various regulators for non-compliance is less than R200 000 for both 2013 and 2014.

Governance at Liberty (continued)

Statement of going concern

The board, as expressed in their director's responsibility statement and authorisation of the 2014 annual financial statements, concluded that the group is a going concern and both the 2014 interim and annual financial statements were prepared on that basis.

Group executive committee

Membership, role and function

During 2014 the group executive committee (exco) was made up of the respective business unit chief executives and selected executives of the various business units and central service functions. The chief executive is the chairman of the group executive committee. The committee's role is strategic and operational in nature, being the custodian of the group strategy as approved by the board.

Exco full details and CVs

The purpose of the exco is to assist the chief executive and deputy chief executive to manage, direct, control and co-ordinate the business activities and affairs of the company, subject to statutory limits and the board's limitations on delegation of authority to the chief executive, to achieve sustainable growth within the approved risk profile.

Exco assists the chief executive in guiding and controlling the overall direction of the business of the group and acts as a medium for communication and co-ordination between business units and group companies, the board, shareholders, regulators and other key stakeholders. All appointments to the exco are approved by the directors' affairs committee.

Financial services industry experience and attendance summary

Exco generally meets 10 times during a year. 20 meetings were held during 2014 including 9 dedicated to the development and finalisation of the strategy 2020.

(Listed alphabetically)	Years of financial services experience	2014 Meeting attendance summary
Steven Braudo Deputy chief executive	22	17/20
Leon Deist Executive – Process and technology	9	19/20
Thabo Dloti Chief executive	23	20/20
Seelan Gobalsamy Chief executive – STANLIB	18	19/20
Giles Heeger Chief executive – LibFin	18	18/20
Bruce Hemphill Past chief executive (resigned 28 February 2014)	22	2/2

	Years of financial services experience	2014 Meeting attendance summary
John Maxwell Executive – Retail SA	25	18/20
Mukesh Mittal Chief executive – Business development	23	19/20
Ivan Mzimela Executive – Group strategic services	16	20/20
Samuel Ogbu[(1)] Executive – West Africa	19	9/20
Thiru Pillay Executive – Control assurance	14	19/20
Casper Troskie Executive director – Finance and risk	26	20/20

(1) *Samuel Ogbu was deployed to West Africa to establish business opportunities in that region. Consequently he was excused from attending several meetings.*

Remuneration of directors and prescribed officers

Non-executive directors

Non-executive directors' fees, including the chairman's fee, are proposed by the board and recommended to the shareholders for approval at the annual general meeting.

Non-executive directors do not receive short-term incentives and, with the exception of the directors who qualified for the 2004 black ownership transaction, do not participate in any long-term incentive schemes. Proposed fees for the 2015 directorships of Liberty Holdings Limited, Liberty Group Limited and STANLIB Limited, as well as members of board standing committees, as set out in the notice to members, are based on a carefully considered assessment of the responsibility placed on non-executive directors arising from increased requirements for regulatory oversight. Fees are annually benchmarked to equivalent responsibilities in the financial services sector. In light of the non-executives' attendance record in recent years, it has been decided not to change the current policy of a set annual fee to an attendance fee basis. This policy will be reviewed annually with due consideration to attendance records.

Indirect interests

By virtue of either directorships in or material shareholdings held directly or indirectly by Standard Bank Group Limited's 53,62% (2013: 53,62%) in the issued ordinary share capital of Liberty, Mr SK Tshabalala and Mrs BS Tshabalala, being a director of both Liberty and Standard Bank Group Limited, had in aggregate an indirect beneficial and non-beneficial interest of 153 461 712 (2013: 153 461 712) ordinary shares in Liberty at 31 December 2014.

Mr SJ Macozoma, who resigned as chairman and director on 31 December 2014, is a director and 28,40% (2013: 28,40%) shareholder in Safika Holdings Proprietary Limited (Safika). By virtue of Safika controlling 2,4% (2013: 2,4%) of Liberty, Mr SJ Macozoma had an indirect beneficial interest of 1 935 431 (2013: 1 935 431) ordinary shares in Liberty Holdings Limited at 31 December 2014.

There have been no changes to the interests of directors, including their families, in the share capital as disclosed above to the date of approval of the annual financial statements, namely 25 February 2015.

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

Direct interests	Number of shares 2014	Number of shares 2013
Beneficial		
Executive directors		
T Dloti[1]	**287 800**	207 200
SIM Braudo	**145 475**	86 877
CG Troskie	**27 728**	2 875
	461 003	296 952
Non-executive directors		
SL Botha	**5 335**	5 335
JB Hemphill	**266 837**	10 290
MP Moyo	**4 858**	2 700
SP Sibisi[1]	**100 000**	100 000
JH Sutcliffe	**4 000**	4 000
BS Tshabalala[1]	**100 000**	100 000
	481 030	222 325
	942 033	519 277

[1] *T Dloti includes 207 200 shares, and SP Sibisi and BS Tshabalala, 100 000 shares each via the Black Managers' Trust under the 2004 BEE ownership scheme.*

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Remuneration of directors and prescribed officers (continued)

Non-executive directors' remuneration

Non-executive directors (R'000)	Directors of LHL and LGL	Committee fees	Directors of STANLIB Limited	Total Liberty Group	Other Standard Bank Group[(1)]	Total remuneration
2014						
AWB Band (Lead independent director)	**750**	**644**		**1 394**		**1 394**
SL Botha	**275**	**79**		**354**		**354**
AP Cunningham[(2)]	**1 698**			**1 698**		**1 698**
JB Hemphill[(3)]					**21 573**	**21 573**
MW Hlahla	**275**	**79**	**145**	**499**		**499**
MG Ilsley (appointed 1 November 2014)	**69**	**42**		**111**		**111**
SJ Macozoma[(4)] (resigned as chairman 31 December 2014)	**2 332**			**2 332**	**1 282**	**3 614**
MP Moyo	**275**	**567**		**842**		**842**
TDA Ross	**275**	**823**		**1 098**		**1 098**
SP Sibisi	**275**	**166**		**441**		**441**
JH Sutcliffe[(5)]	**2 317**	**63**		**2 380**		**2 380**
BS Tshabalala	**275**	**225**	**145**	**645**	**505**	**1 150**
SK Tshabalala[(6)]					**24 761**	**24 761**
Total	**8 816**	**2 688**	**290**	**11 794**	**48 121**	**59 915**
2013						
AWB Band (Lead independent director)	300	713		1 013		1 013
SL Botha (appointed 19 August 2013)	104	19		123		123
AP Cunningham[(2)]	1 736	57		1 793		1 793
MW Hlahla	250	37	68	355		355
SJ Macozoma (Chairman)[(4)]	2 200			2 200	1 092	3 292
JH Maree[(6)] (resigned 7 March 2013)					2 842	2 842
MP Moyo	250	499		749		749
TDA Ross	250	790		1 040		1 040
SP Sibisi	250	156		406		406
JH Sutcliffe[(5)]	1 961	76		2 037		2 037
BS Tshabalala	250	234	137	621		621
SK Tshabalala[(6)] (appointed 2 April 2013)					28 682	28 682
PG Wharton-Hood[(6)] (resigned 14 August 2013)					6 101	6 101
Total	7 551	2 581	205	10 337	38 717	49 054

(1) Other Standard Bank Group is defined as Standard Bank Group Limited and its subsidiaries excluding Liberty.

(2) Mr AP Cunningham is an international director and receives a composite fee of £106 000 (2013: £100 000) as a member of the board, committees and subsidiary boards. 2014 rand equivalent is R1 698 000. In addition, during 2013, ad hoc committee and board, attendance fees of R57 000 were paid. .

(3) Mr JB Hemphill was chief executive and an executive director until 28 February 2014, whereafter he transferred to Standard Bank Group. He remains a director of Liberty in a non-executive capacity.

(4) The chairman of the board received a composite fee in lieu of committee fees and his services as a director of Liberty Holdings Limited, Liberty Group Limited and STANLIB Limited.

(5) Mr JH Sutcliffe is an international director and receives a composite fee of £127 000 (2013: £120 000) as a member of the board, committees, subsidiary boards and chairman of a committee. 2014 rand equivalent is R2 317 000. In addition ad hoc committee and board, attendance fees of R63 000 (2013: R76 000) were paid.

(6) Messrs JH Maree, SK Tshabalala, JB Hemphill and PG Wharton-Hood, whilst non-executive directors of Liberty, were full time employees of the Standard Bank group and therefore did not receive directors' fees or other remuneration from Liberty.

Executive directors and prescribed officers

The Companies Act No. 71 of 2008 and associated regulations introduced the concept of prescribed officers and related remuneration disclosure. The group's directors' affairs and remuneration committees considered the Act and obtained legal opinion. The committees' view is to assess annually the prescribed officer definition from a specific company rather than group perspective. During 2013 and 2014 Messrs JB Hemphill (became a non-executive director on 1 March 2014), CG Troskie, T Dloti and SM Braudo met the definition from a management perspective in respect of the Liberty Holdings Limited company. Their remuneration details along with those of other members of the board are detailed on the following pages.

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Executive directors' remuneration is determined in compliance with the group's remuneration policy.

The executive board members at 31 December 2014 are the chief executive (Mr T Dloti), the deputy chief executive (Mr SIM Braudo) and the executive director – finance and risk (Mr CG Troskie). These positions qualify as board appointments in line with best practice, succession planning and JSE requirements. Mr JB Hemphill was chief executive (and an executive director) of Liberty up to 28 February 2014, whereafter he transferred to the Standard Bank Group. He has, however, remained as a director of Liberty in a non-executive capacity.

The remuneration committee has set the executive directors' remuneration with due consideration to their performance, experience and responsibility. Furthermore, an extensive benchmarking of similar roles in companies comparable to Liberty's size, industry and risk profile was performed.

In line with policy, share incentive awards in Standard Bank awarded prior to the appointment of Messers Hemphill and Troskie as Liberty directors, remain unaffected. Liberty, with effect from their dates of appointment, has assumed the service cost in respect of these incentives while they are serving Liberty in an executive capacity.

During 2014, Messrs T Dloti, SIM Braudo and CG Troskie were eligible for both short- and long-term incentive awards in line with the remuneration committee approved remuneration philosophy and group executives' incentive schemes as described in the remuneration of Liberty's people section of this report.

In summary each executive has two components of short-term incentives, namely performance against set non-financial key performance indicators (KPIs) and scaled financial performance measured against board approved targets. The table below summarises for each of the executives their category participation and award performance for the relevant financial years. The reference group financial scale is allocated 45% to the operating IFRS headline earnings, 45% to growth in operating equity value (excluding investment variances) and 10% to the performance of the SIP against benchmark. The reference scale set by remuneration committee was based on the principle that the full achievement of the pre-approved target would equate to the "on target" financial award (refer below).

			2014 Performance				2013 Performance			
Prescribed officer	KPI %	On target financial %	**Applicable package R'000**	**KPI %**	**Financial %**	**Total %**	Applicable package R'000	KPI %	Financial %	Total %
T Dloti	20	120	**5 464**	**18,0**	**161,9**	**179,9**				
	20	100					3 839	17,4	121,7	139,1
SIM Braudo	20	120	**4 957**	**18,0**	**172,9**	**190,9**	3 839	18,6	222,6	241,2
CG Troskie	20	100	**3 409**	**17,2**	**134,9**	**152,1**	3 216	18,6	170,5	189,1
JB Hemphill[1]	20	120					5 150	17,5	225,3	242,8

[1] *Mr Hemphill resigned as chief executive on 28 February 2014.*

The applicable package is the cost to company of the executives guaranteed pay as at 31 December for each performance year. For 2013 Mr T Dloti's short-term incentive reference base was double his applicable package.

Governance at Liberty (continued)

Remuneration of directors and prescribed officers (continued)

Chief executive (CE) – Mr T Dloti

Mr Dloti was appointed to the board on 4 November 2013 and subsequently as group chief executive with effect from 1 March 2014. His performance is evaluated against specified criteria, in line with King III recommended practice.

Mr Dloti is subject to a three-month notice period. His key performance indicators for 2014 included:

- Finalise the group's strategy 2020 and develop a business operating model in support of the strategy;
- Drive collaboration across the business and the senior executives, whilst enhancing the effectiveness of the operating model;
- Develop a compelling investor value proposition and ensure a consistent message is communicated to investors;
- Investigate expansion opportunities in life, short-term and asset management businesses in the rest of Africa;
- Ensure that the group operates within the board approved risk appetite;
- Manage overall capital structures to ensure that group capital structures are streamlined and that capital is effectively deployed in the group;
- Strengthen the commercial partnership with Standard Bank;
- Integrate regulatory amendments (such as TCF, SAM and PoPI) into business processes and practices and ensure successful implementation of all regulatory programmes;
- Ensure that the skills and talent pool is retained by managing a staff turnover for the group of less than 11% with more than 90% of critical skills being retained; and
- Contribute to achieving the group's EE targets, in particular at senior and professionally qualified levels.

Deputy chief executive – Mr SIM Braudo

Mr Braudo was appointed to the board on 4 November 2013 and subsequently as deputy chief executive with effect from 1 March 2014. His performance is evaluated against specified criteria, in line with King III recommended practice.

Mr Braudo is subject to a three-month notice period. His key performance indicators for 2014 included:

- Contribute to the creation and implementation of the strategy 2020 and new operating model, and ensure a detailed implementation and change management plan for the Retail business is developed;
- Provide executive support for major and strategic acquisitions, ensuring that opportunities and risks relating to the acquisition have been adequately identified by the acquisitions team;
- Ensure improved customer experience through the embedding of TCF principles into company practices;
- Put in place sustainable processes to build capacity and sustainability of the group sales force;
- Continue to develop innovative offerings in the Life and Protection businesses and the investment product market;
- Leverage the relationship with STANLIB as it relates to retail flows and bancassurance activities;
- Integrate regulatory amendments (such as TCF, SAM and PoPI) into business processes and practices and ensure successful implementation of all regulatory programmes;
- Ensure that the skills and talent pool is retained by managing a staff turnover for the Retail business of less than 11% with more than 90% of critical skills being retained;
- Contribute to achieving the group's EE targets, in particular at senior and professionally qualified levels; and
- Implement a risk optimisation process for the investment business.

Executive director – finance and risk (FD) – Mr CG Troskie

Mr Troskie was appointed to the board as the financial director on 12 October 2010. The FD's performance and expertise were confirmed suitable in terms of the JSE Listings Requirements.

Mr Troskie is subject to a three-month notice period. His key performance indicators for 2014 included:

- Ensure that the group operates within the board approved risk appetite;
- Ensure that an optimisation function is put in place at group level to provide the group with tools to optimise its returns within risk appetite and across a number of dimensions;
- Build adequate risk management capabilities suitable for the rest of Africa business environment, in order to ensure prudent business and standardised risk management processes across geographies;
- Ensure appropriate implementation of SAM deliverables for 2014;
- Meet reporting obligations during the year;
- Optimise overall capital structures, processes and reporting to ensure the efficient deployment of capital across the group;
- Drive strategy 2020 for centre functions, including their reorganisation, ensuring that the capital and earnings profile of the group is developed in line with the group return targets and holding company requirements;
- Ensure that the skills and talent pool is retained by managing a staff turnover for group finance and risk of less than 11% with more than 90% of critical skills being retained; and
- Contribute to achieving the group's EE targets, in particular at senior and professionally qualified levels.

Executive directors' and prescribed officers' remuneration

The presentation of the remuneration components below appropriately reflects the award values in respect of the performance period to which they relate. Not all components are immediately settled and are linked to the Liberty ordinary share price as well as being contingent on performance and service periods.

The long-term awards for 2013 took the leadership changes into consideration.

	2014				2013			
R'000	T Dloti	SIM Braudo	CG Troskie	JB Hemphill[5]	T Dloti	SIM Braudo	CG Troskie	JB Hemphill
Fixed remuneration[1]	**5 223**	**4 814**	**3 395**	**859**	3 792	3 839	3 185	5 112
Cash portion of package	**4 698**	**4 338**	**2 974**	**781**	3 366	3 449	2 798	4 657
Other benefits	**116**	**100**	**81**	**28**	127	90	81	160
Retirement contributions	**409**	**376**	**340**	**50**	299	300	306	295
Variable remuneration awards[2]	**9 829**	**9 461**	**5 185**		10 679	9 261	6 083	12 500
KPI	**984**	**892**	**586**		1 336	714	598	899
Financial	**8 845**	**8 569**	**4 599**		9 343	8 547	5 485	11 601
Long-term awards[3]	**9 000**	**8 000**	**6 000**		18 500	17 400	8 000	9 400
Total	**24 052**	**22 275**	**14 580**	**859**	32 971	30 500	17 268	27 012
Accrued and settled	**11 970**	**11 341**	**7 356**	**859**	11 049	10 246	7 685	13 462
Deferred in terms of short-term incentives policy[4]	**3 082**	**2 934**	**1 224**		3 422	2 854	1 583	4 150
Deferred in terms of long-term incentives policy[3]	**9 000**	**8 000**	**6 000**		18 500	17 400	8 000	9 400

[1] *Fixed remuneration includes all guaranteed amounts and value of benefits granted only conditional to services rendered to Liberty. Generally fixed remuneration is adjusted annually for inflation and market conditions effective 1 April each year.*
[2] *In order to align reporting of incentive awards to the relevant performance, the amounts granted, as reported below, relate to the respective periods reviewed.*
[3] *Long-term incentive awards, at the election of the individual executive, can be taken up to 50% as share rights in the equity growth scheme with the balance being allocated to the restricted share plan (long-term plan).*
[4] *Variable awards are performance based and referenced to the guaranteed package in the month of the award being granted. Deferred portions of awards are allocations of restricted shares under the conditions of the restricted share deferred bonus scheme.*
[5] *Mr Hemphill resigned as chief executive on 28 February 2014.*

Summary of past long-term awards not exercised

Cash-settled schemes

Name	Date granted	Date fully vested	Units allocated at beginning of year	Units vested during the year	Units allocated at end of year	Unit value at allocation date R'000	Cash settlement R'000	Current value at end of year R'000
Share unit rights plan at 31 December 2014								
Executive director								
CG Troskie	**26 Oct 2011**	**26 Oct 2014**	**33 313**	**33 313**		**2 700**	**4 057**	**Nil**
2010 deferred bonus scheme								
Non-executive director								
JB Hemphill[1]	24 Feb 2011	24 Feb 2014	15 395	15 395		1 150	2 031	Nil

[1] *Awarded whilst an executive of Liberty and prior to becoming a non-executive director.*

Governance at Liberty (continued)

Remuneration of directors and prescribed officers (continued)

Summary of past long-term awards not exercised (continued)

Equity-settled schemes

Liberty rights under option

Name	Date granted	Price payable per share	Date fully vested	Rights under option at beginning of year	Rights granted (exercised) during year	Rights under option at end of year
Non-executive director						
JB Hemphill[(1)]				720 000	**(620 000)**	**100 000**
	21 Apr 2005	R58,40	21 Apr 2010	40 000	**(40 000)**	
	18 Apr 2006	R77,28	18 Apr 2011	60 000	**(60 000)**	
	28 Feb 2007	R80,25	28 Feb 2012	120 000	**(120 000)**	
	22 Feb 2008	R73,21	22 Feb 2013	80 000	**(80 000)**	
	18 Feb 2009	R65,15	18 Feb 2014	100 000	**(100 000)**	
	23 Feb 2010	R69,00	23 Feb 2015	240 000	**(180 000)**	**60 000**
	24 Feb 2011	R74,70	24 Feb 2016	80 000	**(40 000)**	**40 000**
Executive directors						
T Dloti				210 000	**(145 000)**	**65 000**
	1 Mar 2010	R70,26	1 Mar 2015	160 000	**(120 000)**	**40 000**
	24 Feb 2011	R74,70	24 Feb 2016	50 000	**(25 000)**	**25 000**
SIM Braudo				180 000	**(125 000)**	**55 000**
	2 Jul 2008	R61,50	2 Jul 2013	62 500	**(62 500)**	
	18 Feb 2009	R65,15	18 Feb 2014	7 500	**(7 500)**	
	23 Feb 2010	R69,00	23 Feb 2015	60 000	**(30 000)**	**30 000**
	24 Feb 2011	R74,70	24 Feb 2016	50 000	**(25 000)**	**25 000**
CG Troskie				122 106	**(27 343)**	**94 763**
	24 Feb 2011	R74,70	24 Feb 2016	100 000	**(50 000)**	**50 000**
	1 Mar 2012	R87,90	1 Mar 2017	22 106		**22 106**
	1 Mar 2014	R123,39	1 Mar 2019		**22 657**	**22 657**
Executive directors' interests in the Standard Bank rights under option						
CG Troskie[(1)]				76 875	**(39 375)**	**37 500**
	2 Jan 2009	R83,00	2 Jan 2014	9 375	**(9 375)**	
	2 Jan 2009	R83,00	2 Jan 2016	37 500	**(18 750)**	**18 750**
	5 Mar 2010	R111,94	5 Mar 2015	15 000	**(11 250)**	**3 750**
	5 Mar 2010	R111,94	5 Mar 2017	15 000		**15 000**

(1) *Awards prior to appointment to the Liberty board.*

58 *For details of the group's incentive schemes*

Name	Date granted	Allotted price per unit	Date fully vested	Shares at beginning of the year	Shares granted during the year	Shares vested during the year	Shares at end of the year	Current value at end of year R'000
Restricted share plan (long-term plan)								
Non-executive director								
JB Hemphill[1]				126 102	76 182	(22 753)	179 531	22 027
	1 Mar 2012	R87,90	1 Mar 2016	68 260		(22 753)	45 507	5 583
	1 Mar 2013	R121,02	1 Mar 2018	57 842			57 842	7 097
	1 Mar 2014	**R123,39**	**1 Mar 2019**		**76 182**		**76 182**	**9 347**
Executive directors								
T Dloti				106 163	149 932	(21 615)	234 480	28 768
	1 Mar 2012	R87,90	1 Mar 2016	64 847		(21 615)	43 232	5 304
	1 Mar 2013	R121,02	1 Mar 2018	41 316			41 316	5 069
	1 Mar 2014	**R123,39**	**1 Mar 2019**		**149 932**		**149 932**	**18 395**
SIM Braudo				94 164	141 017	(17 065)	218 116	26 760
	1 Mar 2012	R87,90	1 Mar 2016	51 195		(17 065)	34 130	4 187
	1 Mar 2013	R121,02	1 Mar 2018	42 969			42 969	5 272
	1 Mar 2014	**R123,39**	**1 Mar 2019**		**141 017**		**141 017**	**17 301**
CG Troskie				59 938	58 352	(7 584)	110 706	13 582
	1 Mar 2012	R87,90	1 Mar 2016	22 754		(7 584)	15 170	1 861
	1 Mar 2013	R121,02	1 Mar 2018	37 184			37 184	4 562
	1 Mar 2014	**R123,39**	**1 Mar 2019**		**58 352**		**58 352**	**7 159**
Restricted share plan (deferred plan)								
Non-executive director								
JB Hemphill[1]				52 396	33 634	(20 896)	65 134	7 992
	1 Mar 2012	R87,90	1 Sep 2015	20 583		(10 292)	10 291	1 263
	1 Mar 2013	R121,02	1 Sep 2016	31 813		(10 604)	21 209	2 602
	1 Mar 2014	**R123,39**	**1 Sep 2017**		**33 634**		**33 634**	**4 127**
Executive directors								
T Dloti				38 662	27 730	(15 190)	51 202	6 282
	1 Mar 2012	R87,90	1 Sep 2015	13 819		(6 909)	6 910	848
	1 Mar 2013	R121,02	1 Sep 2016	24 843		(8 281)	16 562	2 032
	1 Mar 2014	**R123,39**	**1 Sep 2017**		**27 730**		**27 730**	**3 402**
SIM Braudo				44 032	23 134	(17 637)	49 529	6 076
	1 Mar 2012	R87,90	1 Sep 2015	17 758		(8 879)	8 879	1 089
	1 Mar 2013	R121,02	1 Sep 2016	26 274		(8 758)	17 516	2 149
	1 Mar 2014	**R123,39**	**1 Sep 2017**		**23 134**		**23 134**	**2 838**
CG Troskie				23 017	12 831	(9 269)	26 579	3 261
	1 Mar 2012	R87,90	1 Sep 2015	9 584		(4 792)	4 792	588
	1 Mar 2013	R121,02	1 Sep 2016	13 433		(4 477)	8 956	1 099
	1 Mar 2014	**R123,39**	**1 Sep 2017**		**12 831**		**12 831**	**1 574**

(1) *Awarded whilst an executive of Liberty and prior to becoming a non-executive director.*

Our **competitive landscape** and **chosen markets**

Liberty's activities are materially undertaken within South Africa, with a strategic emphasis to expand operations across sub-Saharan Africa.

South Africa

In relation to the South African jurisdiction and capital markets, the group's main competitors are other listed financial service groups. These groups, together with Liberty, have over 80%(1) of annual net long-term premium income and manage approximately 50%(2) of reported collective investment schemes assets under management.

Significant JSE listed competitive groups:

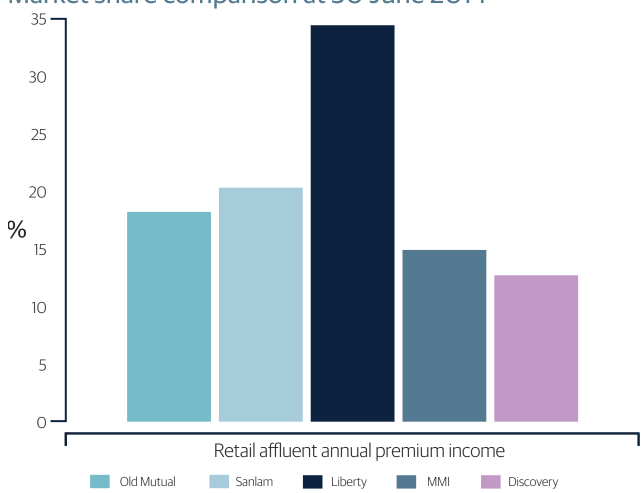
Group	Market capitalisation(3) as at 31 Dec 2014 Rbn	Material financial services offered						Main geographical targets		
		Long-term insurance								
		Retail	Institutional	Short-term insurance	Asset management	Medical schemes administration	Banking	South Africa	Other Africa	Other international
Liberty	**35**	✓	✓		✓	✓		✓	✓	
Old Mutual	**170**	✓	✓	✓	✓		✓	✓	✓	✓
Sanlam	**152**	✓	✓	✓	✓			✓	✓	✓
Discovery	**66**	✓		✓		✓		✓		✓
Investec	**60**				✓		✓	✓		✓
MMI Holdings	**47**	✓	✓	✓	✓	✓		✓	✓	
Coronation	**40**				✓			✓		
Alexander Forbes	**12**	✓	✓	✓	✓			✓	✓	
Clientele	**6**	✓						✓		

In addition to the listed companies, other significant competitors include Hollard (insurance) and Allan Gray (asset management).

Retail long-term insurance

Liberty focuses its long-term Retail risk and investment (including retirement) solutions on the mass-affluent market segment. Within this segment we have the highest market share. Our strategic goal is to maintain this position without reducing new business margins significantly.

Market share comparison at 30 June 2014(4)

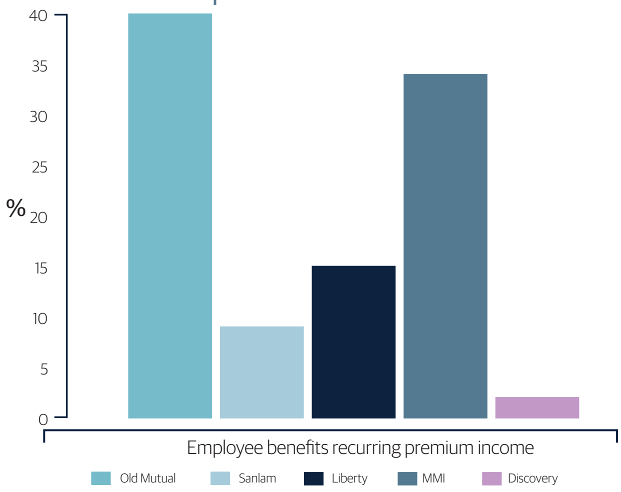


Institutional long-term insurance

Liberty provides risk and investment solutions to corporate and retirement bodies. Traditionally we have targeted small to medium enterprises in this market segment. Consequently Liberty administers the largest number of retirement funds. However, with various recent regulation changes creating increasing administrative costs, this segment is now best served through umbrella arrangements. Liberty created the Corporate Selection Umbrella Fund, which is now the largest umbrella fund in South Africa by members and participating employers.

Liberty's market share of annual recurring premium income is relatively low. Our strategic ambition is to profitably increase market share by improving product and service solutions whilst acquiring additional capabilities.

Market share comparison at 30 June 2014[4]

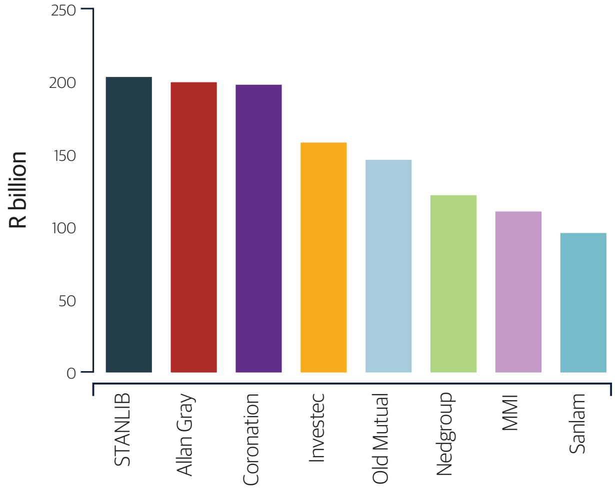


Asset management

STANLIB has for sometime been the largest (by assets) unit trust provider to the South African market. The fixed income, money market, listed property and alternative asset franchises are considered to be the most competitive. STANLIB's share of funds invested in equities is disproportionally low and remains a strategic focus area to improve.

(1) *FSB 16th Annual Report of the Long-Term Insurance industry 2013*
(2) *ASISA Quarterly Analysis – December 2014*
(3) *iNet Bridge*
(4) *UBS Global Research 1 October 2014*
(5) *UBS Global Research 4 June 2014*

Unit trusts: assets under management[5] at 31 March 2014



Sub-Saharan Africa (excluding South Africa)

The combination of low penetration of insurance and investment products and expectations of strong economic growth in many countries in the sub-Saharan region is strategically attractive. Liberty along with a number of other South African financial service groups (refer above) have chosen to specifically invest in this geographic region. In addition to the South African competitors, a number of international groups (mainly European) have a presence in various countries, including AXA Group and Prudential.

Liberty is in the top six largest short-term insurers in both Kenya and Uganda and is prominent in asset management throughout the Southern and Eastern regions. In addition, we are the largest life assurer in Uganda.

Bancassurance

Partnering with Standard Bank on bancassurance is a competitive advantage for Liberty, however our arrangement is not unique on the African continent. The South African bancassurance market is the most integrated, sophisticated and mature in sub-Saharan Africa.

Other key players in sub-Saharan Africa with bancassurance arrangements include groups such as Barclays, Ecobank, Standard Chartered, Zenith Bank, AIG, Hollard, MMI Holdings, Old Mutual and Sanlam.

Liberty has the most significant bancassurance market share in the South African market.

To optimise our opportunity to create investor value sustainably, it is essential that **mutually beneficial partnerships** are maintained with our **key stakeholders**

We believe that shareholders are the primary stakeholder in any commercial business as they generally provide the financial capital to commence and help sustain the business. The board has the responsibility to provide adequate governance structures and appoint a management team that is appropriate to achieve the delivery of the strategic mandate.

Given the nature of Liberty's business being a significant public company, providing financial products and services (in many cases that are contracted over many years into the future) there is the implicit requirement to manage the business sustainably and avoid business failure within most scenarios.

We therefore believe it is a necessity to identify and partner with other key stakeholder groups who provide resources that materially influence the value drivers of the business model. These key stakeholders are then actively engaged on an ongoing basis to ensure an optimal balance of the respective objectives is attained.

Each key stakeholder group provides a form of capital that contributes to the success of delivering Liberty's strategy. We therefore focus on understanding the limitations to that capital and the ability to either renew or find alternative sources.

Our key stakeholders that materially contribute to our value drivers have been identified as:

- Investors – who provide financial capital
- Customers – who purchase our products and services (after obtaining appropriate advice on their financial needs) to achieve their financial goals
- Employees – who supply the necessary skills and expertise to deliver on our promises to stakeholders
- Regulators – who govern financial stability and market conduct for our industry
- Communities – who provide us with our social relevance and our future customers and employees

Other stakeholders also contribute to Liberty's business success and are engaged appropriately to optimise the value opportunity. These include suppliers of goods and services and the media. However, for the purposes of this integrated report we have focused on the material key stakeholders.

Online sustainability review

Stakeholder engagement

Liberty's stakeholder engagement unit is responsible for facilitating a coordinated approach to stakeholder engagement activities across the group, which is aligned to Liberty's organisational philosophy, brand ethos, values, material sustainability issues and strategy.

The frequency of engagement varies according to each stakeholder group and the particular issue at hand. Liberty is proactive in identifying and responding to its stakeholders' expectations, concerns and conflicts.

A centralised approach is used to manage investors, regulators and communities. Individual business units undertake stakeholder engagement relevant to their area and are responsible for identifying relevant stakeholder concerns and taking appropriate action. The board of directors is kept appraised of engagement activities, concerns raised and mitigating action taken through the group social, ethics and transformation committee.

Stakeholder sentiment

Our annual stakeholder sentiment survey aims to determine stakeholders' perceptions of Liberty, its products and services and the overall manner in which it conducts its business. The 2014 survey indicated an increase in positive sentiment towards Liberty with an overall average score of 83% (2013: 74%) from stakeholders.

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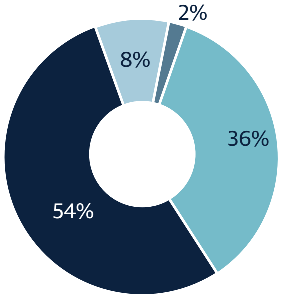
Strong **stakeholder partnerships** generate our value:

If we don't help our stakeholders
achieve their vision, *we won't achieve ours*

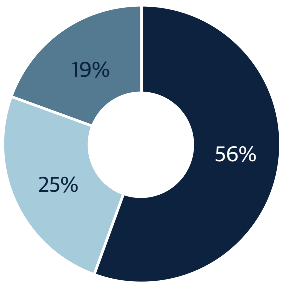
Investors – our primary stakeholder

Investors are a key source of financial capital to **support** business operations.

This financial capital can be provided in various forms but essentially is split between:

	IFRS reported value 31 December 2014	Number of investors 31 December 2014	Analysis of ownership as at 31 December 2014	Investor value objective
Ordinary shareholders **(equity capital)**	**R19,5** billion	**9 602**	 *Free float 38% (2013: 37%)* Institutional Individuals BEE scheme participants Standard Bank	A sustainable and attractive **return on investment**, realised over time through **dividends** and **share price** growth

Further details refer: ***Detailed share ownership analysis***

	IFRS reported value	Number of investors	Analysis of ownership	Investor value objective
Subordinated note holders **(debt capital)**	**R3,6** billion	**252**	 **Institutional:** Retirement funds and corporations Long and short term insurers Mutual funds	A competitive risk adjusted **lending return** and **return of capital** at the agreed dates

Significant issues raised by investors and

Equity capital provided by shareholders – normally utilised to commence operations, fund key expansion opportunities and provide minimum regulatory capital requirements. The effective cost of this capital is typically high given the associated risks and uncertain returns.

Debt capital – financial capital provided for a specified period of time, typically utilised to reduce overall cost of capital (as this capital is normally cheaper than equity capital).

Key performance measures	Engagement activities	Capital raising options	Cash return promise
• Return on group equity value[1] • Return on average IFRS shareholder equity[1] • Headline earnings and operating earnings growth[1] • Dividend growth and cover • Growth in share price [1] *BEE normalised*	Various engagement **activities** are **planned** to meet controlling shareholder (Standard Bank), institutional and individual shareholders, financial media and investment analysts reporting requirements	Higher **retention of earnings** ***Issues*** *of ordinary shares*	***Dividend policy*** The group's dividend is set with reference to underlying core operating earnings taking cognisance of the need to (i) balance capital and legislative requirements, (ii) retain earnings and cash flows to support future growth, and (iii) provide a sustainable dividend for shareholders. Subject to consideration of the above, the targeted dividend cover based on underlying core operating earnings is between 2,0 and 2,5 times. The interim dividend is targeted as 40% of the previous year's full dividend.
86	40	43	86
• Capital adequacy cover • Finance cost coverage ratio	Initial **pre-note issuance** road shows facilitated by the group's advisers **Post issue engagements** with rating agency, Fitch – formal annual review and rating Supply of **relevant** financial **information** on request	***New*** *debt issues*	***Interest and capital*** 5 – 7 year tenor (capital repayment at end of term) for issued debt instruments. Fixed and floating interest coupon rates between 7.6% – 9.1%, paid either half yearly or quarterly. Fitch 2014 National Insurer Financial Strength rating remains unchanged at AA (zaf) and subordinated debt at A+ (zaf). ***Fitch ratings report***

our responses 42

The components of Liberty's equity value have several influencers or value drivers, certain of which can be controlled by active management. Others, such as investment market returns, are less controllable and are therefore managed through the application of risk appetite limits.

Value measurement

Various measures of value generation are monitored, including headline earnings per share, return on average IFRS shareholder equity and share price (price to earnings, dividend yield). However, the primary basis of value measurement adopted by South African long-term insurers is group equity value supported by the embedded value framework.

How we measure group equity value

Liberty comprises three business segments that generate value, namely long-term insurance, short-term insurance and asset management. In addition value is created by the efficient management and investment of available capital being surplus financial capital and capital held for regulatory requirements.

We have chosen the embedded value methodology to measure value creation in the long-term insurance business, with sustainable earnings multiples utilised for short-term insurance and asset management (incorporating LibFin credit which provides sustainable credit margin on backing long-term insurance assets). Available financial capital held is measured at market value of the underlying assets. The combined calculated value (sum of the parts) is our reported group equity value.

Component parts of the embedded or equity value and changes thereto, are reported and analysed separately as they are excellent indicators of separate value driver performance. In particular, value of new businesses and new business margin, are representative of sales performance. Variances to expected assumptions give an indication of both accuracy of key assumptions as well as how well the business is being managed to expectations ("manage to model" concept). Efficiency measures include return on embedded or equity value (expressed as a percentage) which can be compared to hurdle rates such as weighted average cost of capital.

The group has for the medium term targeted a long-term sustainable return on equity value of 5% above the ten year government bond yield per annum. Equity value is also expressed as an amount per ordinary share, which provides a broad basis for shareholders to assess inherent value compared against current ruling share prices.

Management targets as measured by these metrics are integrated into management performance contracts thereby influencing remuneration. The board monitors value generation by actively reviewing performance against short- and long-term targets.

The nature of the long-term insurance business results in a significant portion of the various contracts having contract duration well in excess of ten years. In addition, contract durations are often variable as they depend on events that are not under the control of management, such as when a customer dies or their policy lapses. Consequently determining value and assessing performance requires comprehensive valuation models with numerous assumptions that forecast future trends in investment markets and policyholder behaviour.

Understanding trends and having appropriate valuation models and assessment is therefore critical to managing risk and ensuring a sustainable business model. Liberty invests considerable resources in skilled financial and actuarial employees, model development and utilises consultants to benchmark to best practice to assist in remaining competitive.

It should be noted that IFRS earnings in a long-term insurer tend to be more volatile than most other financial service entities as they are significantly influenced by actual investment market performance for the period as well as changes to economic and non-economic assumptions used in valuing long-term contract liabilities. These changes to assumptions result in a 'capitalised' or multiplier effect which is the consequence of the change being modelled over the remaining duration of contracts.

Group equity value

Whilst group equity value is considered to be a reliable basis to assess value generation, it is not intended to be the full representative value of the group. Goodwill incorporating an assessment of the ability to generate future growth and new business is not fully represented in the underlying calculation of the reported group equity value.

Future value measurement

The advances in economic capital modelling have led to the FSB adopting a modified basis to establish future minimum capital levels of the insurance industry (SAM framework). We believe economic capital frameworks will in the future become accepted best practice for value measurement. Liberty is well advanced to transition to these frameworks.

Embedded **value framework**

Embedded value is a widely utilised financial reporting framework in the long-term insurance industry. Liberty has adopted the guidance (referred to as APN 107) provided by the Actuarial Society of South Africa to determine the value of the existing long-term in-force insurance contracts. The group's ability to generate value by writing future long-term insurance new business is, however, not reflected in the measure.

Business model value drivers

The diagram below depicts the drivers of shareholder value by each significant business segment and the key metrics used to measure value driver components.

Value component		Value drivers		Key metrics
Long-term insurance	In-force contracts	Cost of servicing Policyholder behaviour Cost of required capital Risk discount rate Investment return	Policyholder behaviour: Lapse and withdrawal Mortality and morbidity Contract extensions and alterations	• Maintenance cost per policy • Net customer cash flow • Value of in-force covered business • Variances to modelled expectations • Cost of required capital
Long-term insurance	New business	Sales volume Margin	Sales volume: Distribution capacity Productivity New products and markets Margin: Cost of acquisition and servicing Product mix Premiums pricing Policyholder behaviour Risk discount rate Cost of capital consumed	• Indexed new business • Value of new business • New business margin • Distribution capacity (geographic presence and number of supporting intermediaries)
Short-term insurance	Sustainable earnings	Cost of servicing Extent and frequency of loss events Premium rates		• Claims loss ratios • Combined ratio • Net customer cash flows
Asset management	Sustainable earnings	Assets under management Service and performance fees Expenses	Assets under management: Net customer cash flows Investment performance Service and performance fees: Investment performance Expenses: Acquisition Management and administration	• Assets under management • Net customer cash flows • Service fee margin • Cost to income ratio
Available capital	Return on capital	Assets held Asset mix Investment performance per asset category	Assets held: Capital created less distributed	• Investment return and reference to benchmark • Dividend cover • Capital adequacy ratio

AFS 236 238

Refer to Appendices J (Six year review) and K (Definitions and abbreviations) in the AFS and supporting information and the Financial results presentation

We are the stewards of our investors' financial capital and we value their trust and confidence.

Consistent and effective engagement with investors, with the ***objective*** *of aligning shareholder expectations with our strategy and targets, helps ensure our share price fairly reflects our value creation opportunity.*

Our investors and potential investors require regular interaction and information to assist in achieving their investment goals.

We deliver this interaction and information through dedicated investor relations services, a well directed and comprehensive plan complemented by accessible channels of enquiry and timely responses. Our executive director – finance and risk, takes responsibility for investor engagement, supported by two full time skilled professionals.

The business of an insurer is often perceived as complicated with its own subculture of jargon and metrics. Therefore it is imperative that we efficiently communicate the insurance business model, overlayed with Liberty's uniqueness, by explaining our differentiated capabilities and strategy. Refer to *Explaining our strategy* section.

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Due to the lack of a completed IFRS standard on the measurement of insurance liabilities, the provision of detailed analysis of our financial results is critical to aid investors and analysts to compare us with our competitors on a like for like basis.

Our engagement plan

We conduct both prescribed engagement activities and proactive activities which focus on a particular investor grouping. We broadly categorise these groups into:

Standard Bank – besides owning 53,6% of Liberty Holdings, Standard Bank is also a strategic partner through the bancassurance agreement and provides an important differentiator for our expansion into the rest of the African continent. Our engagement activities with Standard Bank can be categorised into those related to its status as our majority shareholder and those which are operationally focused. Standard Bank's representation on our board means that this shareholder is privy to strategic and financial information not readily available to other investors. We strictly control the distribution of information and fully comply with the JSE's recommendations regarding the release of price sensitive information. For the purposes of good governance we endeavour to engage with Standard Bank as an investor first and a strategic partner second. The board ensures that there are sufficient independent non-executive directors to manage the inherent conflict of interests, aided by various governance forums.

Institutional investors – invest on behalf of others, whether it be individuals, mutual funds, retirement vehicles and medical aid schemes and own approximately 36,7% of Liberty ordinary shares and effectively 100% of all issued subordinated notes. This aggregation of investors is particularly influential in determining our share price and cost of raising debt and is consequently a significant focus of our engagement activities.

Individual shareholders – hold approximately 2,2% of Liberty ordinary shares and number more than 7 000. Given the high number, our engagement plan is constructed around using public communication channels (e.g. financial media, SENS announcements and an interactive investor relations website) supported by an active "help" facility to respond to individual queries.

Analysts and financial media – while this is not specifically an investor category, these individuals and public communication channels are fundamental to us effectively communicating our investment case. This grouping exerts considerable influence on the flow of financial capital and it is therefore critical that they fully understand Liberty's strategy, business model and uniqueness. The objective is two-fold, namely to increase the potential available pool of accessible financial capital and reduce the overall cost of capital.

BEE scheme shareholders – held at 7,5% at 31 December 2014. Trading restrictions on the ordinary shares issued to various BEE entities in Liberty's 2004 Black Economic Empowerment transaction totalling 25,8 million ordinary shares, were lifted on 31 December 2014. Subsequent to year end, a proportion of Liberty's employees that participated in the scheme sold approximately 1,8 million shares.

We engaged extensively with these shareholders in order to ensure awareness regarding any remaining debt obligations and the tax implications arising from the sale of shares. The remaining shareholders will now effectively form part of the "free float" and going forward we will include them in our institutional and individual engagement plans as applicable.

Prescribed engagement activities	Targeted groupings
JSE SENS announcements[1]	All
The publication of interim and annual results in printed media	All
The distribution of our integrated report and notice of AGM	All
Making available the interim and annual financial statements on our website	All
Our AGM and other shareholder meetings	All ordinary shareholders

[1] The JSE Limited's exchange includes an investor service to facilitate a company's prescribed and voluntary disclosures to the general investor public. SENS is an acronym for Stock Exchange News Service.

Proactive engagement activities	Targeted groupings
Bi-annual results presentations. Analysts presentations are also made available on our website	Institutional investors Analysts and financial media
Individual and group meetings with senior management. Over 150 meetings were facilitated in 2014	Institutional investors Analysts
Actively participated at three local and international investor conferences in 2014	Analysts and financial media
Senior executives undertake international roadshows each year, visiting the United Kingdom and the United States, engaging with shareholders and potential investors	Institutional investors
The annual analyst day held in November 2014 was attended by 36 institutional investors and analysts	Institutional investors Analysts
Responded where necessary to analyst and media reports to improve accuracy	Analysts and financial media
A query function on our website allows investors to ask questions of management. In addition postal and telephone queries are routed to the company secretary for quick response	All
Press announcements, coupled with media interviews – for interim and final results as well as for significant announcements	All
Our website provides a wide range of information, including dividend announcements and our integrated report	All
Supported Standard Bank through responding on their investor queries relating to Liberty or long-term insurance matters	All
Annually engage Fitch Ratings agency to provide a National Insurer Financial Strength rating and National Long-term rating	All

2015 Investor diary

Ordinary shareholders

2014 Annual financial results	26 February
2014 Final dividend payment	30 March
Annual general meeting	22 May
2015 Half yearly financial results	7 August
2015 Interim dividend payment	7 September

Subordinated note holders

Interest payment dates by issued note reference

LGL 02	LGL 03	LGL 04	LGL 05
12 February	3 April	14 February	12 March
12 August	3 October	14 August	12 June
			12 September
			12 December

Investors – our primary stakeholder (continued)

Significant issues raised by investors and our responses

How will Liberty achieve growth in the SA market considering its small exposure to the emerging consumer market (which is perceived to have greater growth potential)? **?**

It should be noted that our penetration in this market is significant through the credit life and direct business with Standard Bank under the bancassurance arrangement. In addition our corporate business effectively provides solutions to substantial numbers of lower income earners facilitated by employer retirement schemes. We are targeting to gain substantial market share in this segment through our group arrangements business. Given the backdrop of accessibility, low cost requirements and changing regulatory environment, we believe this is the most efficient channel to meet these customer needs.

What will be the impact of new regulations on the business, and how is Liberty addressing these challenges? **?**

The material impacts on our business model are likely to come from retirement reform initiatives in South Africa and the consequences of changes to intermediary remuneration regulations arising from the FSB's retail distribution review (RDR).

In line with experience in other jurisdictions where similar initiatives were implemented such as Australia (retirement reform) and the United Kingdom (RDR), we anticipate substantial shifts to savings umbrella arrangements, supported by multi-manager investment platforms which will provide group arrangements and asset management opportunities. In addition, it is likely that the retail intermediary landscape will shift to larger tied forces as a greater proportion of the entry costs will probably need to be borne by the financial institutions. It is becoming more difficult to encourage young individuals to take up a career as a financial consultant. Our strategy 2020 and associated plans have anticipated these and other likely structural changes.

What is Liberty's five year cash profile? **?**

As demonstrated by the past three year's results and before strategic growth investment, we anticipate the trend of increasing free operating cash flow from our core mature operations to continue for the foreseeable future. Our substantial exposure to investment markets via our Shareholder Investment Portfolio does add volatility to the emergence of cash flows from this portfolio. This is however mitigated to some extent by the application of risk appetite limits which effectively result in a balanced portfolio construct.

How quickly can the group expand into Africa? **?**

Our strategy 2020 envisages a meaningful expansion plan into other Africa geographies, however we will not deploy our capital resources at all costs. This expansion will be managed taking into account the opportunity and implementation capability. We believe the broader Africa market is a compelling long-term growth opportunity. The group has dedicated considerable resources (both financial and management) to actively identify appropriate acquisition and joint venture opportunities. In addition, we will continue our investment in organic growth with our existing operations and utilise our Standard Bank relationship to the fullest advantage.

Significant SENS announcements and AGM approvals in 2014

26 February	***Financial results for the year ended 31 December 2013***
27 February	***Liberty Holdings Executive Management changes:*** CE Bruce Hemphill is succeeded by Thabo Dloti
23 May	***Selected AGM votes:*** • **99,6%** approval regarding the non-binding vote on Liberty's Remuneration Policy • **92,5%** approval regarding the issue of ordinary shares for share incentive schemes
5 August	***Liberty Holdings acquires*** the non-controlling interests in Liberty Health Holdings
8 August	***Interim financial results for the six months ended 30 June 2014***
29 October	***Change in Directorate*** Michael Ilsley appointed as an Independent Director of Liberty Holdings Limited, effective 1 November 2014
3 December	***Change in Directorate*** Saki Macozoma resigned as chairman and non-executive director, with effect from 31 December 2014
19 January	***Changes in Directorate and Chairman*** Jacko Maree appointed as a non-executive director and non-executive chairman, effective Monday 19 January 2015

Investor capital availability

Sources of financial capital

EQUITY (risk capital)

The advantage of raising equity capital is that it is generally permanent in nature with typically no contracted requirements of repayment or servicing. However the ability to raise this capital is dependent on investor perceived views on the future outlook and ability to realise their investment through dividend flows and share price growth which typically makes this financial capital source relatively expensive from an economic cost perspective.

As a general rule lower price to earnings traded multiples increase this effective cost of raising equity. Liberty's current price to earnings multiple is lower than the sector average (largely due to the high proportion of earnings being derived from investment returns on the SIP compared to operating earnings) and is therefore a key consideration when we assess capital raising opportunities. One of the important objectives of our strategy 2020 is to improve this earnings balance thereby hopefully reducing the implied cost of raising equity.

Other considerations to raising equity capital at Liberty are:

- *The support of our holding company Standard Bank* – the capital position and availability of capital at Standard Bank influences our opportunity to raise equity capital.
- *Our dividend policy and related history* – Liberty has a proud record of high ordinary dividend yields in line with its stated dividend policy. Not paying dividends to retain higher levels of financial capital would only be considered in exceptional circumstances.
- *Changes to minimum regulatory requirements* – In South Africa the transition to SAM with effect from 1 January 2016 is changing the current regulatory capital framework. As at 31 December 2014 our simulated capital position under this framework is satisfactory and we do not expect significant changes to our ability to source capital or to our perceived financial strength.

Subordinated note holders (debt capital)

Liberty has a FSB approved R5 billion domestic medium term note programme that enables it to issue either senior or subordinated debt capital from Liberty Holdings Limited or Liberty Group Limited.

At the end of 2014, Liberty had R3,5 billion of FSB approved subordinated debt capital in issuance with no planned redemptions in the 2015 financial year. Besides the programme limit, constraints include specific FSB approval of debt issuances by Liberty Group Limited (including any roll over extensions).

Before any debt issuance we carefully assess the optimal level of the debt funding (influenced by future strategic requirements) and the desire to reduce cost of capital, while maintaining targeted returns on equity at levels suitable to shareholders.

Cost of capital

The cost of equity is determined using the capital asset pricing model. The cost of debt is determined as the market value of debt in the business multiplied by the current market cost of raising debt. Using the weighted average of capital source, we estimate Liberty's cost of capital for the 2015 financial year at 11,4% (2013: 11,7%).

Strategy 2020

In the formation of our strategy 2020 (refer to *Explaining our strategy* section), financial capital requirements have been forecast and an accompanying financial capital plan has been formulated. Assuming no large unforeseen events we are comfortable that our strategy will not be overly constrained by lack of available financial capital.

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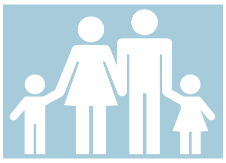
Financial capital deployment priorities

1. Meet regulatory requirements and policyholder obligations
2. Service debt owner obligations
3. Meet organic business growth aspirations and make acquisitions that are aligned to strategy
4. Service the group's dividend policy
5. Return remaining surplus to investors

Creating value for our customers



Liberty provides **solutions** to individuals to enable them to meet their **financial needs** throughout their **life stages**

Our solutions are either sold and delivered directly to the individual or through a formalised grouping of individuals with authorised representatives.

Understanding our **customers' needs**

We invest in data analytics to ascertain profiles of our potential customers, their propensity to require assistance, as well as through which sales and delivery channel, and how they wish to be serviced.

Liberty, over its 55 year history, has developed powerful distribution capabilities to reach the customer. We leverage these capabilities as feedback loops in answering existing and future needs.

Our targeted customer segments are group arrangements and individuals who either have regular monthly income available to purchase risk and savings products, investable assets over certain levels, or are upwardly mobile.

We aim to provide effective and cost efficient value solutions, delivered consistently to the applicable members of these groups. Where more bespoke solutions are required, this is supported by one-on-one advice to qualifying individuals.

Trends in consumer behaviour, developments in information technology and government's social agenda are very important overlays in our ability to assess current market needs and provide a view of how these needs and delivery mechanisms may change in the future. We actively utilise psychologists and economists in this research.

Understanding our customers' needs is not only critical to developing solutions that are attractive, but also significantly improves our ability to decide on the key trade-offs of affordability, competitive pricing and delivering on our promises.

Liberty's tied distribution headcount

South Africa

Agency	Liberty entrepreneurs	Liberty@work
1 033	1 285	1 049

Other Africa 579 Agents

Bancassurance 742 Standard Bank Financial Consultants

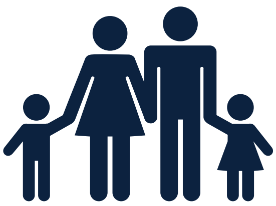
Our extensive call centre capabilities include over **250** seats dedicated to service customers and **500** seats supporting direct sales.

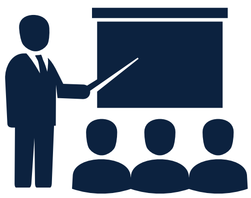
Did you know

We insure more than **5 million** contracted lives

STANLIB manages savings for **over 430 000** customers

We administer over **7 000** retirement schemes





At Liberty we have invested in dedicated product design teams led by senior executives who exclusively focus on specific customer segments and their related needs. We find that specialisation in both product type and customer segment, through experienced professionals, leads to better innovation. This focus is supplemented with product forums where ideas are shared and assurance obtained that they meet our group values and brand essence. Our balance sheet management expertise (LibFin) plays a key part in adding value to product design and opportunity.

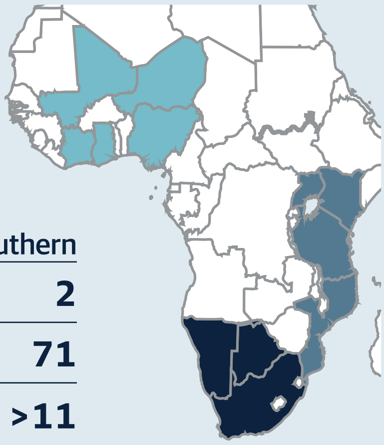
Innovative product and service **design**

Asset management, retail insurance (split between risk and investment) and group arrangements (including corporate liability solutions) product research and design teams are in place. In total the group employs in excess of 50 professionals in product design made up of actuaries, accountants, legal advisors and economists.

Product delivery largely takes place through our intermediated sales force, although our direct capabilities are becoming more popular. Consequently extensive training, marketing brochures and sales support is developed and provided in advance of a product launch.

Service delivery is as important as the product design. Therefore support processes are developed in tandem and sign off is obtained by the various areas responsible for the administration and service support. In addition, prior to the launch of products, the relevant risk officers review the product and support processes to ensure we can deliver on the marketing promise.

Our **opportunity**



Estimated	West	East	Southern
GDP growth *(%)*	7	6	2
Population *million*	253	157	71
Life insurance penetration *(%)*	<1	<1	>11

Our adopted values and our products contain promises on which we are fully committed to deliver. The nature of our business is advising and interacting with our customers, providing financial support throughout their life stages. We have built extensive servicing capabilities to proactively and reactively communicate with our customers. Our distribution force is a key enabler in one-to-one communication and we supplement this with internet, mobile and voice capabilities.

Delivering on our promises

In recent years we have invested in simplifying our contracts and improving our technology to enable more extensive and efficient channels for information flows. In addition we have focused on response standards to maintain a high level of quick resolution of queries.

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Our efforts are paying off with significant improvements in customer satisfaction scores, various independent service awards and good 'voice of customer' survey feedback. Our own independent brand and independent surveys indicate consistent improvement in messaging.

The pace of Africa's growth is linked to macro factors such as political stability, infrastructure build and good governance which is largely outside our control. However, all indications are that this will improve exponentially over time. Our constraints lie in our ability to create capacity, particularly in human and technology capitals. Therefore prominence is given to investing in these capitals in our 2020 strategy.

Treating Customers Fairly (TCF) is an essential initiative that regulators world-wide are emphasising in response to certain questionable practices in parts of the financial services industry. At Liberty we embrace delivery of the six core TCF outcomes advocated by the South African FSB. Our customers are the centre of everything we do.

TCF response

Enabling financial **freedom**

Creating value for our customers (continued)

The value balance between customers and Liberty

Customer benefits		*Source of value*
Monetary benefits provided in times of need when risk events occur	Offer monetary compensation in the event of: • Death • Disability • Medical expenses • Retrenchment • Damage or loss of physical property *(East Africa only)*	**Risk products**
Competitive investment returns and facilitation of retirement income	Offer investment options to meet financial needs including: • Collective investment schemes • Segregated investment mandates • Retirement savings • Annuities • Fixed term investment plans • Minimum investment return guarantees	**Investment products**
Responsible financial advice and efficient, accurate and compliant administration	Includes administration of retirement schemes and medical aids as well as the provision of financial needs advice through appropriately qualified representatives of the company	**Administration and financial advice services**
Security that contractual obligations will be met	Managing and deploying the company's financial capital resources to: • Maintain minimum regulatory requirements • Invest within board approved risk appetite • Support the company dividend policy • Support growth strategies	**Equity capital**

Liberty benefits		*Value measurement*
Collecting the expected margins priced in contracted premiums	Long-term insurance	In-force and new business contracts measured using embedded value methodology
Agreed charges typically linked to the assets invested	Short-term insurance	Multiple of sustainable IFRS earnings
Agreed charges for services provided	Asset management	Multiple of sustainable IFRS earnings
Investment returns on assets backing capital	Capital management	Market value of underlying assets

BEE normalised group equity value

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Key performance measures

Death and disability claims (mortality variances)

Long-term insurance indexed new business and margin

Long-term customer contract insurance persistency

Net customer cash flows

Assets under management

Distribution headcount

Customer satisfaction

Customer complaint volumes and insurance Ombudsman queries

Capital adequacy cover

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Review of our 2014 performance 92

Creating value for our customers (continued)

Enabling customers

We are developing an environment that will allow customers to interact with us *how and when they want to*

The rapid advancement of new technologies, particularly the development of online and mobile technology, creates opportunities for us to increase our business penetration across our existing geographies. Innovative systems and products provide a competitive advantage and we actively invest in the development and maintenance of a wide range of systems and applications that facilitate our operations and customer service. As we implement our strategy 2020, we will focus on driving group synergies to leverage common capabilities required to support this strategy.

Features that our customers need from us to ensure an excellent customer experience include mobility, privacy and security, choice of how they access us and ease of access in all interactions. These needs are all underpinned by our ability to manage customer data.

Mobility: Our consumer market remains dynamic and technology adoption continues to evolve at a rapid pace. To support this consumer trend and ensure the group's sustainability, its technology architecture provides the necessary flexibility and agility to adapt to the demands of our consumer base.

Privacy and security: With the increase in cybercrime and the changing regulatory environment regarding the protection of personal information, we ensure that our customer information and interactions are protected at all times. This protection is achieved through the use of technologies and tools which restrict access to authorised persons only. In addition, we have robust information technology (IT) and risk governance structures in place which further bolster the protection of information.

Channel access and customer centricity: Our overarching technology objective is to facilitate the business strategy of customer centricity. The execution of our strategy follows from business informed requirements, with improved customer experience and cost efficiency being critical measures of success. We offer our customers the choice of how they wish to interact with us, including digital, telephonic or face-to-face channels, thereby providing them with multiple routes of access to information on a single platform that provides a consistent view of their information.

Customer experience: It is imperative that our customers continuously receive excellent service as this in turn promotes the Liberty brand. The group enables excellent customer service through capabilities such as customer relationship management, digital technology, the rationalisation of legacy technology and by embedding simpler operational processes. An example of this is our "Fullview" initiative which is an application that can instantly provide intermediaries and customers with the details of a customer's investment and risk cover, irrespective of the financial services provider. This facilitates a more comprehensive and accurate financial needs analysis.

Investment in accurate, consistent and reliable data is the foundation of the group's IT architecture. Through data management, the group is able to draw insights that directly benefit our customers.

Our innovative products

Customer concerns and our responses

Retail SA

Complaints volumes increased slightly in 2014. The majority of complaints related to service and administration issues. There was a notable increase in customers' awareness of their right to complain, with an increase in the number of customers using our complaints channels to raise their concerns, including use of the Ombudsman.

We have deliberately made it easier for our customers to raise their complaints so that we can improve our understanding of their issues and continually improve our service. In 2014, we launched a vastly improved website communication process that is simple, easy, accessible and visible. Since the launch of the website we have seen an increase in the number of customers expressing their concerns through this channel.

Whilst we realise that we can still improve, we were honoured to be the winner of the Ask Afrika Orange Index in the Life Long-term insurance category for service rendered.

Liberty Corporate

The tough economic environment has placed financial strain on many organisations, resulting in a number of scheme terminations. There has been an increase in enquiries and dissatisfaction over timing of benefit payments.

The liquidation process which follows a scheme termination is highly regulated by the Pension Funds Act and the process is lengthy. Unfortunately employers and trustees often do not adequately inform members of schemes around this process. We have improved our administration focus to resolve member questions and have implemented a targeted employer and member communication process, improved our education material for our trustee training programmes and implemented a proactive communication process with members around the stages of the termination process. Liberty Corporate's Net Promoter Score (NPS) showed an encouraging 60% increase in 2014.

STANLIB

Poor investment performance losses and illiquidity in portions of money market funds (side pockets) as a result of the African Bank Limited (ABIL) curatorship. In general, investors in conservative STANLIB collective investment scheme funds were initially surprised at the sudden, although relatively small, impact the ABIL curatorship had on their investments.

This event is unique in recent South African banking history. The banking sector had previously held up very well during the world's credit crisis in 2008/2009. STANLIB is appreciative of the trepidation experienced, especially in the group of investors of senior or retired status who utilise their fixed interest unit trust fund investments as a source of pension income. Immediately after the announcement of the curatorship and accompanying disclosures, we initiated urgent interaction with the FSB and other industry participants to agree a common industry approach. This led to adopting the so-called "side pocket" mechanism to avoid inequity through the sudden illiquidity of the ABIL instruments. In addition we followed the valuation guidance provided by the South African Reserve Bank. Following this clarification, a full comprehensive communication programme was implemented immediately though our call centre. After a short period, most customers were contacted and understood and appreciated the nature of their product and the various actions applied by STANLIB. Ongoing complaint escalation processes and communication plans are in place as developments unfold in the curatorship process.

Liberty Health

The lack of understanding of health risk product benefits by customers in the African territories in which Liberty Health sells its health risk product.

Key concerns relate to claims that are rejected. These emanate largely from limited understanding of benefits and tend to increase as annual benefits limits are reached towards the fourth quarter of the year. We are continually revising our products to respond to specific concerns and plan in 2015 to implement wellness programmes, provide refresher training for all customer service consultants and improve member communication, specifically in relation to product options and benefits.

Our people – our most valuable asset

Strategy becomes reality through the day-to-day **activities** of our **employees**

Liberty recognises that experienced and skilled professionals are a constrained resource across the African geographies in which we operate.

Attracting and retaining high calibre employees is therefore essential to the execution of the group's strategy.

Understanding our **employment needs** to meet the requirements of our **business model**

Talent management to support strategy 2020

Having a work force that reflects the diversity of the populations in which we operate enables the group to better serve our chosen markets.

Our intention is to become the employer of choice for talented people who are confident to manage in and across African geographies. Our approach takes cognisance of the new business construct requiring the development of people within the context of group citizenship, who will rotate through functions, customer facing units (CFUs) and geographies.

To achieve this, we are redesigning career path management and defining clear skills level requirements for leadership in a new framework. This will ensure the development of necessary technical and people management skills required in the new CFU business construct.

Leadership development

Liberty offers a variety of development and leadership programmes to further strengthen the group's talent pipeline.

The design of our three leadership development programmes, in partnership with Duke Corporate Education, aims to build leadership competence as an enabler of our 2020 vision and strategy. The Insights programme is aimed at junior management and focuses mainly on operations within a South African context. The Navigators programme is aimed at middle management and provides a transition to learning how South Africa interacts with the rest of the continent and across the globe with a deeper understanding of global trends. The Pioneers programme is aimed at senior leaders and provides international exposure, learning from other key economies, and a high level of learning about the changing global landscape.

To fulfil identified vacancies we first look internally and then, if required, Liberty advertises externally, and engages with recruitment agencies. Our priority is to develop existing staff through skills and career development and targeted succession planning.

Recruiting and developing staff to fit these roles

All critical roles are profiled, and recruitment is aligned to the transformation strategy. Diversity dialogues were introduced in 2014 to help entrench a sustainable transformation culture.

Profile of staff

Number of staff	2014	2013
South African		
Management	**144**	149
Professionally qualified	**1 368**	1 346
Skilled	**2 707**	2 724
Semi skilled	**1 454**	1 455
Unskilled	**165**	184
Permanent staff	**5 838**	5 858
Tied agents	**3 367**	3 057
Total	**9 205**	8 915
Other African territories		
Permanent staff	**779**	729
Tied agents	**579**	454
Total	**1 358**	1 183
Total work force	**10 563**	10 098

As commented on in our customer and regulatory stakeholder sections, we have chosen to invest in our tied agency force (headcount up 10%) to secure greater distribution capability leading to the expected impact of the FSB's RDR proposals.

Meeting our employees' needs

Self esteem

Liberty's employment policies are not merely restricted to remuneration but include elements of recognition, acknowledgement and rewards

Sense of community

Liberty's working environment promotes contact and friendship with fellow-workers, social activities and opportunities

Benefits for full-time employees include:

- *Life and disability* insurance
- Top rated *medical aid*
- *Maternity* and *paternity* leave
- *Wellness* support
- *Retirement* advice and provision
- *Lifestyle* support including canteen, shops and banking facilities

Self-actualisation

Liberty provides an opportunity for employees to realise their dreams and potential

Personal financial security

Liberty provides a safe, non-discriminatory work environment and job security based on performance

Recognising, retaining and rewarding employees based on performance

Our remuneration and rewards structure is designed to attract, motivate and retain talented people at all levels of the organisation. The balance between guaranteed and variable pay is appropriately structured according to seniority and roles and does not reward risk-taking outside the board approved risk mandates.

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Training notice board

Sales force training	R29m
Leadership development	R12m
STANLIB	R10m
Actuarial development programme	R2m
Learnerships	R6m
Operational and other	R17m

The group's vision "to be the trusted leader in insurance and investments in Africa and our chosen markets" requires a high performance work culture.

We focus on employee engagement, performance management, remuneration and change management, to create an environment that promotes high performance amongst employees.

A minimum of two performance assessments per annum help employees better understand the group's performance expectations, and facilitate more accurate performance-related rewards. A 360 degree leadership assessment for all senior management incentive scheme participants is in place.

Creating innovative ideas and recognising effort beyond requirements is an embedded Liberty culture. In January 2014, the Liberty Flame Awards reward and recognition programme was introduced to Liberty employees. Designed using concepts from the group's brand strategy to strengthen employees' identification with the brand, the programme was linked to three strategic drivers: innovation, knowledge and involvement in our communities.

Being the **employer of choice**

76% (2013: 74%)

Black[(1)]

permanent staff

[(1)] *African, Indian or Coloured as per the dti definitions*

58% (2013: 57%)

Female

permanent staff

Average *age*

37 years

Average

length of service

7,3 years

These statistics relate to South African permanent staff only

Our people – our most valuable asset (continued)

The value balance between employees and Liberty

Employee benefits		*Source of value*
Rewards reflective of performance	Liberty's remuneration philosophy is to link reward to performance within an agreed risk appetite framework. Variable reward opportunities (both long- and short-term) are meaningful (depending on levels of performance). Rewards have a higher proportion of variable pay (linked to financial outcomes) for senior management who develop and execute strategy.	**Fair pay**
Skills and career development	We understand the scarcity and reliance on human capital to meet our objectives and succeed in a highly competitive environment. Consequently we have, and continue to develop, a comprehensive programme of identifying and nurturing talent. This includes:: • Job architecture and career framework • Performance and talent management • Bursary programme • Leadership and management development programmes • Internal and external training • Comprehensive communication and performance objectives linked to strategy	**Career advancement**
A non-discriminatory work environment that promotes respect and dignity	Non-discrimination is at the centre of our culture and while we fully respect compliance with the various employment legislation and transformation codes and charters, we have chosen to embrace and take the lead in this objective. We are actively transforming Liberty to a fully representative work force. We believe this creates a competitive advantage in all our communities that interact with us.	**Equal opportunity**
Comprehensive value-added benefits	Value-added benefits are added to our remuneration packages to recognise the various employee needs, practical day-to-day lifestyle requirements, empathy and professional support in times of stress. We are firmly of the opinion that these benefits over time achieve healthier and more productive employees. These benefits which are benchmarked as some of the best in the industry also assist with attraction and retention of employees.	**Fringe benefits**

Liberty benefits	*Key performance measures*
A highly motivated and appropriately skilled work force that is able to implement strategy and provide competitive returns on shareholder capital	*Variable remuneration ratio linked to financial outperformance*
	Surveys, including employee attitudinal and preferred employer
A loyal and productive work force which actively promotes the Liberty and STANLIB brands	*Expenditure on skills and development (training spend)*
An efficient deployment of human capital, with a diverse and inclusive working culture that maximises opportunities. A fair balance between performance delivery and cost of employment	*Voluntary staff turnover*
	Number of CCMA cases and settlements
Reduced employee turnover. Lower risks of fraud and low productivity and a reduced cost of guaranteed pay	*Employment equity progress*

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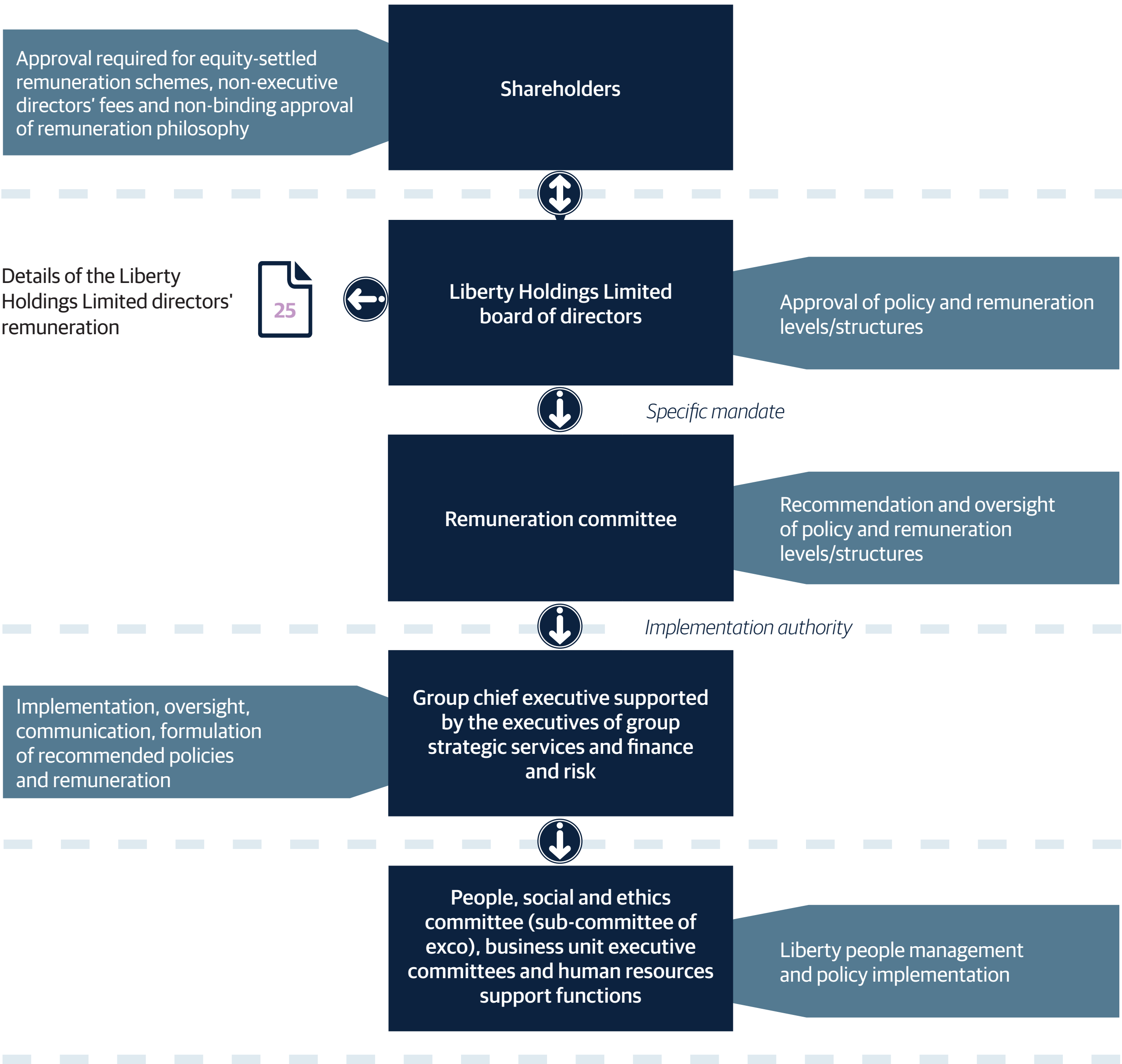
Our people – our most valuable asset (continued)

Remuneration of Liberty's people

At the May 2014 AGM, an overwhelming majority of shareholders endorsed the group's remuneration policy. The core of our policy is to align remuneration practices with the shareholders' long-term objectives.

Governance of remuneration

The policies and levels of remuneration at Liberty are set within a governance framework. The diagram below outlines the main levels of authority within this framework:



Purpose of the remuneration committee

The primary purpose of the remuneration committee (remco) is to ensure remuneration practices and policies support the delivery of the business strategy. The remco implements its board mandate through interaction with shareholders, board members, external consultants and management. Thorough independent external research on remuneration best practice, industry and country specific trends and role profile benchmarking assist the committee in formulating policy and remuneration structures at Liberty. The committee members have unrestricted access to information to independently ensure compliance with the group risk appetite, policy and regulatory requirements. There is effective communication to the group and relevant business unit executives to enable them to manage their employees within the approved policies. They are assisted by dedicated human resource experts and sub-committees which focus on specific issues. The key objective is an appropriate link of levels of remuneration to business performance and strategy implementation while operating within the group's approved risk appetite and governance framework.

Summary of the group's remuneration policy, structure and processes

Liberty's **remuneration policy** ensures as far as possible that its employee and shareholder interests are aligned. The remuneration policy is linked to the group's strategy as detailed in this report. Competitive remuneration, which is fair to both the individual and to shareholders, is critical in attracting and retaining the best people. Key principles of the policy include:

- Remuneration practices that are guided by race and gender non-discrimination, as well as internal and external parity and are implemented on the basis of differentiation in respect of performance;
- Remuneration practices which do not encourage excessive risk taking outside of the group's risk appetite;
- Remuneration practices which encourage behaviour consistent with the group's vision, purpose and values;
- The remuneration focus is on total remuneration. It is referenced to "like-for-like" market remuneration levels, adjusted for relative experience and responsibility levels;
- The total remuneration package is geared to meeting both short-term operational goals and long-term strategic objectives;
- Fixed and variable pay is appropriately structured according to seniority and roles;
- A strong correlation exists between performance and total remuneration allowing for upside opportunities for exceptional performance;
- Individual rewards are determined according to group, business unit and individual performance; and
- The cost to the business is an important consideration in the design of remuneration structures to ensure an efficient approach to remuneration.

Minimum shareholding for executive directors

The board has approved a policy whereby, with effect from February 2015, the executive directors (currently Messrs T Dloti, SIM Braudo and CG Troskie) will be required to maintain shareholdings valued at least at the average of their last three years' total remuneration. As this is a new long-term requirement the executive directors will be granted a phase-in period.

Where the required shareholding is not met, the full restricted share value of senior executives' deferred remuneration that vests will be retained until the shareholding is in place. This provision only applies to annual deferred awards and long-term incentive awards without performance conditions attached granted from March 2015.

For details of executive directors current shareholding 25

Solvency Assessment and Management (SAM)

Liberty's remuneration practices are designed to prevent risk taking outside of risk appetite. Work has started to align remuneration practices to the proposed SAM framework developed by the FSB. Remuneration practices will therefore potentially evolve as the group implements the new framework during the next few years.

Remuneration practices of non-South African group subsidiaries

The same remuneration philosophy and principles are practiced within group subsidiaries domiciled outside the borders of South Africa, taking cognisance of specific in-country circumstances, economic conditions and legislation.

Remuneration of tied agents

Liberty distributes various insurance and investment products via several independent and tied sales channels. The tied sales channels include tied agents who are exclusively contracted to and managed by Liberty. Their remuneration structures are based on set commission rules linked to the quality, quantum and mix of products sold. There is normally a basic minimum monthly rate of earnings, however the majority of agents' commission earnings are well in excess of this minimum basic amount. Included in the commission rules are clawback provisions in the event that the customer lapses their policy or investment within prescribed periods from sale date. Various customer retention, quality and volume incentives are offered to assist in achieving sales and customer retention targets. Based on performance and grading, certain tied agents in South Africa qualify for either a cash-settled unit scheme linked to Liberty Holdings share price payable after three years, or a deferred STANLIB unit trust forward purchase scheme, with delivery periods of three years. Awards under these schemes are used as retention schemes and are conditional on remaining contracted with the group and minimum performance criteria. Tied agents are also eligible on a voluntary basis to join the group's sponsored medical aid scheme and various defined contribution retirement schemes.

Our people – our most valuable asset (continued)

Remuneration of Liberty's people (continued)

Remuneration structure

Remuneration packages are geared to the employee's level of influence and role complexity. The balance between guaranteed and variable pay is appropriately structured and does not reward risk-taking outside the board approved risk mandates. All employees have some level of variable pay. No long-term service agreements are entered into at senior management level and notice periods do not exceed three months.

Guaranteed remuneration

Salary level is based on function, experience and market pay levels

Base salary and benefits

Liberty recognises the value created for individual employees by allowing package structuring to align with personal financial requirements, including ability to increase life and disability cover, leave entitlement and contributions to retirement funds. This structuring must be within the total guaranteed remuneration package and be compliant with labour and taxation legislation.

Variable remuneration

Variable remuneration awards are based on group, business unit and individual performance

Short-term incentives

Long-term incentives

The primary role of variable remuneration is to reward outperformance and retain key employees. There is a strong correlation between objectively-measured performance and levels of remuneration. A performance contract exists for every role, defining and clarifying the objectives and outputs required of each person. Performance contracts and incentive structures identify and clarify measurable (financial and non-financial) deliverables and indicators against which performance can be measured over defined periods. Formal reviews of these performance contracts take place to ensure transparency in performance feedback, to identify development needs and to determine corrective action where appropriate. The year end performance review provides input for increases and incentive awards.

Components of guaranteed remuneration

Element	Business objective	Policy detail
Basic salary	To attract and retain employees in line with the scope, nature and skills requirements of the role.	Our standard is to benchmark to the market median for financial services. Reasonable differentiation exists in remuneration for attracting and retaining critical skills, experience, performance and driving transformation. Salary increases are scheduled annually effective 1 April and reflect a market-related adjustment based on inflation, market and financial sector trends. At an individual level, the employee's performance and market comparison per job grade informs the increase.
Compulsory benefits	Encourage employees to have appropriate savings resources for their retirement and maintain a healthy lifestyle.	Membership of the Liberty defined contribution fund is compulsory for all new employees. All staff funds include life and disability cover. All staff are contractually obliged to belong to a medical aid, either the closed Liberty administered medical scheme, or their spouse's medical scheme.
Optional benefits and qualifying allowances	To enhance the package available to employees and assist with retention and productivity.	These benefits and allowances include, for example, funeral cover, car allowances, spouse's life cover and employee well-being programme.

Components of variable remuneration

Element	Business objective	Policy detail
Annual cash award ***Annual deferred award above certain thresholds***	To align employee and company interests to achieve stated objectives in a particular year, whilst balancing short-term performance and risk taking with sustainable value creation for shareholders.	The schemes are based on a series of financial targets and personal objectives. With the exception of STANLIB's scheme, the remco has the discretionary right to adjust actual financial performance for any items they determine were not in managements' control. Bonus awards are on a self-funding basis which requires that financial targets need to be met inclusive of the cost of the incentives. Key principles include minimum qualifying service periods in the year, pro rata adjustments for service periods of less than a year and a pre-condition of being in the employment of the group at award date. Awards above R500 000 are subject to deferral and clawbacks.
Long-term awards	The primary role of long-term incentive awards is to supplement deferred short-term incentive awards mainly where there is insufficient exposure to effectively assist in retention of key management and critical skills. Long-term plans align management objectives closely to those expected by shareholders.	All awards are discretionary and subject to performance conditions. The general policy is that awards are made annually to ensure that the total value of outstanding awards is equal to a set multiple of the cost to company package. In addition, the role and performance of the individual and the need to retain their services in the future are taken into account.

Our people – our most valuable asset (continued)

Remuneration of Liberty's people (continued)

Remuneration processes

Benchmarking

Liberty employees are generally benchmarked to the 50th percentile as advised by market survey data, taking cognisance of scarce skills. The group, mainly through historic practices, is currently at an average slightly higher than the 50th percentile on guaranteed remuneration. Proportionately higher guaranteed remuneration increases for lower staff levels have been implemented since 2010 in order to narrow the differentiation between management and staff. In addition, our minimum entry level salary package is R112 000 per annum.

The group has adopted a portfolio remuneration approach, in terms of which remuneration structures are designed to reward employees appropriately for performance achieved in their respective business units in addition to the overall group performance. Consideration is given to the market sector, maturity and life cycle of the business unit. Liberty uses various independent providers to ensure that it remunerates employees competitively and care is taken to select appropriate peer groups, ensuring comparison to a similar market and organisations of a comparable size. Factors such as industry, revenue, profits, market capitalisation and number of employees are considered. During 2014, 21st Century Business and Pay Solutions and Remchannel conducted surveys on remuneration trends and benchmarking of remuneration packages regarding guaranteed pay.

Employee transfers between the Liberty and Standard Bank group

The remuneration policy of Liberty and Standard Bank allows for portability whereby approved transfers within the group allow for the continuation of certain benefits including past unexercised equity-settled or cash-settled grants. The derived IFRS 2 costs in relation to the portion of unvested equity-settled grants on Standard Bank ordinary shares or cash-settled schemes are raised as an expense in Liberty from date of transfer. Similarly, the relevant Standard Bank business unit bears the IFRS 2 costs of unvested equity-settled and cash-settled Liberty awards if employees are transferred from Liberty to another Standard Bank group business unit. Once transfers are effective, employees are only eligible to receive further long-term incentives from the new employer.

Retention agreements

Retention agreements are only entered into in exceptional circumstances. Retention payments have to be repaid should the individual concerned leave within a stipulated period. At 31 December 2014 there are no significant retention agreements in force.

Guaranteed bonuses

Guaranteed bonuses are made by exception in the context of hiring and only in relation to the first year. Payments of guaranteed bonuses are subject to meeting required performance standards.

Buy-out awards made on hiring

To attract key employees it is sometimes necessary to compensate for the loss of unvested awards in their previous company. This would normally be through the appropriate group scheme subject to normal vesting terms. In certain situations, cash buy-out awards may be made on joining, subject to repayment if the employee leaves the group within a certain period.

Summary of short-term incentive schemes (STIs)

Incentive scheme	Reference	Employee applicability	
		South Africa	Africa
Senior management and specialists	STI-1	✓	✓
STANLIB short-term	STI-2	✓	✓
LibFin markets	STI-3	✓	
Liberty general staff	STI-4	✓	✓

STI – 1 Senior management and specialists incentive scheme

This scheme is applicable to senior management and specialists not included in the STANLIB or LibFin markets schemes.

The scheme is designed to incentivise senior management and specialists to achieve the group and specific business unit's annual business plans that support the board approved strategy.

There are two performance components of the scheme, the first being personal objectives with the other being financial.

At the lowest participation level 15% of guaranteed package is set for personal Key Performance Indicators (KPIs) increasing to 20% at higher participation levels. In the event that the minimum financial targets (gate) are not attained, only the KPI component, moderated through the performance management process, is available to be paid as a bonus.

The financial component scale has at each participant level a predetermined percentage of guaranteed package at various reference points which then determines the amount of the incentive to be awarded. Participation levels range between 15% and 120% of guaranteed package at the "on target" level. "On target" is the performance level at which the board believes will represent an achievement above the average of realistic shareholder expectations. Amounts awarded are adjusted for achievement above or below this level with a minimum achievement of approximately 80% of "on target" set to qualify for any financial bonus. The remco also imposes a discount adjustment if certain key non-financial objectives are not met which vary from year to year (for example the achievement of employment equity targets).

Annual determination of financial targets

Financial targets supporting the various short-term schemes are approved by the board annually.

Financial targets are set to drive sustainable profitable growth and not be detrimental to the group's long-term interests. Management propose targets to the board that provide appropriate incentives, are sufficiently challenging, are aligned to shareholders' interests and are within the group's risk appetite.

Targets are set at the start of the year both at a group and business unit level and are aligned to minimum required returns using cost of capital as a base. The entire Liberty Holdings executive as well as the majority of senior management have a minimum weighting of 20% of their financial targets aligned to group measures.

The group financial targets comprise three measures:

- IFRS operating earnings (45% weighting)

Defined as BEE normalised headline earnings excluding the performance on the SIP and unhedgeable components of asset/liability mismatches. This measurement was chosen given its relevance to those earnings that managements' performance tends to influence. The 2014 "on target" level was set at R2 485 million.

- Increase on group equity value (45% weighting)

This reflects the group equity value profits normalised for the assumed annual long-term investment return and measured before dividends to Liberty Holdings Limited ordinary shareholders.

Remco chose this measure as this reflects the best estimate of value generated by the business during the year and is normally closely correlated to share price performance. The 2014 "on target" level was set at R4 743 million.

- LibFin SIP – gross return (10% weighting)

This measure reflects the under or over performance of the SIP compared to a defined benchmark. Given the significant size of the SIP and the sensitivity of the contribution to group earnings, remco chose this indicator to ensure focus by management on the performance of the SIP.

In an effort to ensure that risk officers, internal auditors and compliance officers do not compromise their independence, annual incentive awards for this group of staff are focused less on financial target delivery. These groups of staff's annual incentive awards are weighted more towards the achievement of individual KPIs. A maximum of 20% of the bonus potential is weighted to financial performance and the balance weighted to individual KPI delivery. The same principle applies to senior managers fulfilling technical specialised functions.

All participants have a minimum weighting of 20% to group financial targets with the balance apportioned to relevant specific business unit financial targets.

Bonus awards are forfeited if risk appetite is breached and incentives over a certain threshold (established annually) are deferred into the Liberty Holdings group restricted share plan (deferred plan, see detail under the long-term incentive scheme section below). The purpose is to ensure a retention component to the STI methodology and to focus management on the longer term financial results. In addition, a clawback provision is in place over the deferral portion until vesting. Unvested deferrals may be forfeited in full or in part at the remco's discretion if in their opinion the particular participant has demonstrated misconduct or has misstated financial performance in the current or prior years.

Our people – our most valuable asset (continued)

Remuneration of Liberty's people (continued)

Summary of South African participant categories on the senior management and specialists incentive scheme

% of annual salary package	Senior management (excluding risk, compliance and technical specialists)	Senior management fulfilling risk and compliance roles	Senior management fulfilling technical specialised roles
Personal key performance indicators	20% (capped)	Maximum of 100%	Maximum of 45%
	+	+	+
Financial targets (group and business unit)	Maximum of 120% for on target[1] measure – scaled for under – or outperformance	Maximum of 20% for on target[1] measure – scaled for under – or outperformance	Maximum of 15% for on target[1] measure – not scaled
Financial scale:	Yes	Yes	No
Below minimum threshold	Nil award	Nil award	Nil award
Above minimum threshold	Bonus increases in line with proportional scale	Bonus increases in line with proportional scale	Capped to set percentage
Weighting group and business unit	Group: 20% – 100% Business unit: 0% – 80%	Group: 20% – 100% Business unit: 0% – 80%	Group: 20% – 100% Business unit: 0% – 80%
	–	–	–
Strategic non-financial target discount[2]	Up to 20%	Up to 20%	Up to 8%
	EQUALS TOTAL AWARD		
Deferred into restricted shares, vesting in 18, 30 and 42 months	• Between R500 000 and R2 million – 20% of excess over R500 000 • Above R2 million up to R5,5 million – 30% of the excess over R2 million • Above R5,5 million – 40% of the excess above R5,5 million		

[1] *On target is normally referred to the board approved budget.*

[2] *Specific non-financial targets set annually by the board which result in a penalty if not met.*

STI – 2 STANLIB short-term incentive scheme

This scheme is applicable to STANLIB investment professionals and senior management. Bonus pools are calculated at pre-defined shares of adjusted profit at a franchise unit and STANLIB group level. The investment franchise pools are calculated separately for each franchise to ensure remuneration is aligned to the underlying success of the franchise. The bonus pool is then allocated to participants relative to their performance. Up to 50% of the awards are deferred to the STANLIB deferred bonus scheme or the Liberty Holdings group restricted share plan (deferred plan). Refer to LTI-2 and LTI-4.

STI – 3 LibFin markets scheme

Investment professionals in LibFin, given the specialist nature of the skill set required, are eligible for short-term incentive awards that are specifically benchmarked on an annual basis to market-related data. This is obtained from the Standard Bank Global Markets remuneration unit and other independent sources as required. The amount of the STI award is linked to the performance of each participant and the business unit against pre-determined key performance targets. As described under STI-1, these awards are subject to deferrals and forfeitures.

STI – 4 Liberty general staff incentive scheme

A general staff incentive scheme (excludes all staff on the senior management incentive scheme, the STANLIB short-term incentive scheme and the LibFin markets scheme) rewards staff based on individual, business unit and group performance. This scheme includes awards of up to 20% of annual total package. Individual awards granted do not exceed the deferral thresholds.

Summary of long-term incentive schemes (LTIs)

Current	Reference	Legacy	Reference
Liberty Holdings group restricted share plan (long-term)	LTI-1	Share unit rights plan	LTI-6
Liberty Holdings group restricted share plan (deferred plan)	LTI-2	2010 Liberty deferred bonus	LTI-7
Liberty Equity Growth	LTI-3	Phantom share	LTI-8
STANLIB deferred bonus	LTI-4	Liberty Life Equity Growth	LTI-3
Business unit long-term	LTI-5		

LTI-1, LTI-2 and LTI-3 are accounted for as equity-settled share schemes, and the other schemes are cash-settled. Staff and management have outstanding awards under the various legacy plans that will vest and be settled under the rules in force at the time of grant. The remco does not intend to make any further awards under these plans.

LTI – 1 The Liberty Holdings group restricted share plan (long-term)

Awards are in the format of fully paid-up shares in Liberty Holdings Limited which are held in a trust subject to vesting conditions (service and performance) and will be forfeited if these conditions are not met during the performance measurement period.

Performance conditions	• The participant must have at least a fully achieved performance rating on both dates of award and vesting; • Awards granted before 28 February 2013 are subject to performance conditions linked to the real growth in group equity value per share. Awards granted after 28 February 2013 are subject to performance conditions linked to achieving a return on group equity value in excess of cost of equity; • Performance conditions will be tested at the date of vesting. To the extent that the conditions are not met at this point, the relevant awards will lapse; • Unvested shares are forfeited on termination of employment; and • No retesting of performance conditions are permitted.	
Vesting period	Awards granted before 28 February 2013: 33⅓%: 2, 3, 4 year anniversary performance condition on 4th year vesting	Awards granted after 28 February 2013: 33⅓%: 3, 4, 5 year anniversary performance condition on all vestings
Other	• Applicable dividends are paid to participants as and when paid by Liberty; • No voting rights are attached to the shares held in trust; • Liberty Holdings Limited executives can elect to take up to 50% of the deferral award in share rights through the equity growth scheme. A 10% premium is provided on those elections to reward the greater level of uncertainty, the longer vesting period and the absence of dividend rights; • Shares cannot be issued by the company, but have to be acquired in the market; and • Share awards are based on the Liberty Holdings Limited share price one week prior to the last day of registration.	

LTI – 2 The Liberty Holdings group restricted share plan (deferred plan)

Annual short-term incentive performance bonus payments in excess of thresholds, arising from the senior management incentive scheme and the LibFin markets scheme determined annually by the remco, are subject to mandatory deferral. This is achieved by investing the deferred portions of the STI awards into Liberty Holdings Limited shares, which are held in a trust subject to vesting conditions.

Performance conditions	• Not applicable. Short-term incentive bonus was already dependent on achievement of performance targets; and • Unvested shares forfeited on termination of employment.		
Vesting period	• 18 months – 33⅓%	• 30 months – 33⅓%	• 42 months – 33⅓%
Clawback	• Awards may be reduced or forfeited in full or in part, in the remco's judgement for misconduct or materially adverse misstatement of financial measures.		
Other	• Applicable dividends are paid to participants as and when paid by Liberty; • No awards granted if the group does not pay incentive bonuses in a particular financial year; • No voting rights are attached to the shares held in trust; • Shares cannot be issued by the company, but have to be acquired in the market; • Share awards are based on the Liberty Holdings Limited share price one week prior to the last day of registration; and • Key STANLIB executives are required to invest 20% of their deferred incentive into Liberty restricted shares.		

Our people – our most valuable asset (continued)

Remuneration of Liberty's people (continued)

LTI – 3 The Liberty equity growth and Liberty Life equity growth schemes

Executives are awarded a conditional right to receive shares equal to the value of the difference between the share price at the time that the rights were granted and the share price when the rights are exercised (should the price of a Liberty Holdings Limited share appreciate in value).

Performance conditions	• The participant must have at least a fully achieved performance rating on both dates of award and vesting • Awards granted after 29 February 2012 are subject to performance conditions linked to the average real growth in group equity value per share. Awards granted after 28 February 2013 are subject to performance conditions linked to achieving a return on group equity value in excess of cost of equity • Performance conditions will be tested at the date of vesting. To the extent that the conditions are not met at this point, the performance awards will lapse • Unvested rights are forfeited on termination of employment
Vesting period	• 3 years – 50% • 4 years – 25% • 5 years – 25%
Other	• No rights are issued at a pricing discount • Right holders are not entitled to dividends and do not have voting rights

LTI – 4 The STANLIB deferred bonus scheme

Annual short-term incentive performance bonus payments up to 50% are subject to mandatory deferral. This is achieved by investing the deferred portions of the STI awards into units of nominated STANLIB-managed unit trusts.

Performance conditions	• Not applicable. Short-term incentive bonus was already dependent on achievement of performance targets. This scheme facilitates only the deferral of the cash payment • Unvested awards forfeited on termination of employment
Vesting period	• 1 to 3-year cliff vesting
Other	• No awards granted if the company does not pay incentive bonuses in a particular financial year

LTI – 5 Business unit long-term incentive schemes

Certain executives and senior management members of certain business units participate in additional LTI schemes. These schemes are business unit-specific and are referenced to value created over periods of between three and seven years. Any amounts accrued under these schemes are cash-settled. Certain of the schemes have extended payment periods past vesting dates. Participants who leave the group prior to vesting or payment date forfeit any unvested or deferred amounts.

The only active scheme at 31 December 2014 is in respect of Liberty Health. A scheme for Liberty Corporate vested at 31 December 2014 with extended payout periods.

LTI – 6 Share unit rights plan

Units were allocated to executives and senior management at the discretion of remco. Each unit value is directly linked to the share price of one Liberty Holdings Limited ordinary share. The unit values are settled in cash, three years after the grant date, subject to the continued employment of the participant over the three-year period. Historical awards are not adjusted for Liberty Holdings Limited dividends paid.

LTI – 7 2010 Liberty deferred bonus scheme

The scheme was applicable to senior management incentive scheme participants who received incentives in 2011 for the 2010 performance year in excess of R1 million. Percentages ranging from 20% in excess of R1 million to 30% in excess of R6 million were deferred. Deferred amounts were converted into units, the value of which is linked to the Liberty Holdings Limited share price. The vesting date is three years from award date and the amount payable will be the equivalent of the unit value at that date plus a payment of 5% on original deferred value. Participants have the right to extend their net vesting values for a further year, which will then qualify them for an additional payment of 25% of the original deferred value.

LTI – 8 Phantom share scheme

On 12 June 2006, Liberty Group Limited reduced its capital by approximately R1 billion, or R3,60 per share, which was paid out to shareholders from the share premium account. Share option/right holders were not entitled to receive dividends on their share options/rights and therefore each member who had outstanding share options/rights at that date, received a participation right in a phantom share scheme to compensate for the economic opportunity cost applicable to the capital no longer available.

Remuneration disclosures

Accounting for remuneration

IFRS and the group's accounting policies determine the accounting treatment of each component of remuneration, with detailed disclosures within the relevant notes to the annual financial statements. In summary, costs are accounted for in relation to the applicable service rendered with deferred short-term incentives being expensed over the applicable qualifying periods, adjusted for the expected outcome of applicable performance conditions. The liability for long-term cash incentive schemes is measured annually utilising probability-adjusted future expected outcomes present valued at appropriate risk-free rates. Equity-settled share-based payments are valued at grant date and expensed over the vesting periods.

King III remuneration disclosures

We have conducted a review to ensure compliance of our remuneration principles against King III, specifically principles 2.2.5, 2.2.6 and 2.2.7. There were no material non-compliance matters found.

Prescribed officers

The promulgation of the Companies Act No. 71 of 2008 and associated regulations in May 2011 introduced the concept of prescribed officers and related remuneration disclosure. The group's directors' affairs and remuneration committees considered the new act and obtained legal opinion. The committees' view is to assess the prescribed officer definition from a specific company rather than group perspective. Accordingly, Messrs Thabo Dloti, Steven Braudo and Casper Troskie meet the definition from a management perspective in respect of the Liberty Holdings Limited company. Their remuneration details are detailed in the 'Remuneration of directors and prescribed officers' section.

Liberty Holdings Limited executive committee remuneration

	2014 R'000	2013 R'000
Guaranteed pay	**41 588**	36 512
STI awards	**47 119**	51 936
LTI awards (including STI deferral)	**71 233**	93 818
Total	**159 940**	182 266

Guaranteed pay increased year on year above our inflationary expectations due to the adjustment arising from leadership changes announced in early 2014. This is also the main reason for the LTI awards decreasing by 24%. STI awards are lower due to financial target ranges increasing proportionally more than the outperformance levels in 2014.

Full details of the remuneration of Messrs Thabo Dloti (CE), Steven Braudo (deputy chief executive) and Casper Troskie (executive director – finance and risk) are contained in the *Remuneration of directors and prescribed officers* section of this report. The top three earners for 2014 were Messrs Dloti and Braudo and Mr Giles Heeger (CE LibFin). The next highest individual remuneration of non-disclosed employees is approximately 80% of Mr Dloti's total remuneration. Of the executive committee, the average personal KPI score achieved in 2014 was 88% (2013: 91%).

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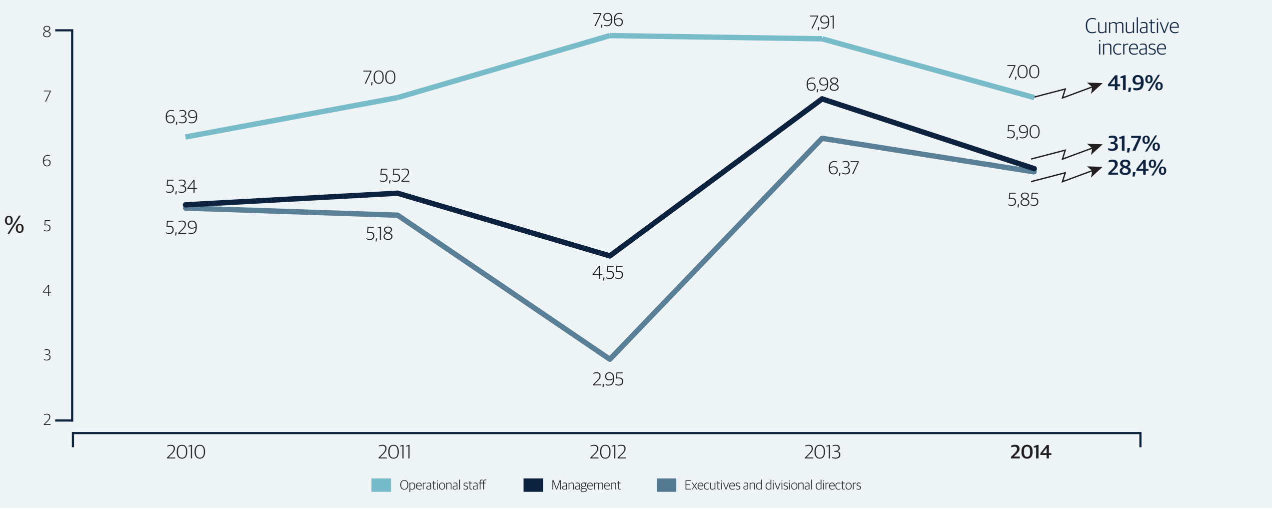
Guaranteed pay annual increase



Our people – our most valuable asset (continued)

Remuneration of Liberty's people (continued)

Summary of incentive schemes at 31 December

Description	Eligible participants	Number of participants[1] 2014	2013	Award amounts[2] 2014 Rm	2013 Rm
Short-term				**600**	560
Senior management and specialists	Senior management and specialists not included in other specific schemes	**590**	544	**329**	313
STANLIB	Investment professionals and senior management employed by STANLIB	**170**	166	**124**	104
LibFin markets	Investment professionals	**13**	12	**24**	22
Liberty general staff	Staff not included in the above mentioned schemes	**4 623**	4 722	**123**	121
Long-term				**296**	332
Liberty Holdings group restricted share plan (long-term)	Selected executives	**212**	237	**140**	156
Liberty Holdings group restricted share plan (deferred)	Participants of the senior management scheme that receive awards in excess of thresholds	**222**	218	**64**	61
Liberty Equity Growth (incorporating the Liberty Life Equity Growth Scheme)	Selected executives	**309**	368	**4**	
STANLIB deferred bonus	Investment professionals and senior management employed by STANLIB	**150**	121	**79**	94
Business unit plans[3]	Selected business unit executives	**21**	25	**9**	21
Share unit rights plan	Selected executives and senior management	**3**	19		
2010 deferred bonus	Participants of the senior management scheme that received awards for the 2010 year in excess of thresholds	**16**	21		
Phantom share scheme	Liberty Group Limited share option holders on 12 June 2006	**60**	79		
Total				**896**	892

(1) *Number of participants reflect, in respect of short-term schemes, the total number of individual awards granted for the reporting period and in respect of long-term schemes, participants that have outstanding awards at 31 December (either not vested or vested but not exercised).*

(2) *Award amounts reflect, in respect of short-term awards, the approved amounts relating to the financial performance for the past financial year and in respect of long-term awards the amounts awarded in relation to the financial performance for the past financial year and ad hoc awards awarded in the calendar year.*

(3) *Awards on long-term business units plans are only determined in the year of vesting.*

(4) *Number of rights and shares represent the outstanding awards not as yet vested or vested but not exercised.*

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Refer to Appendix E in the annual financial statements and supporting information 2014 for full details of rights and restricted share awards.

Equity or cash-settled	IFRS expense (see note below)		Number of share options/rights and shares (4)	Scheme overview reference	Group annual financial statements note
	2014 **Rm**	2013 Rm	**2014**		
	642	685			**19.2**
cash	**356**	398		STI-1	
cash	**89**	92		STI-2	
cash	**24**	46		STI-3	
cash	**173**	149		STI-4	
	203	244			
equity	**65**	46	**2 478 489**	LTI-1	**34.1**
equity	**48**	37	**980 666**	LTI-2	**34.1**
equity	**13**	25	**5 173 961**	LTI-3	**34.1**
cash	**62**	102		LTI-4	**19.3**
cash	Provided in 2011			LTI-5	
cash	**12**	28		LTI-6	**19.3**
cash	**3**	5		LTI-7	**19.3**
cash		1		LTI-8	**34.2**
	845	929			

IFRS expense:

Due to the award finalisation being post year end, the IFRS accruals for short-term awards are not fully aligned.

IFRS requires long-term awards to be amortised over the vesting period adjusted for the probability of performance being met. Therefore, the award and expense amounts are not directly comparable.

A regulatory framework for **industry value**

Regulators govern **financial stability** and **market conduct** for our industry

Financial market reform has been a global trend since the financial crisis of 2007.

Understanding our **regulatory environment** and anticipated changes

The South African financial sector has, for some time, been undergoing an overhaul of its regulatory environment to address the issues associated with financial stability as well as to align it with the National Development Plan and policies of the ruling ANC government.

Within the insurance sector, specific emphasis has been placed on prudential and market conduct regulations, intended to improve trade practices and customer fairness and reduce the risk of business failure.

The primary objectives of the regulators are the:

- Fair treatment of consumers financial services and products;
- Financial soundness of financial institutions;
- Systemic stability of financial services industries; and
- Integrity of financial markets and institutions.

Liberty seeks positive and constructive engagement with regulators and policymakers, both directly and through appropriate participation in industry forums, to partner with them in ensuring optimal regulatory outcomes for the industry and all its stakeholders. Through this engagement, insights are introduced to Liberty's strategy development, ensuring business opportunities are targeted and optimised.

The group, on an ongoing basis, engages with the FSB, SARB and National Treasury and actively participates in ASISA forums to promote Liberty and industry interests. We also engage extensively with regulators in other countries, notably Kenya (Insurance Regulatory Authority) and Nigeria (National Insurance Commission).

Adapting to regulatory and environmental change is a principle strategic risk for the group. Our approach to regulatory change is to consider the impact on customer needs and product opportunities. This allows us to better serve our targeted customer segments with innovative, relevant, sustainable and compliant products.

We are supportive of government initiatives which promote social reform and provide broader access to pensions and savings. We are optimistic about greater regulatory alignment and clarity throughout the sub-Saharan region.

Key themes related to these reforms which impact on our operating model and strategy include:

- The probable emergence of a single retirement savings account;
- Significant downward cost pressure in the provision of savings and insurance solutions;
- Probable reduction in the number of intermediaries due to changes in intermediary remuneration;
- Significant growth in available savings and asset management base;
- Enhanced governance and supervision; and
- A greater portion of advisers will likely move from being independent to tied.

Aligning our strategy to the regulatory environment

Our strategy 2020 is aligned with the changing regulatory environment. In particular recognising the probable higher demand for products and services of group arrangements.

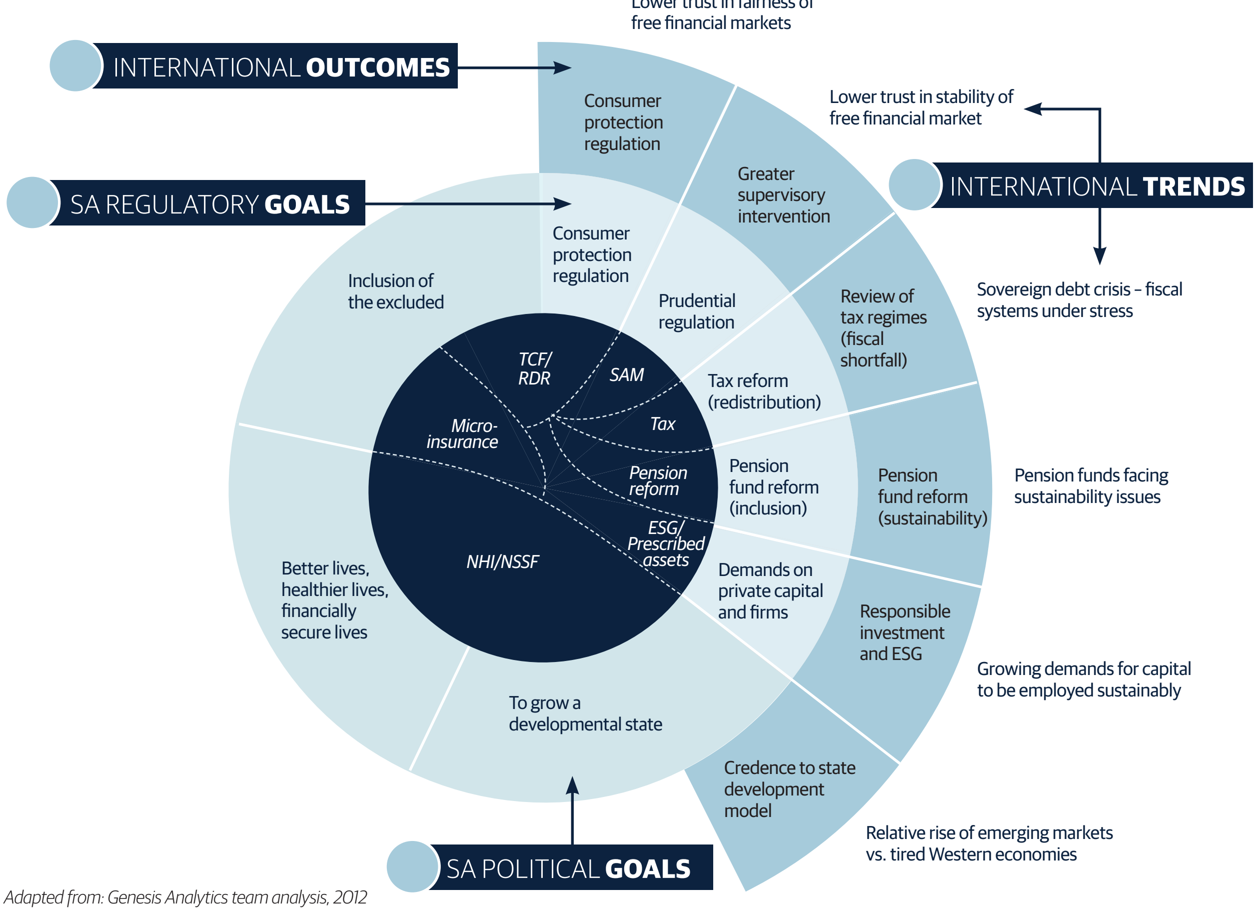
In response we will:

- Develop new distribution channels and technologies – move to a multi-channel environment;
- Continue to empower our customers in terms of when, where and how they engage with us;
- Build on the opportunities for group arrangements and asset management arising from retirement reform; and
- Maximise the local presence advantage of STANLIB in growing our asset management business across the African continent.

Being compliant with all regulations enables us to build trust with both regulators and the general public, enhancing our social and relationship capital.

Regulatory and legislative compliance requirements are identified and implemented through the development of appropriate policies and procedures that are regularly monitored and reported on. Internal compliance management forums continually identify and interpret regulatory requirements and ensure that the business units establish appropriate policies and procedures to meet these requirements.

The wheel of regulatory change



Adapted from: Genesis Analytics team analysis, 2012

Moving beyond **compliance**

Group risk control and group internal audit services apply independent oversight to ensure that customers are treated fairly and that the group operates in terms of sound ethical principles.

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For more information on how the group manages regulatory risk, refer to the Risk management report

Reforms such as Treating Customers Fairly, Retail Distribution Review, Twin Peaks and Solvency Assessment and Management will, over time:

- Increase financial stability;
- Improve consumer protection and market conduct;
- Increase access to financial services; and
- Contribute to combating financial crime.

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For a detailed description of Liberty's current regulatory environment

We are committed to maintaining the highest levels of compliance, instilling ethics in all areas of our business, preventing fraud and continuing to invest responsibly. The group has a stated code of ethics, financial crime policy and whistleblowing policy that are aimed at establishing the principles and accountabilities for preventing, monitoring, and reporting of fraud, corruption, ethical breaches and any other related irregularity across the group.

The group subscribes to an independent and confidential whistleblower hotline, the details of which are:

Liberty fraud hotline contacts:	fraud@liberty.co.za 0800 204557 (South Africa) +27 12 543 5383 (International)

Recognised as a trusted industry participant that is **fair, transparent** and **responsible**

A regulatory framework for **industry value** (continued)

The value balance between regulators and Liberty

Regulator benefits		*Source of value*
Participation by Liberty in shaping policy and regulatory frameworks	Liberty's participation provides: • An industry perspective on global and local regulatory developments • Information and insight into practical customer needs and concerns • Credibility to industry associations such as ASISA	Improved business practices
Compliance with all regulations	Compliance ensures: • Market stability • Brand trust • Responsible products that are easily understood • Trust in the industry • Safeguarding of licences to conduct business	Industry trust and stability
Collection and payment of tax	The taxes collected by SARS are applied by the fiscus to drive national development programmes, promote economic growth and provide basic services	Improved government revenue collection
Appropriate risk management and good corporate governance	Prudent corporate governance contributes to: • Market and industry stability • Responsible products relevant to the needs of consumers • Brand trust – being a responsible corporate citizen • Upliftment of communities	Customers are treated fairly

Liberty benefits	*Key performance measures*
A regulatory environment which is balanced between economic, social and industry needs. All players being fairly regulated and supervised consistently	
Early identification of business opportunities from changing regulations	*Participation in industry working groups and forums*
	Capital adequacy cover
An opportunity to introduce our best practices to the industry	
Brand trust and improved sales	*The costs of regulatory change*
	Taxes collected and paid on behalf of the South African government
Having an important voice in government policy formation	
	Regulatory fines and penalties
	Number of adverse findings by industry Ombudsmen and adjudicators
A transparent industry that reassures customers	
Reduced financial crime	

Review of our 2014 performance 96

A regulatory framework for **industry value** (continued)

Regulatory environment in South Africa

FSB

Oversight of SA non-banking financial services to promote and maintain sound financial investment environment

Compliance oversight of (amongst others)

- Long-term Insurance Act;
- Financial Advisory and Intermediary Services Act (FAIS);
- Financial Markets Act ;
- Pension Funds Act;
- Financial Intelligence Centre Act; and
- Consumer Protection via Treating Customers Fairly framework.

Key developments

Solvency Assessment and Management (SAM)

Programme implemented to introduce a risk based solvency regime around capital adequacy, risk governance and risk disclosure for insurers and introduces group supervision. SAM will prompt insurers to re-examine their risks and raise capital to cover those risks. Under SAM, the internal view of economic capital will become virtually identical with the regulatory capital requirements. SAM will facilitate a better understanding of the actual risks Liberty faces, create incentives for state-of-the-art risk management and ensure greater risk transparency. It is effective from 1 January 2016 although the 2015 comprehensive parallel run essentially means that insurers should follow SAM from 1 January 2015.

Treating Customers Fairly (TCF)

Impacts all areas of Liberty in the way decisions are made, how we handle and engage customers, how actions are taken and the provision of the correct level of evidence to demonstrate this. TCF needs to be embedded as part of Liberty's culture, which means it must be firmly rooted in the minds of our people and reinforced through our leaders' role modelling this behaviour. There is no single implementation date for TCF. Rather it will be introduced incrementally through inclusion in new legislation, education and guidelines, and will be core to FSB investigations into financial services practices.

Retail Distribution Review (RDR)

RDR comprises a suite of 55 proposed changes to financial adviser remuneration in the retail financial services sector. The intention is to promote compensation for advice rather than the sale of a product. RDR advocates the removal of upfront commissions which we believe will severely impact the cash flow of mid-range financial advisers. Sales of certain products (recurring premium endowment and retirement annuities) are expected to reduce significantly as a consequence.

Consumer Credit Insurance (CCI)

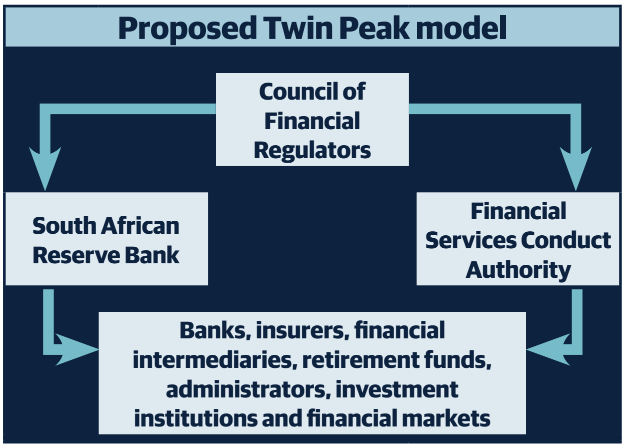
The Treasury and the FSB have called for more responsible and transparent pricing on consumer credit insurance. The bancassurance model will be significantly impacted by a large portion of the regulators' proposals, for instance changes which could impact on the current distribution processes within Standard Bank. Liberty Corporate may be positively affected as the proposed regulatory responses may level playing fields between credit grantors and insurers operating cell captives.

The Twin Peaks initiative

The second draft of the Financial Sector Regulation Bill includes recommendations to improve National Treasury's legal enforcement and clarifies the role of regulators. Under the Twin Peaks model, regulation of the financial sector will be split into prudential and market conduct.

- Prudential regulation, relating to the risks affecting the soundness of financial institutions and the financial system as a whole, will be the responsibility of SARB; and
- Market conduct – including reckless lending practices, excessive fees and unfair product terms – will fall under a new financial sector conduct authority that replaces the FSB.

The Treasury also released a draft market conduct policy framework discussion document, providing a comprehensive framework for how the market conduct regulator will operate, with its mandate to make sure financial institutions treat customers fairly.



Long-term Insurance

The Governance and Risk Management Framework for Insurers, effective 1 April 2015, provides for the adoption, implementation and documentation of an effective governance framework by insurers.

South African Reserve Bank (SARB)

Oversight of SA banking industry to ensure financial stability within South Africa

Compliance oversight of (amongst others)

- Banks Act; and
- Foreign exchange controls.

Key developments

The "Twin Peaks" initiative – as discussed above

South African Revenue Service (SARS)

Responsible for administering and collecting taxes due under the South African taxation regulations, including the tax system and customs service

Compliance oversight of

- Income Tax Act;
- Tax Administration Act; and
- Other revenue Acts.

Key developments

Tax Review committee

Established by the Minister of Finance in 2013 to assess the South African tax policy framework and examine the overall tax base and tax burden, with specific focus, inter alia, on elements of taxation within the financial sector. This potentially may lead to significant structural reform.

Retirement Fund Reform (RFR)

Announced in the 2011 budget. Implementation has been postponed to 1 March 2016. These reforms include changes to deductible limits of all retirement fund contributions, introduction of mandatory annuitisation of provident fund benefits and tax-free portability of retirement benefits between all retirement funds.

Tax reform (Taxation Laws Amendment Act, 2013 and Taxation Laws Amendment Bill, 2014)

The new tax treatment of retirement fund contributions and benefits as well as the structuring of employee benefits has a direct bearing on Liberty as a supplier of retirement products, administrator and employer. Changes pose short- and long-term compliance obligations on the group and Liberty's ability to respond to the needs of the market will be critical in ensuring that opportunities are maximised. The proposed tax free investment will allow Liberty to draw upon early design features as part of its drive to attract retail savings.

Other notable regulators and oversight bodies

Financial Reporting Standards Council

Johannesburg Stock Exchange

Information Protection Regulator (still to be established)

Pension Fund Adjudicator

National Credit Regulator

National Consumer Commission

Competition Commission

Council for Medical Schemes

Ombudsman for Long-term Insurance Act and FAIS

Key developments

Protection of Personal Information (PoPI)

Signed into law in November 2013 we are now awaiting a commencement date for the Act. PoPI has a high impact on the way we do business. The controls around how we collect, store, process and disseminate information to and from customers and employees are being strengthened. This is being done with consideration of the current investments being made in information management.

International Financial Reporting Standards (IFRS)

A further exposure draft on the proposed insurance accounting standard was issued in 2013. Certain components remain unresolved with divergent international views. The completed standard is scheduled for late 2015 with a probable three year implementation period. This standard is likely to have a significant impact on revenue recognition and disclosures for all insurers in South Africa.

Notable 2014 engagement activities

- Liberty held three stakeholder engagement meetings with the FSB to discuss regulatory and legislative compliance requirements as well as the Liberty Africa strategy;
- Liberty had two regulatory on-site visits and participated in the SARB prudential meeting held with Standard Bank; and
- Liberty submitted comments on the FSB's discussion paper on RDR.

Involving **communities** to create **valuable partnerships**

Building **social** and **relationship capital** through **community investment**

We recognise that our ability to remain commercially viable is dependent on our **social licence to operate** and the **trust we build** with all our stakeholders, particularly communities.

We do not operate in isolation but in a **constantly evolving society** characterised by environmental, social and ethical developments.

Community **investment** underlies **sustainability**

We engage with different segments of society and prioritise those relationships that will generate future value for Liberty.

Targeted stakeholder engagement provides an understanding of our communities' needs and an insight into the quality of our relationships with these communities.

Our social contract

Liberty will contribute to improving living conditions and eradicating poverty by:

- Improving access to education to empower self-fulfilment;
- Ensuring the workplace is representative of the communities that we service;
- Behaving as a responsible corporate citizen and, in particular, act with integrity;
- Providing job opportunities and products and services that genuinely assist in financial freedom; and
- Managing the business sustainably to ensure delivery of all our promises.

We understand that our reputation is directly linked to our continued ability to generate value. Shaped around the wider socio-economic needs of the communities, our social strategy has a special focus on education, which creates opportunities for future employment and contributes to economic upliftment.

Liberty has a centralised approach to community involvement, with a series of flagship initiatives run in partnership with like-minded organisations and relevant government agencies.

Fulfilling our **commitments**

Active employee involvement through volunteerism is an important component of Liberty's culture. We encourage and recognise this involvement with company-wide communication awareness, matching individual staff member monetary donations and the investment of work time where appropriate.

In order to achieve our purpose of enabling financial freedom, Liberty continued to invest in financial literacy programmes throughout 2014. These programmes were delivered through a vast array of multimedia forms that served both targeted community and work places. This was supplemented by educational awareness sessions delivered through our distribution force.

Our business needs to remain consistently socially relevant. This is partially achieved by striving to ensure our work force reflects the diversity of the societies in which we operate. Liberty has chosen an integrated approach to transformation in South Africa, rather than a compliance approach.

R22,1 million invested in education programmes *targeting Maths and Science learning*

R12,2 million applied to *financial literacy programmes* for consumers and customers, including **STANLIB's** *Mind Your Moolah*

Transformation vision

We are committed to increasing the pace and impact of our transformation journey for the benefit of our investors, clients, staff, suppliers and the society we serve. Our compass on this journey will be the South African Constitution and we will actively build the society it seeks to create. Inclusivity and participation will be hallmarks of our progress. Relevant stakeholders will have a voice in charting our course and developing the process, as we make a difference in our country by providing relevant and socially responsible products and services that add value to our customers and business.

At 31 December 2014, Liberty's BEE share ownership scheme matured, transferring **R2,3 billion** of value to employees, strategic black business partners and communities.

Community investment spend

For almost 40 years, Liberty has focused on supporting education across Africa because we believe that our corporate social investment (CSI) initiatives should contribute to building a thriving economy that is vital to our collective destiny, and which will light the way to financial prosperity for generations to come. As a result, the group contributes over R40 million each year to community development activities across South Africa. In addition, Liberty's operations in the rest of Africa control their own CSI initiatives and budgets that are aligned to the needs of the communities in which we operate.

Meeting **community needs**

To enhance Liberty's citizenship profile further, our support of education will be extended through the Liberty Community Trust. During 2014 the mandate and structure of the Trust was revisited. Its purpose is "to impact individuals and communities to facilitate sustainable economic inclusion". Its new structure allows it to operate independently of Liberty.

The **success** of our business is not measured by *profitability* alone but by **the manner in which we achieve it**.

Changing one life at a time

Through our CSI programmes, Liberty supported Michael Bila, who matriculated in 2014.

Michael achieved a distinction pass with 100% for both Mathematics and Physical Science and will be pursuing Actuarial Science at Wits. Liberty will continue to support Michael throughout his tertiary studies.

Liberty and its accompanying "flame" has been a **trusted and growing brand** in South Africa for over 50 years and has created a credible foundation for retaining and attracting new customers and launching new products.

In addition our brand capital greatly assists in attracting and retaining skilled employees. More recently, STANLIB has established itself as a leading brand for investment solutions.

Liberty's reputation is directly correlated to the degree to which our actions embody our adopted brand values. We understand that consistency between our communication promises, practices and performance builds the trust placed in us by our stakeholders.

During 2014, we were:

- **34th out of the top 50 brands** in South Africa by *BrandFinance®*
- **15th** in Reputation Institute's 2014 *National RepTrak Pulse*
- **No 1 Top Brand** B2B Long-term insurance category – *Sunday Times Top Brands survey 2014*
- **83% positive** in overall stakeholder sentiment

Building **trusted brands**

STANLIB LIBERTY

R5 million invested in the development of *black SMEs*

Employees volunteered **8 564** hours in *community upliftment in 2014*

Involving **communities** to create **valuable partnerships** (continued)

The value balance between communities and Liberty

Communities benefits		*Source of value*
Socio-economic upliftment through education	Liberty's community involvement is focused on education support spanning: • Early childhood development • Primary school teacher and learner support • High school maths and science programmes • Financial literacy programmes aimed at working adults	**Empowerment through education**
Greater inclusion and economic participation	Liberty's commitment to transformation aims to deliver: • Increased black ownership • Representative employment • Skills development • Higher procurement levels from black suppliers	**Equal opportunity and inclusive society**
Stakeholder engagement that delivers shared value	Stakeholder engagement that informs: • Community investment and transformation initiatives • Strategy development • Focus areas to improve alignment to social relevance • Identifying people challenges and financial needs	**Responsible corporate citizenship**
A corporate partner committed to environmental stewardship	Liberty is committed to: • Minimising its direct impact on the environment • Investing in a socially and environmentally responsible manner • The United Nations Principles of Responsible Investment and the Code for Responsible Investing in South Africa • Mitigating against climate change through developing "green" buildings. We are a member of the Green Building Council of SA	**Sustainable use of the natural environment**

Liberty benefits	*Key performance measures*
Good corporate citizen status, thereby creating constructive relationships with policy makers	*Corporate social investment spend and outcomes*
Increased awareness and propensity to purchase Liberty products and services	*Transformation, including B-BBEE rating*
Enhanced "employer of choice" perception and increase demand for talented and skilled individuals to join the group	*Brand trust and awareness measured through independent stakeholder sentiment surveys*
Improved ability to meet the human resource requirements of the sub-Saharan Africa expansion envisaged in the strategy 2020	*Responsible environmental management including carbon dioxide emissions*

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Review of our 2014 performance 98

Explaining our **strategy**

Our strategy delivery

Liberty's strategy over the last four years was mainly focused on restoring value and positioning Liberty for growth. This followed the global financial crisis and Liberty specific policyholder persistency problems experienced in 2009. These objectives were largely achieved, with the group delivering significant positive financial results over the past four years.

During this time we built a world-class balance sheet management capability in LibFin, a key strategic differentiator, providing strong market risk management and alternative revenue generation capabilities. We focused on and successfully addressed the customer retention issues that became evident in 2009. This was followed by a re-invigoration of sales and distribution practices, re-establishing Liberty's reputation as the leading product innovator in the South African market and positioning us once again as the top provider to the mid to affluent market. We enhanced distribution management capabilities in Retail SA, giving us the ability to manage a diverse range of advisory distribution channels and to direct sales of products vital to support our customers' long-term funding needs alongside their risk needs.

A stable platform was established at STANLIB that is capable of delivering asset management capabilities to the group and off which we can continue to build a genuinely differentiated third-party asset management business in sub-Saharan Africa. We reviewed and broadened the scope of the market leading bancassurance business with Standard Bank. This enabled us to expand our market share and revenue base in South Africa and has facilitated entry into new markets in other African countries. We also created a meaningful presence in sub-Saharan Africa which positions us well to take advantage of the predicted financial services growth.

During this period of delivery the markets in which the group operates have been changing dramatically, with policy makers driving increased consumer protection and financial stability safeguards. The emergence of consumer led economies, aided by the social communication revolution which is allowing individuals to empower themselves, are rapidly redefining the customer value propositions offered by insurers. Liberty management therefore deemed it necessary to embark upon an extensive strategy process during 2014 to focus on setting objectives to 2020. The key objective is to transition and grow Liberty to be a leading customer centric financial services organisation servicing customers throughout sub-Saharan Africa by 2020.

In September, Liberty's directors and management concluded the strategic plan as part of the formal 2014 strategic review process. This review was informed by business unit review sessions, performance updates at each board meeting, and a formulation by each business unit and group function of its six year plan and the investigation of short- and long-term external factors driving or inhibiting business success.

Considerable time and effort has been invested by management researching proposed and potential regulatory and legislative changes, competitor activities, changes in customer behaviour and technological disrupters. Particular consideration was given to how these issues, together with economic volatility, would impact on our key markets on the African continent. Management met on nine occasions specifically to focus on these issues up until the board strategy session. The board was kept updated and provided input throughout the process. The opportunity landscape and target markets were confirmed, customer segments to be focused on were agreed and the required business model to support the group going forward in a rapidly changing environment was developed.

Liberty today

Largest provider of insurance solutions in the retail affluent market in SA

Largest in retail unit trust market including money market

Largest bancassurance partnership in SA by value of new business

4th largest provider of insurance solutions in SA employee benefits market

Our self-assessment of 2014 strategy performance 85

Management of strategic risks

The risks which prevent strategy being achieved as well as the wide range of mitigating actions and strategies which are deployed are incorporated in various sections of this integrated report as well as in the risk management disclosures included in the annual financial statements and supporting information available on the company's website. The most recent top strategic risks are summarised below.

Annual financial statements

Risk	Mitigating actions	References
Optimal leveraging of the businesses due to inefficient business processes and inappropriate IT architecture	Investment in accurate, consistent and reliable data is the foundation of the group's IT architecture. Improved IT governance processes. Planned strategic investments in IT-enabled multi-channel and customer flexibility solutions. Risk management processes and business continuity management.	22, 48; AFS 52, 54
Ability to sustain innovative and cost effective product development and distribution capabilities	Sales and distribution infrastructure costs have increased at a lower rate than inflation, resulting in the overall infrastructure cost per unit of production decreasing since December 2011. Various cost savings initiatives are still underway. Continued focus on innovative product and service design – significant investment in design capability. Through improved data management, the group is able to draw insights that directly benefit our customers.	45; *Business unit reviews*
Ability to attract and retain staff in critical leadership and technical positions	Various initiatives to be the employer of choice for the scarce talent across the geographies in which the group operates. Succession planning is a specific requirement of the directors' affairs committee and the exco.	50, 51; *Governance*
Meeting of investment return objectives by the asset managers, particularly STANLIB	Governance structures and agreements are in place to monitor performance and take corrective action as necessary. The client fund control management committee manages and monitors policyholder portfolios. The five year performance of over 60% of the STANLIB surveyed institutional and core retail funds are in the first or second quartiles.	*STANLIB review*
Appropriately responding to regulatory and environmental changes	Liberty's strategy 2020 has been formulated to ensure the group's alignment to the changing regulatory environment. Regulatory compliance is committed to by the board and exco.	54, 55
Ability to adopt innovative techniques and to pursue new ideas	Various initiatives are planned, some of which are referred to in our 2015 strategic objectives.	80
Realisation of growth initiatives and supporting business plans, particularly with reference to the rest of Africa	The strategy 2020 focuses on growth supported by a new operating model which is designed to increase focus and improve alignment of opportunities to be leveraged across the group.	11, 79; *STANLIB, Liberty Africa reviews*
South African transformation and overall talent management initiatives	Transformation is driven on behalf of the board and monitored by the group social, ethics and transformation committee. Liberty has transformation embedded in its culture and has established structures and processes to support the achievement of Liberty's transformation vision.	

The board and group risk committee continuously monitor and ensure that these and other significant risks that emerge are addressed or mitigated through the group's strategy. Appropriate strengthening of risk management practices take place as necessary.

Explaining our **strategy** (continued)

Our strategy 2020 at a glance

Our vision: To be the **trusted leader** in **insurance** and **investment** in Africa and our chosen markets

Our chosen geography

Liberty will focus on sub-Saharan Africa

The African continent has a population in excess of 1,1 billion. A number of African countries have sustained economic growth in excess of 5% for over a decade. This has helped reduce poverty and improve disposable incomes in many countries. According to the IMF Regional Outlook for sub-Saharan Africa published in April 2014, over the next few years several countries stand to reap the benefits of investments in transport and telecommunications, an expansion of production capacity (most notably in extractive industries and energy generation) and increased productivity in agriculture.

The increasing rate of urbanisation and expanding labour force is leading to the rise of the African middle class consumer, whose discretionary spending power is growing. Insurance, investment and asset management markets are growing rapidly across the continent due to increasing rising incomes and retirement reforms.

This economic growth, together with retirement reform, micro insurance legislation and increased urbanisation offers market penetration opportunities in a region that has extremely low insurance penetration rates currently. Most countries also lack a social security network, or the resources to provide one, which requires individuals and employers through group schemes to make their own arrangements in this regard.

Consumer segments we will serve

Liberty will focus on the following selected customer segments

Affluent net worth segment – These are individuals with significant net investable assets, typically looking to grow wealth rather than protect it.

Mass - affluent segment - Customers in this segment are individuals in South Africa and other territories with sufficient demographic numbers that have investable assets of R250 000 or investable monthly income of at least R750 or a tertiary education which provides the ability to move up the income scale. The number of equivalent mass-affluent customers in Nigeria and Kenya is growing rapidly.

Middle and emerging consumer income segment – This segment includes customers who can be targeted through group arrangements. These individuals are targeted through multinationals, large corporates, SMEs, global insurers and affinity groups.

Liberty in 2020

Become the **No. 1 provider** in South Africa to the *mass-affluent consumer segment*

Being in **Top 10** *in Nigeria* and **Top 3** *in Kenya* and gaining **significant growth** and insurance market share *in sub-Saharan Africa*

Accelerate **growth** and **market share** in the *SA corporate market* to become a **Top 3** player

How we organise ourselves to differentiate

The board's ambition through the business model is to take a market position that addresses the challenges the industry faces, protects our current business and enables us to take a bigger share of the market in a changed world

This will require us to make a cultural shift towards a more customer centric (or market focused) approach to doing business. We will also need to leverage the entire group by transporting and investing in capabilities which can maximise opportunities – as a group and not as individual business units so that we become a more agile group that can transform itself rapidly in the face of a changing environment.

Liberty currently operates in three key insurance segments and has a strategic partnership with Standard Bank. In order to become more customer centric and leverage our group capabilities for additional value, three fundamental shifts have been committed to.

Firstly, we will foster growth by focusing on three core businesses or CFUs. These will be Individual Arrangements, Group Arrangements and Asset Management. These CFUs already possess strong capabilities, which we will build on, and clear growth prospects.

Secondly, the CFUs will deliver better products and services as they focus on delivering differentiated customer value propositions.

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Thirdly, we will leverage strategically differentiating competencies across the CFUs to enable rapid mobility to take advantage of new opportunities while efficiencies will be driven through non-differentiating shared services.

Sustainable creation value for our shareholders is our top priority

We will build meaningful relationships with customers that present long-term potential with multiple financial needs

Differentiation will come from our ability to build on and blend our capabilities into solutions to deliver specific customer outcomes. Our competitive advantage will be underpinned by the quality of the intellectual property embedded in the solutions we build and portfolios we construct.

Our aim is to create additional shareholder value through delivery and strategy execution. We will leverage our distribution footprint across all product pillars and regions and take advantage of the opportunities presented by our bancassurance partnership with Standard Bank. We will leverage the insurance balance sheet and asset management competency in a new regulatory environment.

Ultimately, our strategy 2020 aims to generate sustainable and progressive operating earnings growth and cash generation supporting dividends and capital creation, leading to significantly increased embedded value.

Become the *preferred destination* for **asset flows** destined for **Africa**

Become the *preferred partner* for **Standard Bank** in all its **African geographies**

Leverage and ensure seamless transfer of **core capabilities** of the group to wherever there are **opportunities**

Explaining our **strategy** (continued)

Summary of 2015 strategic objectives

Our vision for 2020	Our 2015 strategic objectives
Become the No. 1 provider in South Africa to the mass-affluent consumer segment	• Implement and align the Individual Arrangements operating model towards achieving the group's strategy 2020. • Continue preparing the business to adapt to required regulatory themes. • Develop and launch further innovative investment and insurance products. • Continue to develop a multi-channel distribution capability to broaden distribution reach utilising digital solutions where appropriate.
Being in Top 10 in Nigeria and Top 3 in Kenya and gaining significant growth and insurance market share in sub-Saharan Africa	• Establish a presence in West Africa to facilitate the ability to provide the group's insurance and investment products. • Continue to launch products relevant to all countries of representation. • Expand distribution reach through current networks and affinity partners, and explore opportunities through new partners and technologies. • Continue to build leadership and technical competencies and aligning in-country employees with the Liberty brand and culture philosophy.
Accelerate growth and market share in the SA corporate market to become a Top 3 player	• Implement and align the Group Arrangements operating model towards achieving the group's strategy 2020. • Explore a broader institutional offering through investment in capabilities and acquisitions to acquire scale to take advantage of middle market growth in insurance and investment markets in South Africa and other African territories. • Continue to launch further tiered product offerings off the revised umbrella solution and gain market share. • Enhance STANLIB's third-party offerings for institutional clients.
Become the preferred destination for asset flows destined for Africa	• Implement and align the Asset Management operating model towards achieving the group's strategy 2020. • Leverage and maximise STANLIB's geographic reach and investment capabilities to deliver on its customer value proposition in all territories in which it operates. • Establish a presence in Nigeria. • Continue to develop investment talent and investing process. • Continue to develop infrastructure, direct property, private equity and passive investment capabilities within STANLIB.
Become the preferred partner for Standard Bank in all its African geographies	• Leverage opportunities identified to make all Liberty product options available to Standard Bank customers in all of the Bank's African geographies. • Expand into new geographies where Standard Bank has a presence.
Leverage and ensure seamless transfer of core capabilities of the group to wherever there are opportunities	• Continue to implement economic capital measurement and improve capital efficiency. • Complete the group's programme to facilitate SAM readiness in 2016. • Continue to manage within modelled assumption (policyholder behaviour and expenses). • Revise the leadership and talent management approach to take account of new business construct. • Focus on attracting, developing and retaining skilled employees. • Ensure that the enterprise information architecture enables the business strategy.

What strategy 2020 means for our key stakeholders

	Customers	Employees	Regulators	Communities
We expect	Buy our products and services to provide for their insurance and investment requirements.	Strategy to become reality through their day-to-day activities. Willingness to become "group citizens" and contribute and be deployed where their expertise can make the biggest difference in supporting the group.	Effective regulation to ensure stable and sustainable financial markets. Open and transparent engagement on Liberty specific and industry related regulatory matters.	Support our brand and place their trust in us. Speak highly of us within their communities to enable the transfer of brand trust to other communities.
They expect	Understanding of their personal financial needs and circumstances, with provision of market leading, competitively priced and easily understood solutions. Contract promises to be met supported by servicing that cares.	Opportunities for personal growth, income accumulation and career development.	Respect and support for their objectives, aimed at facilitating more stable financial systems.	Liberty's business to be socially relevant and reflect the diversity of the societies it operates in.
Planned actions	Make it easier for our customers to do business with us by giving them convenience, flexibility and choice. Provide more simple and flexible customer propositions.	Staff engagement plan to enlist staff support. Use a combination of recruited local skills with experienced existing staff in expansion initiatives. Job architecture and career framework project to enable appropriate recruitment, development, performance and talent management, remuneration and succession planning decisions.	Engage with regulators in new territories that we enter to understand their priorities and objectives, and enable them to understand our aspirations and ability to uplift communities. Support regulatory reforms that are expected to drive economic growth, ensure the sustainability of our industry and give wider access to its benefits.	Continue to transform society in South Africa. This is the cornerstone of all engagements with communities. We will provide relevant and socially responsible products and services that improve quality of life and enhance the financial security of communities.
Partnership benefits	The ability to build on and blend our capabilities into solutions to deliver specific customer outcomes. The provision of further innovative, simple and cost effective solutions to customers' specific risk, savings and retirement funding needs.	More diverse career opportunities within the group for employees. Employees have the opportunity to work in various African countries. Liberty becomes the employer of choice for scarce talent across all our geographies	Fairer and supervised industry practices likely to give rise to a more trusted industry across sub-Saharan Africa, resulting in higher penetration of pension and insurance products and deeper capital markets.	Liberty has been a trusted brand in South Africa for over 50 years and will become known and trusted in more African countries. Growth will enable Liberty to be more responsive and relevant to the economies in which we operate.

Activities in 2014 in support of **our brands**

LIBERTY

Continued with our brand health tracker research and measurement programme

Measured various **brand metrics** across different stakeholders, including customers, advisers and non-customers

Performed an **ad-track study** to measure and track the success of Liberty's advertising campaigns

Continued with our '**Advantage of Knowing**' advertising campaign:

- The campaign is performing well
- Good breakthrough achieved: 68% of respondents had seen "Sandton City" and/or "Shoes" compared to a breakthrough of only 28% in 2012
- Linkage to Liberty is strong across all media types
- The pay-off line *The Advantage of Knowing* has resonated strongly

Conducted a **stakeholder sentiment survey**, analysing the responses from **8 813 participants**

Commenced a **brand valuation study**, to be concluded in 2015

STANLIB

Conducted a **brand health-check** using focus groups which revealed:

- Our advertising is working
- Highlighted areas requiring focus namely, service, communication and the complexity of our product offering

Implemented our **online reputation management solution**, enabling us to *track social media conversations* about us

Completed the **corporate branding** at *Head Office* and commenced corporate branding of *in-country offices*

Accelerated **television** advertising

Remained active within print media across **business and lifestyle publications**

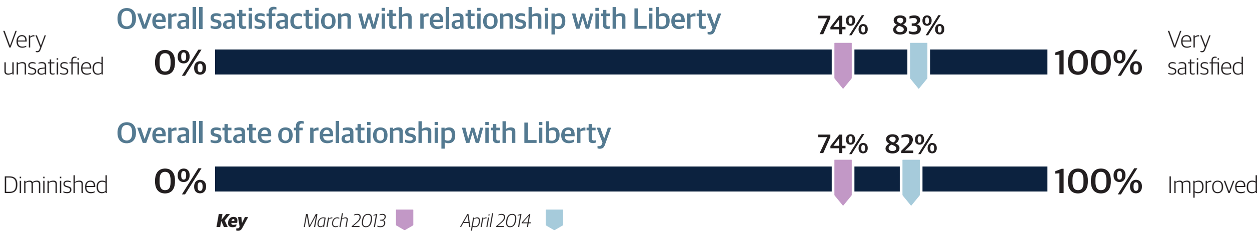
Increased placement of **digital banners** on *various websites*

Airport TV advertising

Established a **social media editorial board**

Leveraged our Corporate Social Investment projects to support the overall **brand strategy**

Results of a stakeholder sentiment survey and responses from 8 813 participants



Performance review

Management's *execution of strategy* has resulted in 2014 being one of the most *successful years* in delivering *value to all* stakeholders of Liberty

Online sustainability review

Investors

Shareholders

- Group equity value per share has reflected compound growth of 12% over the past four years
- Ordinary dividends per share increased by 9%
- Our ordinary share price closed at R149 per share on 6 March 2015, representing a 20% increase from 6 March 2014

Debt note holders

- Successfully raised a further R500 million in debt capital bringing the total debt capital to R3,5 billion
- Finance cost cover ratios in excess of 20 times

Customers

- Long-term insurance new business volumes up 12%
- Reduced complaint volumes escalated to the Ombudsman and fewer adverse findings
- Net promoter scores improved and customer retention better than targeted levels

Employees

- Salary increases to lower level employees higher than inflation for four consecutive years
- Increased headcount, over 450 new job opportunities created
- Highest ever levels of black representation in the South African permanent work force – 76% (2013: 74%)

Regulators

- Improved capital strength of the group – Liberty Group Limited 3.1 times (2013 2.6 times) regulatory capital
- Very low levels of compliance breaches
- Significant progress in readiness for regulatory change including the Solvency Assessment and Management framework

Communities

- Liberty's BEE share ownership scheme matured on 31 December 2014, transferring over R2,3 billion of value
- Positive stakeholder sentiment improved to 80% (2013 : 74%)
- R45 million spent on corporate social investment

In the next few pages we assess our **scorecard of performance** and **strategic objectives** and explain the 2014 performance in more detail reviewing our **key performance measures by stakeholder**.

Throughout this section assurance obtained is indicated as either Ⓐ Ⓛ Ⓥ, refer 1

2014 Performance dashboard and **2015 targets**

		2014			2015
		Actual	Target	Achievement	Target
Investors	BEE normalised return on group equity value	16,9% [A]	>10 year bond rate[1] plus 5% = 13,0%		>10 year bond rate[1] plus 5%
Investors	BEE normalised return on IFRS equity	20,4%	19,0%		19,0%
Investors	Shareholder Investment Portfolio performance	0,15% below benchmark	Board approved benchmark reference		Board approved benchmark reference
Investors	Risk appetite	Achieved	Manage within risk appetite		Manage within risk appetite
Customers	Retail SA new business margin	2,3% [A]	>2,2%		Between 2,0% – 2,5%
Customers	Combined policyholder persistency performance	Better than actuarial assumption	Actuarial assumption		Actuarial assumption
Employees	South African voluntary staff turnover	13,1%	<11%		<11%
Regulators	Liberty Group Limited CAR cover	3,1 times [A]	>1,5 times		>1,5 times
Communities	Financial Sector Code score	89.07 [V]	86.14		90.12
Communities	Corporate social investment spend	R45 million [L]	1% of adjusted net operating profit after tax		1% of adjusted net operating profit after tax

[1] *South African government bond*

Fully achieved *Partially achieved* *Not achieved*

2014 Strategic objectives and self-assessment

The assessment of our performance against our strategic objectives set for 2014 is as follows:

Gain significant market share in the institutional market	
Enhance STANLIB's third-party proposition for institutional customers	¼
Liberty Corporate to launch further tiered product offerings off the revised umbrella solution and gain market share	¾
Explore a broader institutional offering through acquisition and / or accelerated development of capabilities	½
Maintain our strong position in our chosen retail customer segments	
Develop a multi-channel distribution capability to broaden distribution reach utilising digital solutions where appropriate	¾
Align customer experience to our brand essence and improve our customer satisfaction indicators	✓
Enhance the customer and intermediary experience by improving the efficiency of the new business process	¾
Develop action plans to transition likely impacts of the South African regulator's retail distribution review	¾
Be the leading innovator of insurance and investment products	
Launch further new low cost investment products	½
Review the risk product portfolio and design innovative new risk products for launch late 2014 or 2015	¾
Establish private equity and extend multi-manager capability in STANLIB	½
Constantly provide returns to shareholders in excess of the long bond rate plus 5%	
Continue to implement the group's programme to facilitate SAM readiness	✓
Continue to implement economic capital measurement and improve capital efficiency	✓
Grow the sustainable earnings from the LibFin credit business	✓
Continue to manage within modelled assumption (policyholder behaviour and expenses)	✓
Continue to leverage and grow sales through the bancassurance agreement with Standard Bank	¾
Expand further into sub-Saharan Africa	
Establish a presence in West Africa to facilitate the ability to provide group products and services that will capture a share of the insurance and investment markets (both retail and institutional)	¾
Extend asset management capabilities and product offerings throughout the sub-Saharan region	¾
Invest in a corporate capability to take advantage of middle market growth in insurance and investment markets in sub-Saharan Africa	¼
Enhance our South African corporate citizenship	
Embed transformation in the group's culture to ensure the sustainability of progress made to date	¾
Expand the reach of education initiatives to a greater number of school learners and encourage responsible financial behaviour through programmes tailored to the needs of community beneficiaries	✓
Continue to ensure that broader environmental, social and governance consideration are taken into account by the group's asset managers when making investments	✓

Achieved ✓ *Good progress* ¾ *Moderate progress* ½ *Limited progress* ¼

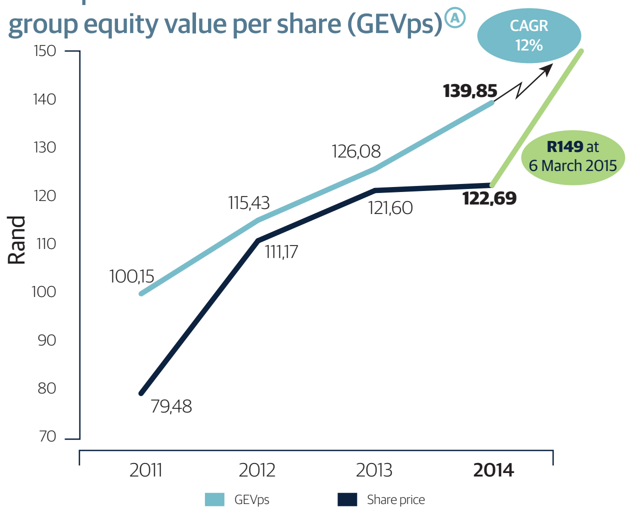
2014 Performance review by key stakeholders

Investors:

Ordinary shareholders

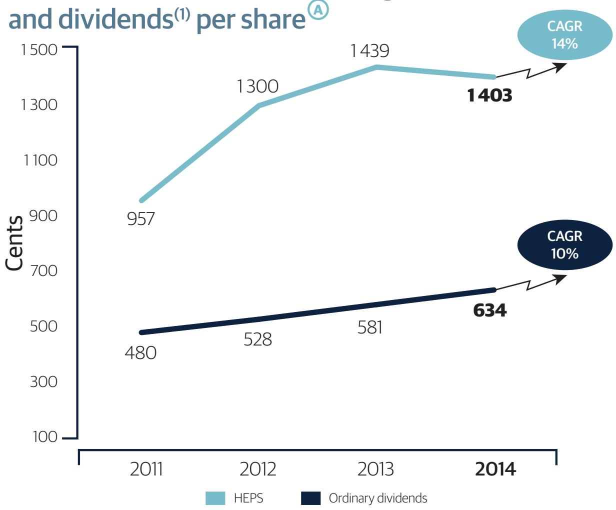
Deliver sustainable financial results

Share price and BEE normalised group equity value per share (GEVps)Ⓐ



Typically Liberty's ordinary share price tracks group equity value per share (GEVps) over time. Concerns over conversion of growth opportunities and ability to generate free cash flow has appeared to depress the price which during 2014 consistently traded below reported GEVps. On release of the 2014 full year's financial results the share price reacted positively and at the time of this report was trading at a premium to the 31 December 2014 BEE normalised GEVps of R139,85. We believe our continued ability in recent years to manage the long-term insurance business to better than actuarial assumption, combined with good cash generation, growth in our South African institutional and LibFin Credit business supported this positive reaction.

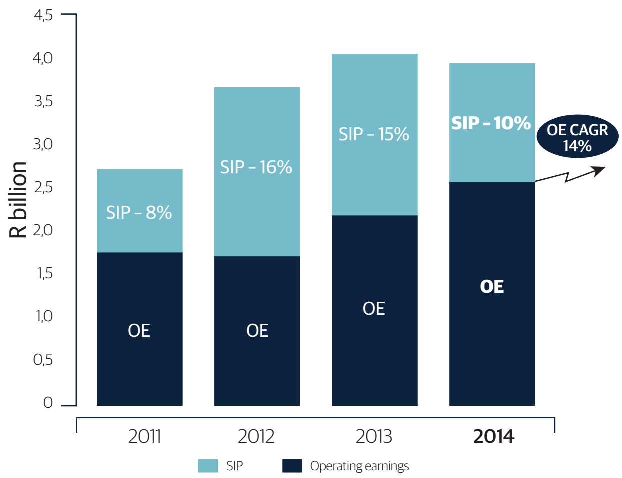
BEE normalised headline earnings and dividends[(1)] per shareⒶ



[(1)] *Excludes any special dividends*

The group's 2014 declared interim (232 cents) and final ordinary dividend (402 cents) total 634 cents per ordinary share which is 9% higher than the 581 cents per share for 2013. The ordinary dividends are in line with the group's dividend policy. The 10% compound ordinary dividend growth for the past four years was also supplemented by a special dividend of 130 cents per ordinary share declared in 2013. BEE normalised headline earnings per share performance follows the same trends as the headline earnings discussed on the following page.

BEE normalised headline earnings



OE: Operating earnings
SIP:Earnings from the SIP – the percentage indicates the gross return for the year.

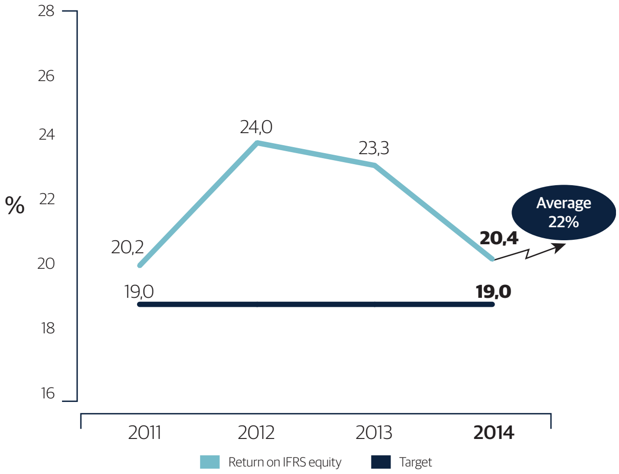
Ⓐ: Total BEE normalised headline earnings 2011 – 2014

Due to regulatory requirements and long-term insurance product design, Liberty has to hold significant capital. It also has large investment market exposures (collectively known as the SIP). Therefore, a high component of Liberty's earnings each year is directly related to the performance of investment markets. Management focuses on generating growth in operating earnings in order not only to grow the business, but gradually to improve the balance of the sources of earnings, thereby reducing the relative investment market volatility.

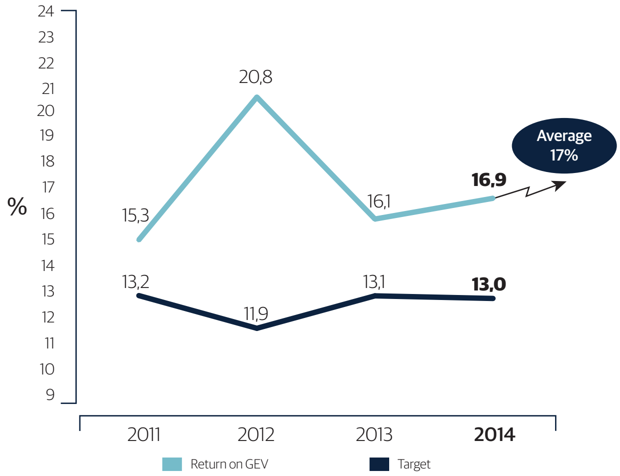
Management is also incentivised consistently to improve capital efficiency whilst remaining within risk appetite. Strong operating earnings growth of 18% was achieved in 2014 through good performances from Individual Arrangements, Liberty Corporate and LibFin Credit.

The SIP performance for 2014 was slightly behind benchmark, however the four year cumulative performance is well ahead of applicable benchmarks.

BEE normalised return on average IFRS equity



Return on BEE normalised group equity value (GEV)Ⓐ



These return measures are very important in assessing our performance and form a large part of management's variable remuneration performance targets. With regard to return on IFRS equity, we have consistently outperformed our medium return target of 19,0%. In addition, our BEE normalised return on group equity value of over R6 billion or 16,9% in 2014 has also comfortably exceeded our medium target of long bond rate plus 5% (at 31 December 2014: 13,0%). Whilst reasonable returns from investment markets assisted, the good growth in operating earnings is the main driver of this result. Shareholders have enjoyed returns well above the cost of capital for the past four years.

Investors (continued)

BEE normalised group equity value

Rm (unless otherwise indicated)	**2014**	2013	% change
Summary of BEE normalised group equity value			
South African insurance operations	**32 652**	29 260	12
Net worth	**11 167**	9 189	22
Individual arrangements value of in-force contracts	**20 927**	19 830	6
Liberty Corporate value of in-force contracts	**2 014**	1 807	11
Cost of capital	**(1 456)**	(1 566)	7
STANLIB	**6 400**	5 650	13
Liberty Properties, Liberty Africa Insurance and Liberty Health	**1 253**	888	41
LibFin Credit	**900**	650	38
Liberty Holdings and BEE preference share funding	**1 357**	2 247	(40)
Allowance for shareholder expenses	**(2 308)**	(2 217)	(4)
Allowance for outstanding share rights	**(230)**	(411)	44
Total BEE normalised group equity value	**40 024**	36 067	11
BEE normalised number of shares (000's)	**286 201**	286 057	
BEE normalised group equity value per share (rand)	**139,85**	126,08	11
Contribution to BEE normalised equity value earnings			
Value of new long-term insurance business	**941**	839	12
Expected return on SA covered business	**2 131**	1 843	16
Operating assumption changes and variances[2]	**287**	(149)	>100
Earnings of non SA covered businesses[1]	**921**	695	33
Fair value adjustments on non SA covered business[1]	**911**	484	88
Investment return on net worth	**587**	1 068	(45)
Investment variances and economic assumption changes	**72**	425	(83)
Change in allowance for share rights	**181**	76	>100
Total BEE normalised equity value earnings	**6 031**	5 281	14

(1) *Includes LibFin credit.*

(2) *Includes development costs and one year replacement of shareholder expenses.*

Group equity value was up 11% at just over R40 billion. The increase in value has recognised the improvements in expected future sustainable earnings of STANLIB and LibFin Credit at a multiple of ten times.

The South African insurance operation (Liberty Group Limited) is valued on the embedded value methodology and increased by 12% despite funding the bulk of the group's ordinary dividend. This was achieved by a combination of managing within valuation assumption sets ("managing to model") in the individual arrangements business, improved capital management which reduced cost of capital, good growth in the Liberty Corporate value of in-force contracts (following the excellent sales of large investment and bulk annuity contracts in 2014) and reasonable investment market performance.

The other business units are still relatively small and their growth in value is mainly due to net asset value increases from earnings and a recapitalisation of the Liberty Health business. Shareholder expenses remain tightly managed within inflation assumptions and the share right allowance is declining as participants exercise.

The value of new business in 2014 was boosted by the significant contribution of the large bulk annuity and investment product sales achieved by Liberty Corporate. This led to an overall 12% increase. Recent good persistency experience and 2013 positive investment markets combined to increase the opening asset base which improved the expected return on SA covered business by 16% over 2013.

Operating assumption changes and variances were nearly R300 million positive in 2014 underlining management's ability to manage the core long-term insurance operations better than the assumption set. Earnings of the non SA covered businesses have improved largely as a result of the 43% growth in LibFin Credit earnings, and the non-recurrence of intangible (mainly software) impairment costs of R126 million in 2013.

Fair value adjustments essentially represent the revaluation of the LibFin Credit business as well as STANLIB. In 2013 the fair value adjustment included a Liberty Health business impairment of R187 million pending the expected acquisition of non-controlling interests share of negative net asset value. This impairment was no longer required as the resultant negative net asset value adjustment of R244 million has been included in the return on net worth following the finalisation of the acquisition in August 2014. Consequently the investment return on net worth in 2014 has been negatively impacted and coupled with lower overall returns being experienced from investment markets resulted in a 45% reduced contribution compared to 2013.

Investment variances and economic assumption changes for 2014 are close to breakeven reflecting that investment markets performed close to actuarial long-term assumption and that long-term interest rates are virtually unchanged from 31 December 2013. The replacement of the employee share rights scheme with the restricted share schemes has meant a gradual run off of rights obligations (as employees exercise) leading to lower right value allowances.

Contribution to BEE normalised IFRS headline earnings by business area

Rm	2014	2013	% change
Individual Arrangements	**1 689**	1 467	15
Group Arrangements	**199**	133	50
Asset Management	**703**	677	4
LibFin Credit	**189**	132	43
Central overheads and asset/liability management	**(194)**	(211)	8
Operating earnings	**2 586**	2 198	18
LibFin Investments	**1 382**	1 878	(26)
Total BEE normalised IFRS headline earnings (A)	**3 968**	4 076	(3)

Individual Arrangements comprise the retail long-term insurance operations in South Africa including the direct channel capability. Headline earnings for 2014 of R1 689 million reflect an increase of 15%, supported by an increased asset base on which management fees are charged, ongoing good expense management and positive underwriting variances.

Group Arrangements comprise Liberty Corporate (earnings R170 million, 2013: R121 million), Liberty Africa Insurance (earnings R59 million, 2013: R52 million) and Liberty Health (loss of R30 million, 2013: loss of R40 million).

Liberty Corporate's 40% improvement in headline earnings to R170 million are a function of higher asset based management fees, good cost control and a positive underwriting result, partially offset by high new business strain from winning several large bulk annuity mandates. Liberty Africa insurance businesses largely performed to expectation with short-term insurance net claims loss ratios being consistent with last year. Liberty Health, which from 1 August 2014 is a wholly owned subsidiary, remains in a loss position mainly due to operating capacity shortfalls.

Asset Management comprises STANLIB (earnings R662 million, 2013: R633 million), and Liberty Properties (earnings R41 million, 2013: R44 million).

The group's asset manager, STANLIB, suffered from the negative sentiment to money market funds following the African Bank failure as well as investor trends to higher risk asset classes. This contributed to net withdrawals of R13,7 billion from the various STANLIB money market funds. Both the higher margin retail and institutional mandates however, had net inflows of R5,8 billion and R0,6 billion respectively. The substantial outflows and consequential reduced fee income, lower performance fees and the decision to cease initial fees have resulted in lower earnings growth at 5%.

Liberty Properties, which comprises property management and development, reflects the lower development fee income, the reduced portfolio size and one-off restructure costs.

The ***LibFin Credit Portfolio***, a diversified portfolio of government, state-owned enterprise and corporate securities backing the guaranteed investment product set, contributed R189 million (2013: R132 million) in line with the growth of the portfolio and through diversification away from less efficient legacy assets.

Management of the asset liability mismatch, the result of managing market risk arising from the guaranteed investment product set, continued to be effective. The target of close to nil earnings was met with net earnings being R31 million for the year (2013: R5 million). The position benefited from low realised volatility in equity and interest rate markets during 2014.

LibFin Investments manages the SIP which comprises the group's investment market exposure to the 90:10 books of business and the assets backing capital in the insurance operations. The portfolio which is managed under a low risk balanced mandate produced a gross return of 10,3% (2013: 4,6%) which was marginally behind benchmark for the year. This portfolio is managed on a long-term basis and in the context of the outperformance during 2013, remains significantly ahead of the past three years' cumulative benchmarks. The return has followed the favourable performance of local and international equity markets, a relatively stable interest rate environment during the period as well as the benefit of tactical asset allocations to infrastructure assets.

Investors (continued)

Accounting policies

AFS 184

The accounting policies applied to the 2014 annual financial statements of the group are in compliance with IFRS and interpretations for the year ends commencing on or after 1 January 2014. The accounting policies are consistent with those adopted in the previous year except for the applicable mandatory adoption of minor amendments to IFRS. These amendments have not had any significant impact on the group's reported financial results.

The nature of the majority of Liberty's business is to hold, as principal, investments to meet contractual obligations under policyholder contracts. Many of these contractual obligations are linked to the performance of specifically identified portfolios of assets. In addition the SIP performance assessment as well as the asset/ liability management is conducted at fair values. Therefore, where allowed, we elect fair value as our primary measurement basis for assets and liabilities. In addition to reporting relevant investment asset performance, this eliminates as far as possible unintended accounting mismatches in reporting the group's total earnings.

Accounting key judgements

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

AFS 10

Summarised extracts from Liberty Holdings Limited 2014 consolidated annual financial statements are included as an annexure to this report. The full version of the annual financial statements is available electronically or in printed form on request from the company secretary.

Determination of BEE normalised headline earnings Ⓐ

Rm	2014	2013
Total earnings attributable to ordinary shareholders interests	**3 917**	3 908
Preference share dividends	**(2)**	(2)
Net income earned on BEE preference shares	**53**	62
Derecognition and impairment of intangible assets		126
FCTR[1] recycled through profit or loss		(18)
BEE normalised headline earnings	**3 968**	4 076

[1] *Foreign Currency Translation Reserve.*

Investors:

Debt note holders

Finance cost cover – Liberty Group Limited

Debt note interest cost as a multiple of Liberty Group Limited IFRS earnings

	2011	2012	2013	2014
Interest cost cover (times covered)	17	30	29	**20**
Average subordinated note debt issued (R billion)	2,0	2,0	2,4	**3,0**

Liberty has an authorised debt raising facility of R5 billion of which R3,5 billion of subordinated notes have been issued at 31 December 2014. In 2014 a R500 million tranche was issued on the 12 December at a finance cost rate 2,5% above 3 month JIBAR. As can be seen in the above table, the finance cost cover on the total debt issued is substantial relative to IFRS earnings.

Capital adequacy cover – Liberty Group Limited Ⓐ

	2011	2012	2013	2014
Requirement (R million)	2 495	2 791	4 564	**4 534**
Capital cover (times covered)	2,89	2,71	2,56	**3,07**

In 2014, the capital adequacy cover of the group's main life license subsidiary, Liberty Group Limited, strengthened to 3,07 times the statutory requirement. Refer to Regulatory performance review for detailed commentary.

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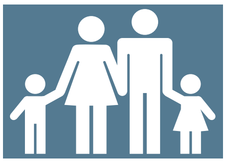


Customers

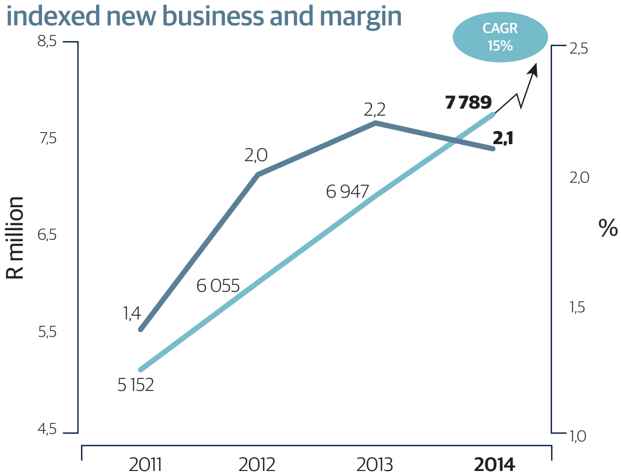
Focus on our customers

Death and disability claims Ⓐ

We understand that in times of loss, customers require not only empathy from us but efficiency in claims processing. Liberty is proud of its history in making a significant difference to customer well-being. We are often recognised by independent advisers as being true to our promises of settling claims as quickly as possible in accordance with our contracted obligation.

The three year compound growth in death and disability claims of 8% broadly tracks premium increase volumes and the pay-out ratios to premiums have therefore been consistent in a narrow range. New business pricing and premium review adjustments for risk contracts are largely dependent on predicted future death and disability trends. Our variances, whilst slightly volatile, between expected and actual claims have, for a significant period of time, been within assumptions. This creates confidence in our ability to price appropriately, as well as measure the likely obligations for IFRS and capital performance reporting.

Long-term insurance indexed new business and margin



In the group's long-term insurance operations indexed new business grew 12% to R7 789 million, supported by strong single premium investment sales. This included several large investment and bulk annuity sales in our Liberty Corporate business. The past four years has delivered a growth trend of 15% p.a. despite a reasonably challenging consumer environment. In addition to Liberty Corporate's successes our product innovation particularly in the retail segment has been the catalyst for this performance. These products include, for example, our low cost Evolve investment range which utilise structured mechanisms to take advantage of market risk pooling across our balance sheet to augment a better customer proposition. As a consequence, these products have been very popular with single premium Evolve sales totalling R5,8 billion for the year, up 64% on 2013. Our South African credit life sales under the bancassurance agreement were impacted by a slowdown in bank lending and ended at similar levels as 2013. Similarly margins in our Liberty Africa Insurance business (6,5% against 9,1% in 2013) were also negatively impacted by lower bank lending in Botswana.

The value of new business as measured by the embedded value methodology increased by 12% to R941 million at a margin of 2,1% (2013: 2,2%) Ⓐ and remains within the medium-term targeted range. The risk discount rate implicit in the calculation ended at similar levels to 31 December 2013 and therefore had very little impact. The slight decrease in margin is attributable to the relative lower growth of higher margin risk products as compared to investment products.

Customers (continued)

Long-term insurance customer contract persistency

In 2008 and 2009 we realised that policies were lapsing at much higher levels than we had assumed and that if the trend continued, it would threaten the sustainability of large components of our long-term insurance business. The resultant extensive remedial interventions and process enhancements have led to significant improvements in observed behaviour and for five consecutive years we have generated positive variances against our assumed levels of lapses. This performance has materially increased the overall value of our in-force contracts and positively contributed to our recent track record of beating targeted return on group equity value.

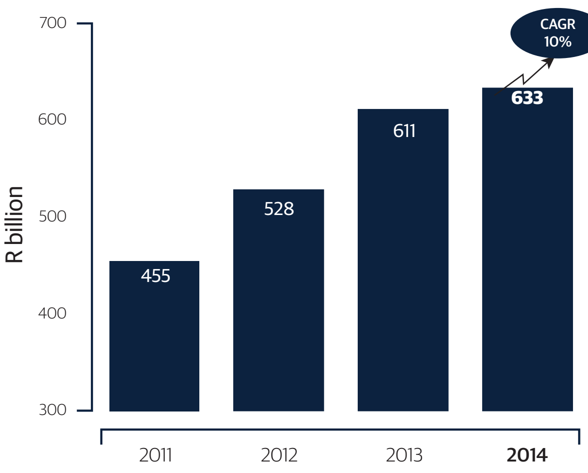
Net customer cash flows and assets under management

2014 Long-term insurance customer net cash inflows at almost R10 billion is at record levels and reflects the higher contributions from our sales of single premium investment products. These flows more than offset the increase in average policy withdrawal values due to recent good investment returns.

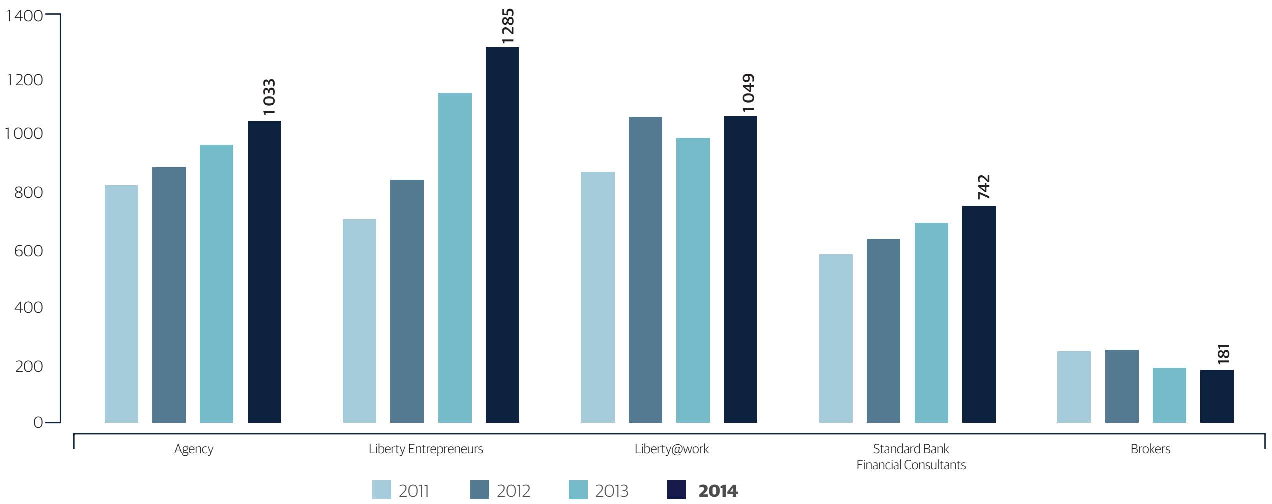
STANLIB net customer cash outflows (excluding inter group) of R7,3 billion compare to the inflows of R15,7 billion in 2013. The outflows comprise net withdrawals of R13,7 billion from the various STANLIB money market funds and net inflows of R6,4 billion into higher margin retail and institutional mandates. Money market flows are, by their nature, volatile and in 2014 suffered from the negative sentiment following the African Bank failure as well as investor trends to higher risk asset classes. STANLIB's margins have been relatively stable in recent years. Assets under management across the group grew by 4% from 31 December 2013 to R633 billion. This reflects a compound growth rate of 12% since 2011.

Whilst STANLIB's fund performance measured under short-term metrics (less than one year) has generally underperformed, the five year performance remains competitive with the majority of our funds above the average peer group performance.

Assets under management



South African distribution headcount



Under our regulatory stakeholder section we have commented on the retail distribution review recently conducted by the FSB and their draft proposals to change intermediary remuneration. If these proposals are substantially enforced it is likely to significantly impact on the long-term industry's distribution models. We anticipate that the expected future remuneration model will largely be based on "as and when" commission and therefore will reduce funding support for new entrants into independent channels and lead to higher proportions of tied distribution forces. In 2014 we grew our tied distribution force by 10%.

Customer satisfaction

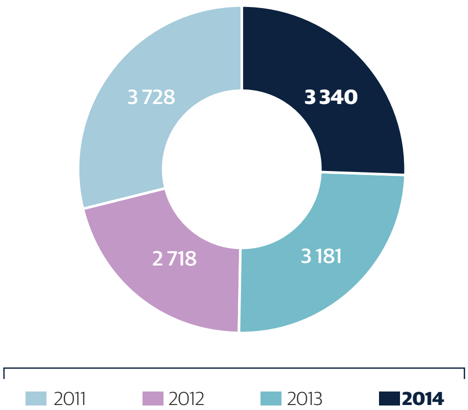
During 2014, all customer service and retention functions were consolidated into the contact centre and a strong focus was placed on driving a customer-centric culture, with the implementation of a number of interventions aimed at improving the overall customer experience.

Liberty continued with the Net Promoter Score (NPS) measurement throughout the year. This is a metric utilised to determine customer sentiment and loyalty towards Liberty. There has been a notable improvement in the score across Liberty's customer base indicating increased willingness to promote Liberty, its products and its services. The improved score is largely attributable to increased customer-brand affinity due to recent advertising campaigns and increased positive sentiment towards customers' financial adviser relationships. Other contributing factors include a more customer-centric culture, the focus on eradication of root causes of customer dissatisfaction and driving quicker turnaround times for customer query resolution.

As testament to the above, Liberty was awarded the Ask Africa Orange Index award for Service Excellence in the Long-term insurance category in 2014. This index is the largest service excellence benchmark in South Africa and has been in existence since 2001. It measures service excellence within and across industries.

Online self-service logins increased by 30%, indicating customer preference for, and the efficacy of, Liberty's self-service platforms.

Number of customer complaints (escalated to group customer relations) Ⓛ



One of the main aspects of driving customer centricity is to ensure that customer complaints are handled with empathy and fairness. In 2014, a complaints mapping exercise was completed which enabled the Individual Arrangements business to define training models and improvement opportunities to drive the customer-centric culture across the business.

The number of complaints escalated to group customer relations in 2014 grew by 5% to 3 340 (2013: 3 181). The main source of this increase was customers unable to timeously access their tax certificates from the online platform during the tax filing season. This particular issue was subsequently resolved.

The number of cases referred to the Ombudsman decreased by 28% from 905 cases in 2013 to 708 cases in 2014. The decrease was as a result of Liberty strengthening internal customer complaints handling systems and processes, negating the need for the customer to seek external assistance.

Employees

Attract and retain quality employees

Variable remuneration ratio linked to financial outperformance

As described in our remuneration of Liberty's people section, remuneration packages are geared to the employee's level of influence and role complexity. The balance between guaranteed and variable pay is appropriately structured and does not reward risk-taking outside the board approved risk mandates. All employees have some level of variable pay. At more senior levels the short-term incentive schemes have large financial performance bias and are uncapped.

Over the past three years, Liberty has outperformed the financial targets set by the board and consequently performance incentives have reflected this achievement.

Using the chief executive, deputy chief executive and the executive director – finance and risk as a proxy the average percentage (related to cost to company) outperformance variance from target have been 2014: 43%, 2013: 70% and 2012: 88%. The outperformance score has been declining largely due to the board setting more stringent targets every year.

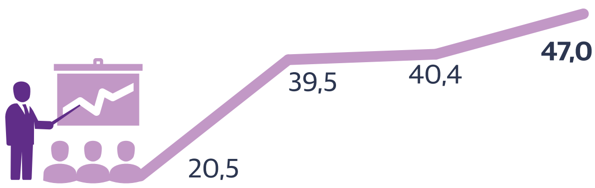
Across the employee base the short-term performance awards (including deferrals) have been 2014: R752 million, 2013: R736 million and 2012: R673 million. These awards as a proportion to the remuneration base are broadly similar for each year and are indicative of the sustained good financial performance of Liberty over this period.

Surveys, including employee attitudinal and preferred employer

Liberty undertakes a biennial group-wide employee attitudinal survey. The last survey was undertaken in 2013. The overall satisfaction rating improved to 69% in 2013, from 67% in 2011, indicating widespread positive employee attitudes. 79% of the group's permanent employees participated in the 2013 survey. A number of actions have been initiated to address the areas of highest concern, which included personal development, career management, remuneration and benefits. The next employee attitudinal survey is scheduled to take place in August 2015.

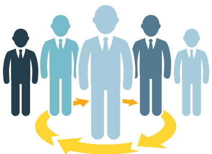
During 2014, the group was awarded Top Employer status by the Top Employer Institute for the sixth consecutive year.

Training spend full time employees (Rm) 2011 – 2014 Ⓛ



Training spend has increased significantly from 2011 to 2014 primarily due to enhanced leadership development programmes designed to increase managerial competencies and support high performing employees to maximize their individual potential. This is a key initiative to provide capacity in support of our 2020 growth objectives.

South African voluntary staff turnover (%)



2011	2012	2013	**2014**
11,0	10,3	11,6	**13,1**

In 2014, South African voluntary staff turnover increased to 13,1%, above our target of 11,0%. The increase in the turnover ratio is of some concern but is still broadly in line with financial service industry norms. Higher turnovers were evident in our health and asset management businesses where recent financial performance has been relatively lower compared to competitors and other Liberty business units.

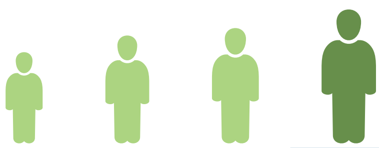
The ongoing demand for black talent in South Africa supporting the transformation objective is also contributing as it is difficult to retain black talent, particularly at supervisor and middle management level, after they have gained some useful experience. We are currently analysing the various components of the resignations, using insights gained from exit interviews and will apply corrective actions if necessary. With the core insurance businesses doing well, combined with opportunities which our strategy 2020 will provide, we are confident that turnover levels will continue at acceptable levels.

The group ensures that succession bench strength is available, representing the full demographic profile, in the event of employee turnover affecting key roles.

Number of CCMA cases and settlements

The CCMA ruled in Liberty's favour in 18 out of the 31 matters which were referred during 2014. A further 4 cases were subsequently withdrawn and 9 settled by mutual agreement. No adverse rulings were made against Liberty. While the number of cases referred to the CCMA in 2014 has increased from 2013, the number is very low in absolute terms relative to the 5 838 Ⓛ South African full time employees at 31 December 2014.

Employment equity progress (%) Ⓛ



	2011	2012	2013	**2014**
South African Black employees (African, Indian, Coloured)	70	73	74	**76**
Women employees	57	56	57	**58**

Liberty has increased the levels of representation of black staff across the group from 70% to 76% over the past four years, in line with its transformation strategy. There is continuous management focus to ensure that the group reflects the demographics of the markets in which it operates. The percentage of female staff has remained fairly constant at between 56% and 58%.

Management is focusing on the senior management and professionally qualified levels, as these levels require further investment. Progress with transformation at all other employee levels has been good over the years and in respect of South African demographics is now broadly aligned.

Regulators

Provide compliant and responsible financial services

Participation in industry working groups and forums

During 2014 the group engaged extensively with our main industry South African regulator, the FSB. Senior group executives represented Liberty at all of the quarterly update meetings. At these meetings we ensured that the group's financial position, strategy and concerns were communicated to the senior management of the regulator. We also participated in all of the FSB forums, with considerable time dedicated to SAM legislation.

We also run an extensive engagement programme with all the other South African regulators and frequently partner with Standard Bank when interacting with the South African Reserve Bank.

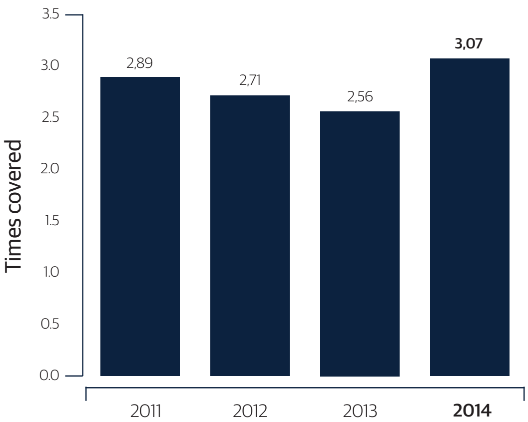
During the year we conducted a parallel run in anticipation of the introduction of SAM and prepared our "Own Risk and Solvency Assessment and Stress Test" within the deadlines set. We also met the requirements for input and comment on all policy and discussion papers.

In the balance of our African markets, we are focused on initiating and improving relationships with all the relevant regulators. We regard this as particularly important in our quest to grow our presence across the continent.

Our approach to interaction with the regulator is to be positively proactive.

We continued to participate actively with the Association for Savings & Investment SA (ASISA) where we have representation at board level and also participate on all board sub-committees and workstreams.

Capital adequacy cover – Liberty Group Limited Ⓐ



The capital adequacy cover of the group's main subsidiary, Liberty Group Limited (LGL), strengthened to 3,07 times the statutory requirement (2013: 2,56 times). This was partly due to capital growth from net earnings and the R500 million subordinated notes issue and partly due to actions taken to de-risk the balance sheet and refinements to the capital modelling. The drop in 2013 was due to the successful completion of the life license rationalisation which combined most of the long-term insurance licensed subsidiary entities into LGL. All the other group subsidiary regulated entities remain well capitalised.

Capital adequacy requirements in South Africa are set at the higher of the "termination" (TCAR) basis or "ordinary" (OCAR) basis. Both 2014 and 2013 reflect the higher amount as OCAR for LGL.

The group's risk appetite allows for a capital adequacy cover of no less than 1.5 times.

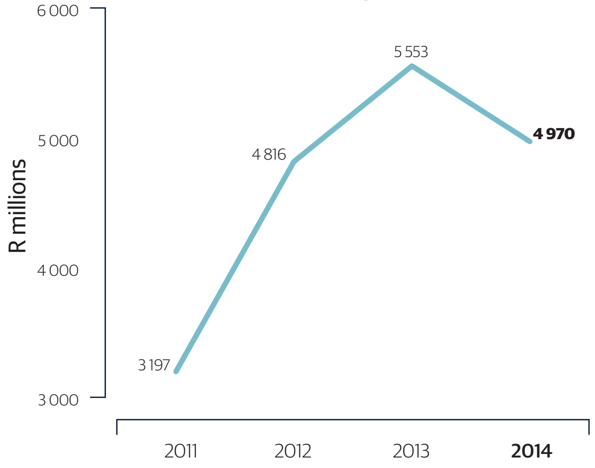
Liberty is far advanced with the preparation for the implementation of SAM, the proposed new long-term insurance solvency regime intended to come into effect on 1 January 2016, with a parallel process in 2015. Our 31 December 2014 capital calculations under the current draft guidelines indicate the group is well positioned from a capital perspective.

Cost of regulatory change

The implementation of regulations is managed at both a group and business unit level depending on the nature of the regulation and the skills required. During 2014 the group invested over R70 million in preparation for the introduction of SAM. A further R30 million was expended in preparation for the introduction of other proposed and planned regulations, including PoPI, Foreign Account Tax Compliance Act (FATCA) and Treating Customers Fairly. The total amount spent on regulatory management at a group level for 2013 exceeded R73 million.

In addition to these project costs, significant investment is made in training our employees on regulatory matters. During 2014, 3 140 employees attended fraud awareness courses and 847 employees were trained on FICA regulations and anti-money laundering.

Taxes collected and paid on behalf of the South African government Ⓐ



These figures comprise the total taxes collected by the group on behalf of the South African government (in respect of employees and policyholders) as well as direct taxes levied on the group. As such, these amounts include income tax, PAYE, capital gains tax (both company and policyholders), value-added tax and dividends tax.

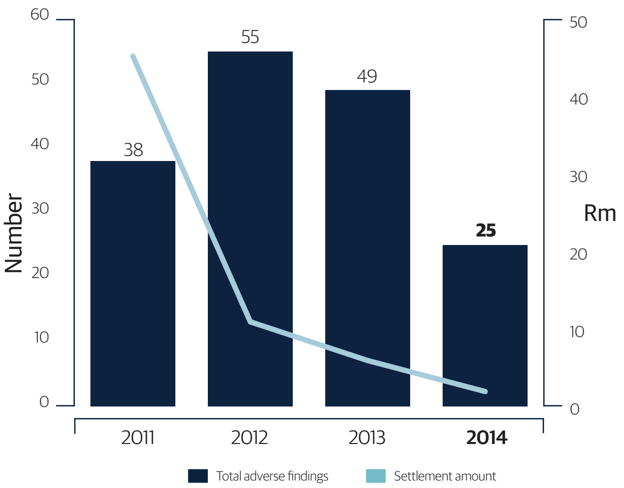
The year on year decline in 2014 is the result of lower income and capital gains taxes, due mainly to the lower investment returns achieved for both policyholders and shareholders.

Regulatory fines and penalties

The South African operations of the group have not incurred any fines for regulatory non-compliance during 2014. The group was fined approximately R91 000 by regulators in other jurisdictions in Africa. The group has been advised by the FSB of its intention to levy penalties in respect of certain of our Liberty Corporate administered retirement funds. Given our substantial progress in recent years in bringing the backlog of retirement fund regulatory returns, valuations and related governance, up to date, we are hopeful these penalties, which we anticipate will not be material, will be reduced in mitigation. Provisions for these possible penalties have been raised.

The complexity of the group's international operations, the associated tax environment and the increasing burden of tax administration being transferred to corporations by revenue authorities, has seen the group incur various small fines and penalties for non-compliance with income tax, employee tax and value added tax legislation in selected territories in which it operates. Wherever the group becomes aware of an error or omission in the determination of tax owing, it voluntarily approaches the appropriate authority in order to resolve the matter as quickly as possible. During the current year, fines and penalties associated with non-compliance with tax legislation approximated R300 000 (2013: R7 million).

Number of adverse findings by industry Ombudsmen and adjudicators



As a last resort, customers have the option to elevate a complaint to the appropriate industry Ombudsman or adjudicator. Liberty tracks its performance at the Pension Fund Adjudicator; the Long-term Insurance Ombudsman; and the Ombud for Financial Services Providers. A reduction in the total number of adverse findings and conciliations has resulted in a reduction in the total cost of settlements and concessions from R45,2 million in 2011 to just R1,9 million in 2014.

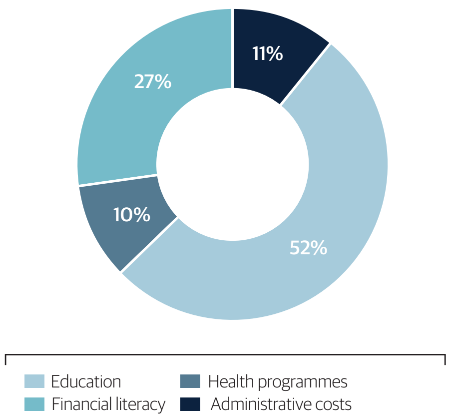
Communities

Build social and relationship capital

Corporate social investment (CSI) and outcomes

During the year, the Liberty group invested R44,7 million (2013: R44,9 million) in CSI Ⓛ

Allocation of 2014 CSI spend



Shaped around the wider socio-economic needs of the communities in which we operate, Liberty's CSI strategy has a special focus on education, which creates opportunities for future employment and contributes to the building of a thriving economy.

Liberty has a centralised approach to CSI, with a series of flagship initiatives run in partnership with various like-minded organisations and relevant government departments. The Liberty CSI strategy focuses on interventions in the key life stages of community members. Active employee involvement through volunteerism is an important component of Liberty's CSI strategy. In 2014, Liberty launched a formal volunteerism programme where we leveraged relationships with schools and non-profit organisations.

During 2014, Liberty and STANLIB trained 4 310 Ⓛ and 15 156 Ⓛ people respectively in financial literacy through face-to-face workshops held in targeted communities and work sites. The training helped attendees better understand the importance of financial management, saving, responsible borrowing and long-term protection. Trainers were sourced from the community and empowered to run their own enterprises.

Furthermore, during 2014, 15 156 students attended the *Mind Your Moolah* programme. The initiative uses a financial literacy movie designed to engage learners in the importance of making wise decisions with their money.

Going forward, the Liberty Community Trust will form an integral part of the group's citizenship agenda. Established in 2004 as a part of Liberty's BEE transaction, the trust was renamed the Liberty Community Trust in 2013. During 2014, the revised trust deed was lodged, mandating the trust to support community upliftment through education. Extensive research was conducted into effectual social initiatives and clear objectives set in line with the group's broader CSI strategies. The Liberty Community Trust will undertake initiatives in the tertiary education arena as well as specific financial inclusion projects.

We believe for knowledge to be meaningful, it has to have its sleeves rolled up

LIBERTY

Educational CSI spend

Life - stage	Foundation phase	High school				Tertiary education	
Programme objective	Improve literacy and numeracy across grades 1 – 3	Improve maths and science across grades 10 – 12	Classroom learning support for grades 10 – 12	Access to quality education	Addressing systemic issues facing learners	Addressing shortage of critical skills in the financial services sector	Improving the number of graduates participating in the economy
CSI partner	Future Thinking Foundation	Kutlwanong	Mindset	Student Sponsorship Programme	Columba	University of Cape Town (UCT)	Tertiary institutions across the country
Detail	Enhanced classroom learning in 20 schools across three provinces	Extra maths and science lessons at centres in Gauteng and KZN	Technology solution with curriculum support and revision content across six subjects	Learners from disadvantaged communities are given access to top high schools	Leadership programme addressing social issues facing learners including substance abuse, absenteeism and teenage pregnancy	Improving skills, with specific focus on equity candidates across commerce and actuarial disciplines	Bursaries awarded to students to complete tertiary studies
Progress	Improvements of 10% for numeracy and 7% for literacy across grades 1 – 3	For the class of 2014, 204 matriculants supported: 83 distinctions in maths 63 distinctions in Science Improvements of 29,4% for numeracy and 27,6% for sciences grades 10 – 12	35 video on demand units delivered to 35 schools in four provinces	10 bursaries were awarded to students in 2014	Campaigns reaching principals, teachers and learners in four schools across the country	Education Development Unit at UCT throughput rate improved to 75% 11 Mphil and 4 Phd students registered at the UCT AIFRM	799 students were awarded bursaries across various fields of study

Communities (continued)

Transformation, including B-BBEE rating

During 2014, we met our internal targets and maintained our level two rating against the Financial Sector Code (FSC). Our improved overall score of 89.07 (2013: 86.11) resulted from a focused strategy and clearly defined objectives for employment equity, skills development, preferential procurement, empowerment financing and access to finance. STANLIB also achieved level two status in 2014.

In October 2013, the Amended B-BBEE Codes of Good Practice were enacted. These codes focus on economic participation and skills development. The growth of black entrepreneurs is encouraged through an emphasis on Enterprise and Supplier Development elements. For the 2015 period, Liberty will report under the Amended Financial Sector Charter as aligned to the Amended B-BBEE Codes of Good Practice.

2014 Highlights

Liberty was ranked **10th** in the Mail & Guardian's **Top 100 Empowerment Companies**

Liberty's empowerment share scheme matured at 31 December 2014, transferring **R2,3 billion of value** to employees, strategic black business partners and communities

Thabo Dloti appointed as chief executive

Employment equity targets were met *for all staff levels*

82% of all employees trained are black

R3,5 billion (2013: R3,3 billion) spent with *accredited black suppliers*

Liberty retained its **Level 2** rating under the **Financial Sector Code**

Responsible environmental management, including carbon dioxide emissions

Although Liberty is not a significant consumer of natural resources, we are committed to minimising our direct impact and adapting our investment criteria to assess responsible natural resource utilisation when investing both shareholder and customers' capital.

We are a compliant and supportive signatory to both the "Code for Responsible Investing in South Africa" and the "United Nations Principles of Responsible Investment".

We manage those areas of our business with a direct impact on the environment, including electricity, water consumption, waste and employee travel. We also take into consideration the key role our property portfolio has on the environmental impact of tenants and other third parties.

The combined scope 1, 2 and 3 CO_2 emissions for our South African operations increased to 49,1 thousand tonnes (2013: 46,3 thousand tonnes). Efforts to increase our market presence in the rest of Africa resulted in an increase in the number of long-haul flights. In addition, emission factors for air-travel were also revised during the year.

Why invest in **Liberty**?

Our proud **history**

For over 50 years, Liberty has **created value for investors** by meeting customers' financial needs through **developing and delivering** appropriate **insurance and investment products and services**. During this period, Liberty has produced **attractive returns** for its shareholders.

Our **core** competencies

Distribution is a key strength and is being enhanced by our investment in digital and direct channels	Innovative product development makes us the market leader in retail insurance and investment products	LibFin provides world-class balance sheet management and facilitates differentiating features in product offerings
Our relationship with Standard Bank, especially our bancassurance partnership, provides an established footprint on the African continent	Creating customer value, providing financial freedom throughout their life stages	Asset Management expertise especially in managing fixed income and property asset classes

Our **strategy**

Grow individual business with established strengths	Invest in Group Arrangements by building capabilities using new solutions	Accelerate asset management growth strategy into alternative asset classes

- Focus on SA mass-affluent consumer segment
- Accelerate growth and market share in the SA corporate market
- Seamless transfer of core capabilities to wherever there are opportunities

- Significant presence in Nigeria and Kenya
- Preferred Asset Manager for asset flows in Africa
- Standard Bank preferred partner in all geographies

A sustainable and attractive return on investment, realised over time through dividends and share price growth

Our **targets**

Sustainable return on **group equity value** of *long bond rate plus* **5%**	Sustainable **dividend growth** of between **8 – 10%**	Return on **IFRS equity** of **19%**

The advantage of **knowing**

LIBERTY

Annexure: Summarised financial statements

for the year ended 31 December 2014

Summary statement of financial position

	2014 Rm	2013 Rm
Investments	**353 856**	332 567
Other assets	**7 891**	8 202
Cash and cash equivalents	**13 985**	9 870
Total assets	**375 732**	350 639
Long-term policyholder liabilities	**287 516**	263 944
Short-term insurance liabilities	**683**	846
Financial liabilities at amortised cost	**3 575**	3 167
Third party liabilities arising on consolidation of mutual funds	**34 501**	39 983
Derivative liabilities	**5 148**	4 860
Other liabilities	**20 675**	16 483
Total liabilities	**352 098**	329 283
Ordinary shareholders' interests	**19 487**	17 654
Non-controlling interests	**4 147**	3 702
Total equity	**23 634**	21 356
Total equity and liabilities	**375 732**	350 639

Summary statement of comprehensive income

	2014 Rm	2013 Rm
Total revenue	**79 705**	85 273
Net insurance benefits and claims	**(47 200)**	(45 245)
Fair value adjustment to policyholders' liabilities under investment contracts	**(7 473)**	(10 135)
Fair value adjustment on third-party mutual fund interests	**(3 585)**	(7 832)
Acquisition costs	**(4 579)**	(4 233)
Expenses	**(9 783)**	(9 406)
Profit share allocations	**(876)**	(984)
Profit before taxation	**6 209**	7 438
Taxation	**(1 926)**	(2 968)
Total earnings	**4 283**	4 470
Other comprehensive income	**(47)**	88
Total comprehensive income	**4 236**	4 558
Total earnings attributable to:		
Ordinary shareholders' interests	**3 917**	3 908
Non-controlling interests	**366**	562
	4 283	4 470
Total comprehensive income attributable to:		
Ordinary shareholders' interests	**3 864**	3 936
Non-controlling interests	**372**	622
	4 236	4 558
Earnings per share	**Cents**	Cents
Total earnings attributable to ordinary shareholders		
Basic	**1 523.5**	1 517.9
Headline	**1 523.5**	1 559.8
BEE normalised headline	**1 403.3**	1 439.6
Fully diluted earnings attributable to ordinary shareholders		
Basic	**1 392.4**	1 393.4
Headline	**1 392.4**	1 431.9

Summary statement of cash flows

	2014 Rm	2013 Rm
Operating activities	**5 832**	8 196
Investing activities	**(1 928)**	(10 014)
Financing activities	**179**	1 157
Net increase/(decrease) in cash and cash equivalents	**4 083**	(661)
Cash and cash equivalents at the beginning of the year	**9 870**	10 418
Cash and cash equivalents acquired through business acquisition	**5**	
Foreign currency translation	**27**	113
Cash and cash equivalents at the end of the year	**13 985**	9 870

Annexure: Summarised financial statements

for the year ended 31 December 2014 (continued)

Summary statement of changes in shareholders' funds

Rm	Capital, treasury reserve and CRRF	FCTR[1]	Cash flow hedging reserve	Owner-occupied properties	Empowerment reserve	Share based payment reserve	Retained surplus	Non-controlling interests	Total
Balance at 1 January 2013	5 754	21	(11)	176	(1 012)	150	10 332	3 101	18 511
Ordinary dividends (total 548 cents per share)						(14)	(1 552)		(1 566)
Special ordinary dividend (130 cents per share)						(3)	(368)		(371)
Total comprehensive income		124	(130)	20			3 922	622	4 558
Recycling of FCTR		(18)						2	(16)
Preference dividends							(2)		(2)
Unincorporated property partnerships								(6)	(6)
Non-controlling interests' share of subsidiary dividend								(17)	(17)
Share buy-back	(51)								(51)
Subscription for shares	36								36
Black economic empowerment transaction					107		64		171
Share-based payments						109			109
Transfer of vested share-based payments						(61)	61		
Transfer of owner-occupied properties				3			(3)		
Balance at 31 December 2013	**5 739**	**127**	**(141)**	**199**	**(905)**	**181**	**12 454**	**3 702**	**21 356**
Transactions between owners		**3**					**(233)**	**190**	**(40)**
Common control transactions							**(11)**		**(11)**
Ordinary dividends (total 601 cents per share)						**(23)**	**(1 696)**		**(1 719)**
Total comprehensive income		**29**	**(93)**	**3**			**3 925**	**372**	**4 236**
Preference dividends							**(2)**		**(2)**
Unincorporated property partnerships								**(79)**	**(79)**
Non-controlling interests' share of subsidiary dividend								**(38)**	**(38)**
Share buy-back	**(357)**								**(357)**
Subscription for shares	**2**								**2**
Black economic empowerment transaction					**98**		**55**		**153**
Share-based payments						**133**			**133**
Transfer of vested share-based payments						**(111)**	**111**		
Transfer of owner-occupied properties				**4**			**(4)**		
Balance at 31 December 2014	**5 384**	**159**	**(234)**	**206**	**(807)**	**180**	**14 599**	**4 147**	**23 634**

[1] *FCTR: Foreign Currency Translation Reserve*

Summary segment results

Rm	Long-term insurance Retail	Long-term insurance Corporate	Short-term insurance	Asset management	Health services	Other	Total	Reporting adjustments[1]	IFRS reported
2014									
Total revenue	**62 914**	**20 407**	**1 193**	**3 067**	**317**	**1 957**	**89 855**	**(10 150)**	**79 705**
Total expenses	**(58 970)**	**(20 002)**	**(1 086)**	**(2 123)**	**(390)**	**(1 370)**	**(83 941)**	**10 445**	**(73 496)**
Profit/(loss) before taxation	**3 944**	**405**	**107**	**944**	**(73)**	**587**	**5 914**	**295**	**6 209**
Taxation	**(1 713)**	**(102)**	**(28)**	**(230)**	**22**	**125**	**(1 926)**		**(1 926)**
Total earnings/(loss)	**2 231**	**303**	**79**	**714**	**(51)**	**712**	**3 988**	**295**	**4 283**
Other comprehensive (loss)/income	**(95)**	**(3)**	**9**	**10**		**32**	**(47)**		**(47)**
Total comprehensive income/(loss)	**2 136**	**300**	**88**	**724**	**(51)**	**744**	**3 941**	**295**	**4 236**
Attributable to: Non-controlling interests	**(39)**	**(23)**	**(39)**	**(8)**	**14**	**18**	**(77)**	**(295)**	**(372)**
Equity holders	**2 097**	**277**	**49**	**716**	**(37)**	**762**	**3 864**		**3 864**
2013									
Total revenue	66 124	17 319	1 076	3 064	288	1 817	89 688	(4 415)	85 273
Total expenses	(60 963)	(17 021)	(960)	(2 138)	(562)	(1 164)	(82 808)	4 973	(77 835)
Profit/(loss) before taxation	5 161	298	116	926	(274)	653	6 880	558	7 438
Taxation	(2 585)	(78)	(51)	(258)	46	(42)	(2 968)		(2 968)
Total earnings/(loss)	2 576	220	65	668	(228)	611	3 912	558	4 470
Other comprehensive income	(44)	2	57	28		45	88		88
Total comprehensive income/(loss)	2 532	222	122	696	(228)	656	4 000	558	4 558
Attributable to: Non-controlling interests	(46)	(17)	(52)	(9)	57	3	(64)	(558)	(622)
Equity holders	2 486	205	70	687	(171)	659	3 936		3 936

[1] *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of third-party mutual fund liabilities, the classification of long-term insurance into defined IFRS 'investment' and 'insurance' products, the application of shadow accounting for the change in long-term policyholder insurance liabilities and the elimination of intergroup transactions.*

Key performance measures – formulae

Capital adequacy cover

expressed as a multiple

= minimum qualifying total capital held at end of year / capital required to be held as prescribed by FSB

Embedded value

= net worth of an insurer

+ the value of in-force covered business

− the cost of required capital

Finance cost cover

expressed as a multiple

= total earnings for the period before finance costs / total finance costs incurred during the period

Group equity value

Reflects the combined value of the various components of Liberty's businesses

= embedded value of South African covered business

+ valuation of other businesses in the group

Indexed new business (long-term insurance)

= twelve months premiums (on new recurring premium policies)

+ $^{1}/_{10}$ of new single premium sales

Net customer cash flows

= premiums + customer investments

− claims paid, surrenders or withdrawals of investment balances

New business margin (long-term insurance)

= value of new business / present value of future modelled premiums at the point of sale (%)

Return on embedded/group equity value

= embedded value/group equity value profits / embedded value/group equity value at the beginning of the year (%)

Return on IFRS equity

= headline earnings attributable to ordinary shareholders / average IFRS ordinary shareholders' equity during the period (%)

Voluntary staff turnover

= number of permanent staff who voluntarily left the employ of Liberty during the period / average permanent staff employed by Liberty for the period (%)

Definitions

Cost of required capital

Measures the opportunity cost incurred by a company for holding the level of required financial capital.

In-force

An insurance policy is in-force from its start date until the date it is derecognised. In-force business refers to policies which are active, i.e. where the benefits are still payable or potentially payable to the policyholder at some future date.

Value of in-force covered business

Present value of the projected stream of after tax profits for all business in-force at the reporting date. A risk adjusted discount rate is used to calculate present value.

Financial soundness valuation (FSV)

The valuation methodology used to value insurance contracts and investment contracts with DPF as described in SAP 104 issued by the Actuarial Society of South Africa.

Required capital

The level of capital that is restricted from distribution to shareholders. For SA long-term insurers, this comprises the statutory CAR calculated in accordance with SAP 104 plus any additional capital considered appropriate by the board given the risks in the business.

Value of new business

Present value at point of sale, of the projected after tax profits for new business issued, net of the cost of required financial capital. A risk adjusted discount rate is used to calculate present value.

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For a full list of definitions, refer to Appendix K in the Annual financial statements and supporting information.

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Contact details

Investor Relations
Sharon Steyn
Tel: +27 (11) 408 3063
sharon.steyn@liberty.co.za
investorrelations@liberty.co.za

Executive Director – Finance and Risk
Casper Troskie
Tel: +27 (11) 408 2053
casper.troskie@liberty.co.za

Chief Financial Officer
Jeff Hubbard
Tel: +27 (11) 408 4203
jeff.hubbard@liberty.co.za

Statutory Actuary
David Jewell
Tel: +27 (11) 408 2225
david.jewell@liberty.co.za

Company Secretary
Jill Parratt
Tel: +27 (11) 408 4275
jill.parratt@liberty.co.za

Head Office and Registered Address
Liberty Centre, 1 Ameshoff Street
Braamfontein, Johannesburg 2001
Postal address: PO Box 10499,
Johannesburg 2000
Tel: +27 (11) 408 3911
Registration number: 1968/002095/06

Transfer Secretaries
Computershare Investor Services
Proprietary Limited
(Reg No 2004/003647/07)
70 Marshall Street,
Johannesburg 2001
Tel: +27 (11) 370 5000

Auditors
PricewaterhouseCoopers Inc.
2 Eglin Road, Sunninghill 2157
Postal address: Private Bag X36,
Sunninghill 2157
Tel: +27 (11) 797 4000

Website: www.libertyholdings.co.za
Customer Call Centre
Tel: 0860 456 789

Left to right
David Jewell, Jill Parratt, Casper Troskie, Sharon Steyn, Jeff Hubbard

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