LIFE INVESTMENTS HEALTH CORPORATE PROPERTIES ADVICE

LIBERTY

Liberty Holdings Limited

Integrated annual report 2013

For the year ended 31 December

Financial highlights

BEE normalised operating earnings
up **28**%

SIP return substantially ahead of benchmark
15%

BEE normalised headline earnings
up **11**%

BEE normalised return on equity
23%

return on BEE normalised group equity value
16%

value of long-term insurance new business
up **21**%

retail long-term insurance new business margin
2,4%

long-term insurance indexed new business
up **15**%

customer net cash inflows
R22 billion

full normal dividend
up **10**%

Liberty Group Limited CAR cover
2,56 times

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 **GUIDING PRINCIPLES**

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.

LIBERTY

Ten reasons to invest in Liberty

1. **Leading writer of risk business**
2. **Growth opportunities**
3. **Attractive returns to our shareholders**
4. **Capital strength supported by active capital management**
5. **Effective and proactive risk management**
6. **World class balance sheet management**
7. **Superior investment returns to our clients**
8. **Our partnership with Standard Bank**
9. **Innovative products**
10. **A trusted brand, supported by a wealth of industry experience**

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Chairman's letter to shareholders

On behalf of the board, I am proud to present the 2013 integrated annual report

Saki Macozoma, *board chairman*

Our report presents the performance and prospects of the group and continues to evolve in line with integrated reporting best practice. We trust you will find this year's shortened version easier to assimilate.

Building a sustainable business

The board is committed to ensuring Liberty is a sustainable business and a respected corporate citizen. We believe that robust corporate governance throughout our business helps deliver value to our stakeholders. We are committed to transparency and accountability, which is essential if our group is to thrive and succeed in the short, medium and long term. We report under and subscribe to numerous codes and frameworks, as we strive to ensure that our business activities and the reporting thereof conform to best practice.

After extensive engagement with stakeholders and management the board has reconfirmed our material sustainability issues as follows:

- Deliver sustainable financial results;
- Provide compliant and responsible financial services;
- Focus on our customers;
- Attract and retain quality employees; and
- Continue the transformation journey.

Our strategic plans are aligned to our material issues and the reviews of 2013 performance included in this report provide more detail of how we have progressed against these plans.

We fully support the National Development Plan issued by the National Planning Commission of South Africa. We are actively engaging with government to ensure Liberty plays an important role in the achievement of these objectives.

Reflections on 2013

Liberty has delivered an excellent financial performance in 2013. Return on equity of 23% and return on group equity of 16% are both well above our medium-term targets. Sales and customer retention have again been very pleasingly supported by innovative new products. The ordinary dividend was increased by 10% and our capital position remains strong.

During 2013, we had to adapt to and deal with an uncertain economic outlook and consumer environment, currency fluctuations, increasing South African interest rate environment and ongoing regulatory change. Many of these factors will continue to influence our performance in 2014.

We have made good progress with preparation for the introduction of the Solvency Assessment and Management (SAM), which aims to align the South African insurance industry with international standards. The preparation for SAM has added to our understanding of our risk environment and we are in a stronger position to take advantage of opportunities that are identified.

Executive management changes

Our chief executive, Bruce Hemphill, after seven and a half years at the helm, has accepted a broader executive position at the Standard Bank Group and Thabo Dloti, the current executive responsible for institutional and asset management business units, has been appointed as the new chief executive of Liberty Holdings. Steven Braudo, currently the chief executive of Liberty Retail SA, has been appointed as deputy chief executive of Liberty Holdings. Both Thabo and Steven were appointed to the board in November 2013. Seelan Gobalsamy will succeed Thabo as chief executive of STANLIB. All appointments are effective 1 March 2014. Bruce will remain on the Liberty Holdings board of directors as a non-executive director.

Bruce leaves Liberty in a very strong position with the 2013 financial results being the best that the business has produced in the past ten years. Bruce successfully steered the organisation through the global financial crisis and led the organisation on a path of extensive transformation and growth while delivering significant value to shareholders. Today, Liberty is a strong, well-managed and diversified business that is once again a market leader.

Thabo and Steven have been integral to both the group's turnaround and the development of its strategy. I am confident that Thabo and Steven, with the existing experienced, dynamic and diverse management team, will take the organisation to the next level of growth.

I thank Bruce for his leadership in successfully transforming Liberty into an organisation that has delivered considerable value to shareholders.

Appreciation

After 16 years of dedicated service, Jacko Maree resigned from the board. My sincerest thanks go to Jacko for his unwavering commitment to Liberty and wise counsel during this chapter of Liberty's history. Peter Wharton-Hood also resigned in 2013 and I thank him for his contribution over the past four years.

We were pleased to welcome Sim Tshabalala and Santie Botha to the board and look forward to their contribution in the years ahead.

I would like to express my gratitude and appreciation to our management team, employees and financial advisers for their outstanding efforts during 2013 and their commitment to the ongoing success of the group.

I would like to thank our customers who have chosen to own their lives with the help of the expertise of the Liberty group.

Finally, thank you to our loyal shareholders for your continued confidence in us as we pursue our vision and build long-term value for you and all our stakeholders.

SJ Macozoma
Chairman 10 March 2014

Directors' approval of the 2013 integrated annual report

The board of directors is responsible for the preparation of the integrated annual report. The board confirms that it has applied its collective mind to the content of the report and believes the report reflects a balanced and fair view of the performance and prospects of the group and addresses all material issues.

SJ Macozoma
Chairman

JB Hemphill
Director

Johannesburg
10 March 2014

Liberty at a glance

WHO WE ARE

LIBERTY

"Pioneering guide for financial freedom"

Liberty 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 facilitation of retirement income. Liberty's advisers expertly equip customers with knowledge to make responsible financial decisions throughout their life stages.

OUR CUSTOMERS AND DISTRIBUTION CAPABILITIES

RETAIL

Mainly middle income and affluent individuals

INSTITUTIONAL

All income groups represented collectively through formal governance structures

Over 3 000 tied financial advisers and extensive supporting financial adviser network

Call centre and digital capability

R611 billion assets under management

More than 5,2 million Liberty policies of insurance in-force

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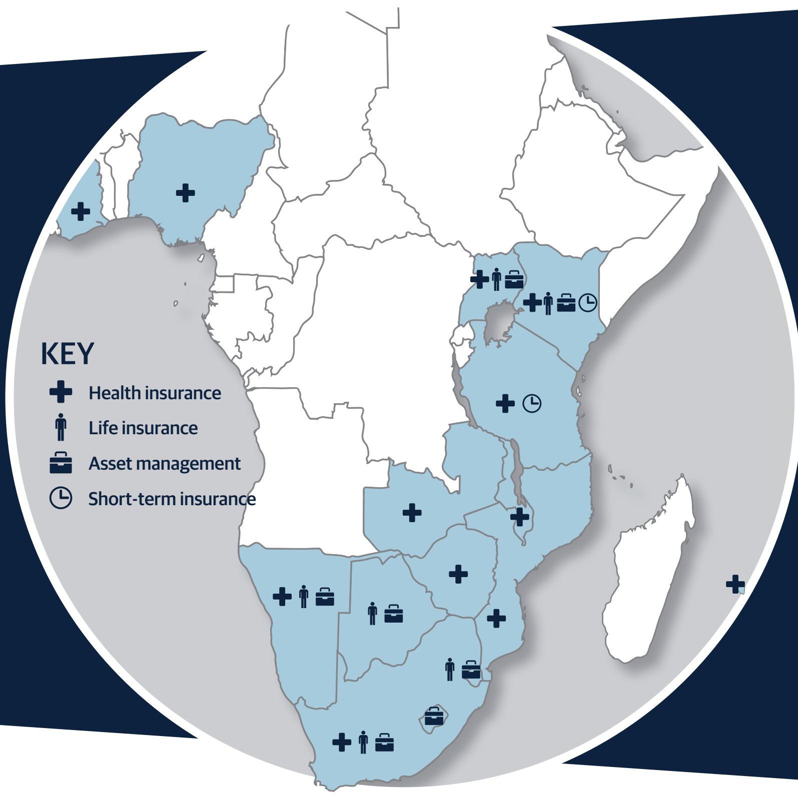
WHERE WE ARE REPRESENTED



OUR AMBITIONS

- Gain significant market share in the institutional segment
- Maintain our strong position in our chosen retail customer segments
- To be the leading innovator of insurance and investment products
- Constantly provide returns to shareholders in excess of long bond rate plus 5%
- Expand further into sub-Saharan Africa – West Africa a particular focus

KEY STRATEGIC DIFFERENTIATORS

World class balance sheet management

Respected asset management expertise

Retail distribution

KEY STRATEGIC ENABLERS

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Overview of 2013 key indicators

2013 has been one of Liberty's most impressive performance years

Deliver sustainable financial results (*BEE normalised*)

2013 result	2012 comparative	Indicator
16,1%	20,8%	Return on group equity value (1)
R4,1bn	R3,7bn	Headline earnings (1)
23,3%	24,0%	Return on average group equity value (1)
581 cents	528 cents	Normal dividends per ordinary share (1)

Provide compliant and responsible financial services

2013 result	2012 comparative	Indicator
R5,6bn	R4,8bn	Taxes collected on behalf of the South African government (1)
2,56 times covered	2,71	Capital adequacy cover of Liberty Group Limited (1)

Key

2013 result
2012 comparative

Assurance provided

(1) *Full assurance (PricewaterhouseCoopers Inc.)*
(2) *Limited assurance (PricewaterhouseCoopers Inc.)*
(3) *Verified (Empowerdex)*

Focus on our customers

R611bn (R528bn)
Assets under management [(1)]

R6,7bn (R6,3bn)
Death and disability claims [(1)]

R6,9bn (R6,1bn)
Insurance indexed new business [(2)]

R15,7bn (R14,3bn)
Asset management net cash inflows [(1)]

Attract and retain quality employees

6 587 (6 281)
Salaried employees [(2)]

11,6% (10,3%)
South African voluntary staff turnover [(2)]

3 511 (3 168)
Commission-remunerated agents [(2)]

Continue the transformation journey

86.11 (89.32)
dti score [(3)]
Level 2 B-BBEE status

R45m (R37m)
South African corporate social investment spend [(2)]

Chief executive's review

In my view, 2013 was the most successful year at least for the past ten years of Liberty's history.

Bruce Hemphill, *outgoing chief executive*

The 2013 performance was comfortably ahead of our medium-term targets, reflecting the innovation and strategic delivery in our core insurance and asset management businesses, supporting our view that we can continue to produce sustainable growth.

A number of key indicators demonstrate substantially improved performance and are at their highest levels ever, including:

- BEE normalised headline earnings of R4 076 million, up 11%;
- Operating earnings of R2 198 million, up 28%;
- Long-term insurance indexed new business of R6 947 million improved by 15%;
- STANLIB South Africa asset management cash inflows of R21,7 billion, up 7%;
- Value of long-term insurance new business of R839 million up 21%; and
- Long-term insurance net cash inflows of R6 316 million were up 38% on 2012.

In addition, the performance of the Shareholder Investment Portfolio was considerably higher than benchmark.

It is pleasing to note that the performance of the group in 2013 is the result of the various strategies formulated and implemented some six years ago starting to bear fruit and achieving the desired outcome.

Diversification and the Liberty model

Between 2006 and 2008, the height of a prolonged bull market, Liberty was committed to a growth strategy based on leveraging our relationship with Standard Bank, and diversifying away from an over reliance on our South African retail insurance business.

In executing this strategy, we invested in asset management through the acquisition of 100% of STANLIB and persuaded Standard Bank to acquire a majority share in Liberty and collapse the holding company structure. We strengthened distribution focus by integrating all channels into one distribution and marketing unit and invested in a direct insurance capability to capture a new generation of consumers with different buying preferences. We invested in Africa, where we took the view that an opportunity existed to leverage the relationship with Standard Bank outside of South Africa. This would enable Liberty to diversify the business geographically at less risk than its competitors. In addition we acquired a health business, to supplement these opportunities.

We have invested in a unique combination of investment banking, insurance and asset management skills in our insurance business and this has laid the foundation for the Liberty insurance model - the ability to monetise an in-depth understanding of attractive liability structures, combined with deep capital markets expertise by translating customers' needs into innovative products and investment opportunities.

World class balance sheet management

At the heart of the Liberty insurance model is the ability to manage the complexity in the balance sheet. We have built a capability in this field (LibFin) which is world class by any standards and is a key strategic differentiator. Liberty now has strong market risk management and alternative revenue generation capabilities.

In 2013 the credit business continued building a highly transformed origination team. The asset/liability management activities yielded a close to break-even result in line with the mandated objective. Market and credit risk exposures remained within risk appetite throughout the year.

Retail distribution

Retail SA has built sophisticated distribution management capabilities, product development and insurance risk management capabilities. It has the ability to manage a diverse range of advisory distribution channels and to direct sales of products vital to support the customers' long-term funding needs alongside their risk needs, which will enable future growth.

Liberty's market leading financial adviser proposition focuses on the personal and professional development, business growth opportunities and technology and service support to advisers, with the objective of ensuring that customers are provided with the best quality advice.

Innovative product design

Product innovation has been key to our success and has positioned us once again as the top provider to the mid to affluent market. These are mature capabilities that are delivering value added products enabling us to manage to better than assumptions, increase market share and strengthen our brand, all of which positions us well for growth in our traditional market. The new Evolve investment product range is a good example of our recent success, securing R3,6 billion of new investment in 2013.

All insurance and asset management business units launched innovative new or enhanced product offerings during 2013. Liberty Corporate was awarded the Best Employee Benefits Product Supplier award by the Financial Intermediary Association in recognition of efforts in this regard.

The Own Your Life Rewards loyalty programme, launched late in 2012, established itself in the market during 2013. Liberty also launched its first ever risk product solution for HIV-positive lives.

Respected asset management expertise

We have built a stable platform that is capable of delivering asset management capabilities to the group and of which we can continue to build a genuinely differentiated third party asset management business in South Africa and sub-Saharan Africa.

STANLIB continued to deliver competitive investment returns during 2013 as evidenced by the four Raging Bull awards it recently received and record South African 2013 net cash inflows.

During 2013, STANLIB assumed management responsibility for all Liberty owned asset management businesses across the African continent, defined its optimal shared services offering, launched new funds and seeded its new capabilities, streamlined distribution arrangements with the group's tied channels and finalised plans to enable growth in the third party market.

Standard Bank relationship

We have built a market leading bancassurance business with Standard Bank. This has enabled us to expand our market share and revenue base in South Africa and has facilitated entry into new markets in other African countries.

Liberty continues to significantly benefit from this relationship as summarised in the performance review section.

Chief executive's review
(continued)

We are now able to optimise our relationship with Standard Bank given changes in regulations, specifically Basel III, SAM and Twin Peaks, and capture additional growth through leveraging the bank's overall distribution and customer footprint for the benefit of both organisations, across sub-Saharan Africa.

Geographic diversification

We have built a meaningful presence in sub-Saharan Africa off which to build a more substantial insurance business driven primarily through a separate affinity distribution model. The positive sub-Saharan Africa growth outlook is gaining in credibility and consequently we have reserved capital resources to take advantage of investment opportunities as they arise.

Transformation

We have met all our internal targets and maintained our Level 2 rating against the Department of Trade and Industry Codes of Good Practice. We have also met our commitments in terms of our Department of Labour employment equity plan to 31 December 2013. Now that we have cemented the numeric requirements, we will focus on embedding transformation in the group's culture to ensure the sustainability of our BEE delivery.

Stakeholder engagement

Dedicated focus was given throughout the year to the implementation of the group's stakeholder management framework. A number of strategic stakeholder engagement activities were directed at multi-stakeholder policy dialogue, aimed at securing a policy framework that is supportive of responsible competitiveness. Liberty hosted the South African National Planning Commission to review the National Development Plan and we have pledged our support to this initiative.

Executive management changes

Following my acceptance of a broader executive position at Standard Bank Group, I will be stepping down as chief executive of Liberty Holdings and Thabo Dloti, the current executive responsible for our institutional and asset management business, has been appointed as the new chief executive of Liberty Holdings. Steven Braudo, currently chief executive of Liberty Retail SA, has been appointed as deputy chief executive of Liberty Holdings.

The combination of these two leaders provides an exceptionally strong leadership dynamic to deliver Liberty's vision of being the trusted leader in insurance and investment across Africa and other chosen markets in the future.

Seelan Gobalsamy, currently chief executive of Liberty Corporate will succeed Thabo as chief executive of STANLIB.

Thabo will also succeed Saki Macozoma as chairman of STANLIB.

These appointments are effective 1 March 2014 and follow the implementation of a carefully considered succession plan which will enable the group to successfully transition to the next phase of its growth and expansion.

Prospects

Our continued improvement in performance in 2013 further supports our belief that the group can continue to produce sustainable growth. Our core insurance and asset management businesses are performing better than assumptions and we anticipate that they will continue to attract higher levels of new business within our targeted margin ranges.

We are confident that our balance sheet management capability will continue to manage our investment market risk exposures within risk appetite and competently deal with any protracted period of volatility in investment markets and the higher interest rate environment in South Africa.

Appreciation

The successes of 2013 are thanks to the contribution of all our people. My sincerest thanks go to the board, the management team, our staff and financial advisers for their hard work and dedication to Liberty.

I would like to convey a special word of thanks to the members of the group executive committee for their individual and collective contribution to the business which has led the successes of 2013. My congratulations go to Thabo Dloti and Steven Braudo, whose significant contributions to the group were recognised with their appointment to the board in November 2013 and subsequently their appointments as chief executive and deputy chief executive respectively of Liberty Holdings.

I am fully supportive of the 2020 strategy formulated by the group executive committee under Thabo's direction and leave the group executive confident that Liberty is in good hands.

Bruce Hemphill
Outgoing chief executive

Leadership changes

With effect from 1 March 2014, Thabo Dloti and Steven Braudo were appointed as the chief executive and the deputy chief executive respectively.

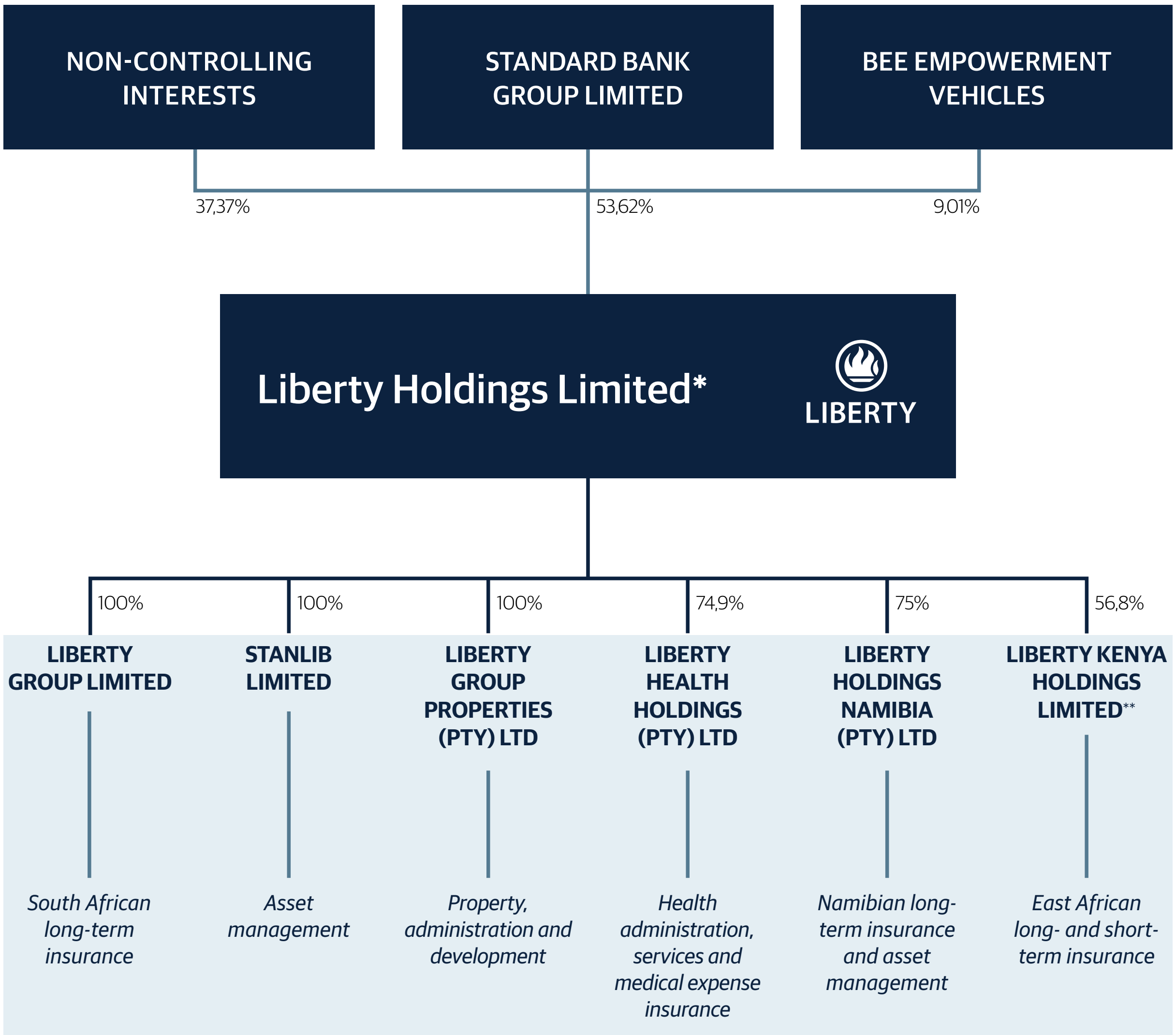
Thabo Dloti (44), has over 20 years of experience in retail insurance, employee benefits and asset management businesses, providing him with both expertise and a proven track record. He joined Liberty in March 2010 to lead Liberty's institutional businesses comprising STANLIB, Liberty Corporate and Liberty Properties. He has been instrumental in fixing, rejuvenating and growing the institutional businesses to produce strong performances and create team stability, resulting in a number of industry accolades. Thabo has also been appointed chairman of the STANLIB board of directors.

Steven Braudo (42), has over 20 years of experience in the insurance and investment industry. He joined Liberty in June 2009 to head up the Retail SA insurance business. Steven steered the retail business turnaround strategy that has resulted in a success story with record business performance to date, a leading financial adviser value proposition and products and services innovation that has grown Liberty's consumer market share. Steven has been appointed to the STANLIB board of directors.

Liberty recognition

2012 integrated annual report	Top 10 – EY's Excellence in Integrated Reporting Awards 2013
Top empower-ment company	Ranked 8th overall in the Mail and Guardian Most Empowered Companies survey –published January 2013
Liberty Corporate	2013 Best Employee Benefits Product Supplier – Financial Intermediary Association
CfC Life	Top Marketing Initiatives of the Year award – Kenyan Annual Insurance Awards 2013
STANLIB	Four Raging Bull awards, January 2014

Our entity structure
at 31 December 2013
(only significant holding or operating subsidiaries are depicted)



Liberty brands

LIBERTY STANLIB FRANK.NET Heritage Insurance Company A member of LIBERTY CfC Life A member of LIBERTY

* *Listed on the JSE on 11 December 1968.*
** *Listed on the Nairobi Stock Exchange on 21 April 2011.*

Our organisational structure
at 31 December 2013

For a comprehensive review of Liberty's business units and their 2013 performance, refer to
www.libertyholdings.co.za

LIBERTY HOLDING BOARD OF DIRECTORS

Chairman:
Saki Macozoma

Lead independent director:
Angus Band

LIBERTY HOLDINGS EXECUTIVE COMMITTEE

Chief executive:
Bruce Hemphill

Executive director – finance and risk:
Casper Troskie

BUSINESS UNITS

Executive: Steven Braudo

RETAIL SA

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

Responsible for the management of the South African distribution force.

Executive: Thabo Dloti

INSTITUTIONAL AND ASSET MANAGEMENT

Provides investment solutions to institutional customers in sub-Saharan Africa as well as insurance products in South Africa.

Incorporates the following business units:

STANLIB
LIBERTY CORPORATE
LIBERTY PROPERTIES

Executive: Mukesh Mittal

LIBERTY HEALTH

Oversees the group's health administration services and medical expense risk insurance provided in various African jurisdictions.

LIBERTY AFRICA INSURANCE

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

BANCASSURANCE *(Executive: Mukesh Mittal)*

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 *(Executive: Giles Heeger)*

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

Creating value through strategy

With a heritage steeped in pioneering and innovating, Liberty was the first life company in South Africa to recognise the income potential from property assets and the benefit to its' policyholders. We found a way to grow people's money in a way no one thought possible. It was this insight and application of knowledge that transformed a farming community. What was farmland, horse trails and grassy estates became the richest square mile in Africa. This is what Sandton City looked like in 1973..

A question
leads to an insight
leads to innovation

How we create and measure shareholder value

Liberty is a wealth management company deriving value from providing insurance and investment products and services supported by extensive asset management capability.

For Liberty to successfully and sustainably create value for shareholders and customers a business model that balances the requirement of both stakeholder groups is essential.

Liberty creates value through the following insurance products and financial services:

- Providing risk cover through insurance contracts to individuals and institutions that provides financial assistance to the customer in the event of a risk event;
- Managing customer wealth through investment advice, active and passive asset management services;
- Providing retirement financial assistance to pensioners with the provision of monthly payments (annuities); and
- Providing administration services to retirement and health risk insurers.

How we create and measure shareholder value
(continued)

The components of value have several influences 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 application of risk appetite limits. The sources of value that management focus on and related benefits to shareholders and customers are summarised in the sections that follow.

How do we measure group equity value?

Liberty is broadly categorised into four business segments that generate shareholder value, namely long-term insurance, short-term insurance, asset management and investment of available capital. The embedded value methodology has been chosen to measure value creation in the long-term insurance business, with sustainable earnings multiples utilised for short-term insurance and asset management (incorporating credit margin on backing long-term insurance assets). Available capital held is measured at market value of the underlying assets. The combined calculated value is the reported group equity value.

Management targets as measured by these metrics are integrated into management performance contracts thereby influencing remuneration. The board constantly monitors value generation by actively reviewing these metrics.

The nature of the long-term business results in a significant portion of the various contracts that are sold to customers requiring long durations that span between one to potentially up to one hundred years in certain cases. 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 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 or 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, which generally have durations well in excess of one year.

Embedded value methodology

Embedded value is a widely utilised financial reporting framework in the long-term insurance industry. There are several methodologies available to calculate embedded values, with Liberty's choice being the guidance (referred to as APN 107) provided by the Actuarial Society of South Africa. Liberty utilises embedded value as a representation of the value of the existing long-term in-force insurance contracts. It should be noted the group's ability to generate value by writing future long-term insurance new business is however, not reflected in this calculated value.

Key metrics

Utilising the components of group equity value, value earnings are derived through the analysis of year on year movements that are split between capital flows and profit. The analysis and attribution of sources of profit is an important indicator of performance as it allows for the identification of the reliability of previous assumptions as well as specific reasons for value creation or destruction. 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. Return on equity value is calculated as the ratio (expressed as a percentage) of equity profit compared to opening group equity value. This is a profit efficiency measure indicating a return on investment. The group has for the medium term targeted a long-term sustainable return of 5% above the ten year government bond yield per annum for this metric.

Other metrics

Several other metrics are combined with the aforementioned adopted value metrics to assess the overall group performance and influencers of group equity value. These include IFRS earnings, earnings per share, return on IFRS equity, value of new business and new business margin.

Group entity 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.

Shareholder value drivers

The diagram below depicts the drivers of shareholder value by each significant business segment. The key metrics used to measure each value component are listed and are used throughout this report to describe performance.

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	Lapse and withdrawal Mortality and morbidity Contract extensions and alterations	• Maintenance cost per policy • Net customer cash flow • Value of in-force covered business • Analysis of sources of changes to value of in-force covered business • Cost of required capital
Long-term insurance	New business	Sales volume Margin	Distribution capacity Productivity New products and markets Cost of acquisition and servicing Product mix Average premiums Policyholder behaviour Risk discount rate	• Indexed new business • Value of new business • New business margin
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	Net customer cash flows Investment performance Acquisition Management and administration	• Assets under management • Net customer cash flows • Service fee margin • Cost to income ratio
Capital	Return on capital	Assets held Asset mix Investment performance per asset category	Capital created less distributed	• Investment return • Dividend cover • Capital adequacy ratio

The definitions of the key metrics are contained on page 149 of this report.

The value balance between customers and shareholders

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 capital resources to: • Maintain minimum regulatory requirements • Invest within board approved risk appetite • Support the company dividend policy • Support growth strategies	**Capital**

Shareholder benefits		*Liberty adopted value measurement*
Collecting the expected margins priced in determining contracted premiums	Long-term insurance	In-force contracts measured under embedded value methodology
	Long-term insurance	New business (contracts entered during the reporting period) valued using embedded value methodology at point of sale
Agreed charges typically linked relative 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

→ ***Group equity value***

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Investing in information technology

The board recognises that information technology (IT) plays a vital role in the future enablement of Liberty and that appropriate process and technology capabilities are required across the group's insurance and asset management businesses.

IT is integral to the resilience of the business, helping it adapt to the ever-changing environment in which it operates. Mobile, cloud, social media, big data and omni-channel are just a few examples of the evolving mediums used to develop fast, cost-effective solutions to challenges. In today's technology-driven world, good IT and process capability is a business necessity.

IT as a strategic enabler

Liberty understands that IT is both a central enabler in achieving strategy, as well as a risk, if not managed proactively. IT is more than technology. It is one of the ways in which the group enables staff and customers, manages information and risks, protects digital assets, collaborates with business and integrates service across the organisation.

IT plays a key role in how Liberty:

- Delivers its customer and adviser experience;
- Digitally enables its brand;
- Creates and manages new commercial transactions; and
- Enables compliance with increasing legal and regulatory requirements.

For these reasons and as Liberty begins to collaborate at unprecedented levels internally and with customers and intermediaries, the importance of a well structured and controlled IT environment is highlighted. Accordingly, Liberty continues to invest substantially in IT.

IT governance

The board holds ultimate accountability for IT governance in line with King III recommendations. All significant IT expenditure and investment is carefully monitored and managed.

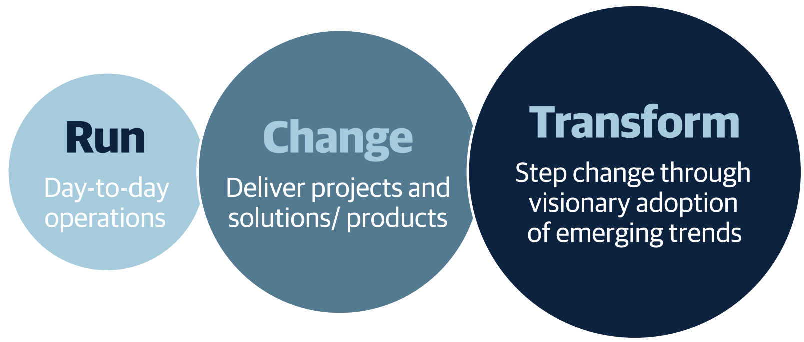
IT is managed by the Liberty group process and technology unit, which oversees group and business unit technology services and solutions. The unit was established to ensure improved delivery and coordination of Liberty's IT strategy and operations. The group process and technology unit governance function conducts assessments against industry accepted principles to evaluate business unit practices in governing and managing IT. Their findings are presented to the Liberty group executive committee.

During 2013, a consolidated view of IT risks across the group was established through extensive engagement within the business. Based on this engagement, items were identified, ranging from strategic alignment to detailed technology infrastructure matters. IT governance was identified as the group's primary risk mitigation initiative.

For effective control and governance of the group's IT environment, a robust framework is required, that not only enhances the quality of the controls and governance but can be tailored to meet the needs of the group. Following extensive investigation and discussion, the group has adopted CoBIT 5 as the overarching IT and process governance framework.

CoBIT 5 is a framework primarily developed to address the governance of enterprise IT and process. It is a globally accepted framework of governance, process, standards and committees through which enterprise level synergies can be established, risks minimised and IT efficiency enhanced. CoBIT 5 aims to link business to IT goals, provide metrics and maturity models to measure their achievement, and identify the associated responsibilities of business and IT process owners.

The implementation of the CoBIT 5 framework will take place over the next three years. Focus during 2013 was on developing the group's implementation plans. In the period leading up to a fully implemented IT governance framework, Liberty will ensure that appropriate controls aligned to CoBIT 5 are maintained and enhanced where necessary to mitigate key identified risks. The implementation of the governance framework will significantly improve the sustainability of such risk mitigating controls.



Progress during 2013

Liberty recognises that if IT investments are not aligned to business priorities, there is a risk that IT will not be able to fulfil its commitments to enable the business to meet its strategic objectives. Accordingly the group restructured its IT departments during the year to align to strategic priorities.

In 2013, the group process and technology business unit was formed to support and enable the group's strategy by:

- Enabling group-wide strategies through technology solutions capabilities;
- Enabling cost effectiveness through technology services and infrastructure;
- Delivering process effectiveness through shared operations and operational services;
- Facilitating a common customer view and customer service model; and
- Ensuring appropriate IT process governance across the group.

Skills development was a key focus area in 2013. The skills of the group's IT workforce were assessed and the results of this assessment led to the introduction of additional accredited training programmes for IT staff and targeted recruitment of specialist skills. Training focused on leadership development, change management, and a programme to drive appropriate accreditation on service management, IT governance and specialist IT skills, with further training scheduled for 2014.

Clearly defined roles and changes to operating structures were introduced to improve the group process and technology business unit's effectiveness.

The technology infrastructure replacement programme was initiated late in 2012 and continued during 2013. The objective of the programme is to replace portions of the group IT infrastructure and, in so doing, optimise the infrastructure by delivering the following:

- Simplified infrastructure architecture with reduced complexity;
- Consolidated and rationalised infrastructure; and
- Renewal and replacement of aged infrastructure.

Numerous projects were completed in 2013, with project follow-on work continuing through 2014.

Building on the work of the infrastructure renewal process, the business continuity plans and disaster recovery objectives were successfully supported. These were tested in September 2013. During this test, it was recorded that the group was successful in reducing the recovery time to 48 hours. This is a significant achievement and positions the group well to achieve its future objectives.

Looking ahead

Technology will play an increasingly significant role in realising the group's strategy. The main challenge in this journey is to balance the day-to-day activities, change projects and the group's IT transformation to ensure maximum return on investment whilst making material progress in repositioning the role of technology.

Liberty will continue to position IT as a key enabler in achieving the group's vision by focusing on the following themes:

- Enhancing IT governance;
- Strategically repositioning IT to support the achievement of our key strategies and focus areas;
- Advancing information management and security;
- Reducing instability and enhancing the performance of IT services;
- Adding appropriate workforce skills with industry accreditation; and
- Developing and managing an appropriate cost profile for IT.

Unpacking our strategy

Each year in September, Liberty's directors and management conduct a strategic review as part of the formal strategic process. This strategic review is informed by quarterly business unit review sessions, performance updates at each board meeting, and an annual update by each business unit and group function of its three year plan and the investigation of short- and long-term external factors driving or inhibiting business success. In addition a comprehensive customer demographic view of chosen markets and customer segments, including overall analysis, is provided.

In preparation for the 2013 strategic review, considerable time and effort was directed to focusing on the core capabilities that Liberty has created, how the world might develop over the next decade, what opportunities exist and could become available to the group and what management and the board consider Liberty could look like in 2020. This has resulted in the formulation of key strategies that the board has adopted to steer Liberty towards 2020.

Gain significant market share in the institutional segment

The South African insurance and retirement savings markets are facing major regulatory and policy change over the next decade. Liberty supports the social need for reform and is committed to playing a part in creating a healthier, more secure and more inclusive society, but at the same time the group recognises that this process of reform is likely to have profound implications for strategic choices in terms of product, distribution, segment and target markets.

Retirement reform is expected to drive a fundamental change in the market for retirement savings. Compulsory annuitisation and preservation of savings into default products will increase the stock of retirement savings in the market and, together with measures to incentivise non-retirement savings, will result in a change in product priorities.

Continued pressure to reduce retirement fund costs will also drive the development of different fund offerings and operating models. By and large, these developments are positive for savers, for the industry and for Liberty, which stands to benefit from greater and potentially longer duration management of retirement savings.

Measures to promote non-retirement savings are also clearly articulated. Fund governance criteria will be enhanced and a number of existing requirements for pension funds and trustees will be elevated in legislation.

In aggregate, these changes are expected to have a positive impact on the group. Liberty stands to benefit from greater preservation of savings and greater flows of discretionary and contractual savings. The group also recognises the opportunity to develop new products that meet regulatory requirements. Doing so may result in a degree of substitution of demand across business units and across products. However, to the extent that the demand for all products can be accommodated within the group, the overall impact of this substitution is likely to remain positive.

The mass and middle income market is a key growth opportunity in South Africa in terms of its volume and growth rate. To increase its share of this market, with its very different buying attitudes, aspirations and brand recognition, Liberty will focus on extending its group and corporate arrangements.

Liberty Corporate has developed new products which are acknowledged as market leading. Corporate is the institutional insurance liability generator and will contribute significantly to Liberty's future success, given the opportunities arising from retirement reform and the consolidation of umbrella funds.

The possibility of acquiring additional capacity to service the institutional market across sub-Saharan Africa is being explored. STANLIB is focusing on improving fund performance and increasing investment choices in order to be well positioned to attract institutional mandates.

Maintain our strong position in our chosen retail customer segments

Extensive retail distribution capability

Changing customer preferences, the increasing adoption of technology, regulatory changes and sustainability trends are changing the way customers wish to interact with life insurers and how investors view the growth and sustainability of the business. These trends will force insurers to make critical strategic choices as they prepare to be relevant for the markets of tomorrow.

The upper middle and affluent market, Liberty's historic traditional market, is expected to display continued growth. Liberty has strengths in both the black and white customer segments of this market.

Retail SA addresses the South African market segments effectively through financial advisers combined with direct sales. This is supported by a highly sophisticated distribution management system and well judged value propositions that are attractive to intermediaries. Liberty's ability to manage a diverse range of advisory distribution channels and direct sales of products vital to support desired long-term funding alongside risk cover will enable future growth.

A multi channel distribution capability is under design, blending the strong intermediated distribution capability with the rapidly evolving direct opportunities and recently built systems capability.

Be the leading innovator of insurance and investment products

Innovative product design

Strong distribution channels and product innovation have enabled Liberty to capture market share in both the risk and investment markets.

Liberty now has internationally competitive competencies with regard to expertise in packaging insurance and market risks to fit the balance sheet and developing innovative, marketable solutions. These capabilities serve as a strong retail liability generator, providing the customer with value added products, while ensuring there is the ability to manage within assumption. This should result in growth in market share and a strengthening brand reputation.

Product innovation remains a strategic focus for Retail SA with both insurance and investment products being developed in terms of a rolling three year product roadmap with reference to the Treating Customers Fairly framework.

Respected asset management expertise

STANLIB implemented an operating model which embraces the strength of the diversity of its asset management across different asset classes and investment styles and the power of focused teams, highly specialised in distinct areas. This model has enabled the business to add new capabilities to diversify revenue streams and take advantage of expected growth in the alternative investment areas.

All the Liberty owned asset management businesses in other African countries are now managed and aligned to STANLIB. This has enabled the group to seamlessly transfer knowledge and capability across geographies and use the STANLIB capabilities in South Africa to create competitive advantage.

Constantly provide returns to shareholders in excess of the long bond rate plus 5%

World class balance sheet management

Liberty's asset/liability management capability, housed in LibFin, includes capital markets asset origination, risk management, treasury, structuring and derivative execution skill sets. The resulting reduction in market risk has released capital to be deployed elsewhere and reduced earnings volatility substantially.

In addition, Liberty has substantially streamlined and enhanced its modelling capabilities and associated systems and processes. This has resulted in the ability to quantify risks at a granular level across the four dimensions of risk appetite (regulatory capital, earnings at risk, economic capital, and embedded value earnings at risk).

These capabilities provide a significant advantage in a changing business environment where banks become more constrained from a liquidity and capital perspective due to Basel III and Liberty is able to access a wider range of attractive investment opportunities for the benefit of its policyholders and shareholders.

The ability to accurately measure risk allows for the optimisation of choices of business investment, maximising risk taken within limits and enhancing the ability to achieve targeted medium-term returns to shareholders.

Expand further into sub-Saharan Africa

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 corporate activity, rising income as more people are formally employed, higher financial services penetration and pension reforms.

These developments provide a basis for growth in both retail and institutional risk and savings and support Liberty's strategy to expand its sub-Saharan footprint.

To complement the group's process in South and East Africa, opportunities are being actively pursued in West Africa.

Standard Bank relationship (bancassurance agreement)

Pursuing all opportunities presented by the bancassurance agreement with Standard Bank in South Africa and other African territories is also a key focus.

Liberty's insurance and asset management strategy, outside of South Africa, is to build on corporate and group arrangements, capturing the mass market in an efficient and effective way. New product propositions have been introduced and cross selling between insurance, asset management and health products in both the bancassurance channel and agent distribution is proving successful. The bancassurance arrangements with Standard Bank allow for a faster market build and cost efficient expansion into new geographies, providing Liberty with a strategic advantage.

Summary of 2014 strategic objectives

Liberty will continue to utilise its insurance and asset management capabilities and relationship with Standard Bank to take advantage of appropriate growth opportunities across sub-Saharan Africa.

Liberty's key strategic objectives for 2014 are as follows:

Gain significant market share in the institutional market

- Enhance STANLIB's third party proposition for institutional customers
- Liberty Corporate to launch further tiered product offerings off the revised umbrella solution and gain market share
- Explore a broader institutional offering through acquisition and / or accelerated development of capabilities

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
- 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
- Develop action plans to transition likely impacts of the South African regulator's retail distribution review

Be the leading innovator of insurance and investment products

- Launch further new low cost investment products
- Review the risk product portfolio and design innovative new risk products for launch late 2014 or 2015
- Establish private equity and extend multi-manager capability in STANLIB

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

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)
- Extend asset management capabilities and product offerings throughout the sub-Saharan region
- Invest in a corporate capability to take advantage of middle market growth in insurance and investment markets in sub-Saharan Africa

Enhance our South African corporate citizenship

- Embed transformation in the group's culture to ensure the sustainability of progress made to date
- 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

39 *Self assessment of performance against 2013 strategic objectives*

Our competitor landscape

Liberty's activities are currently materially undertaken within South Africa, although there is a strategic emphasis on expanding into appropriate territories within sub-Saharan Africa. The group has a strong presence in three market segments:

Retail long-term insurance	Institutional long-term insurance	Asset management
Risk and investment offerings in the middle to affluent market segment	Risk and investment offerings for institutional customers, mainly retirement funds	Originated assets from long-term insurance customers as well as third party direct mandates

Competitors within these market segments

In the South African retail segment, Liberty competes with both JSE listed as well as unlisted insurance groups: The JSE listed competitors include Old Mutual; Sanlam; Discovery; MMI and Clientele, while the most significant unlisted competitor is Hollard.

Regarding asset management, the insurers mentioned above all have various asset management capabilities with a number of independent specialist asset managers also prevalent in the South African financial services arena. Of these Coronation (JSE listed), Allan Gray, Investec and Alexander Forbes are all significant competitors.

Significant JSE Limited competitive groups:

		Liberty's key segments				Other key financial market segments		
Group	Market capitalisation[1] as at 31 Dec 2013 Rm	Retail long-term insurance risk	Retail long-term insurance investment	Institutional risk and investment	Asset management	Banking	Medical schemes administration	Short term insurance
Liberty	**34 802**	✓	✓	✓	✓		✓	
Old Mutual	**160 579**	✓	✓	✓	✓	✓		✓
Sanlam	**111 804**	✓	✓	✓	✓			✓
Discovery	**50 013**	✓	✓				✓	
MMI Holdings	**39 716**	✓	✓	✓	✓		✓	✓
Clientele	**4 454**	✓						✓
Coronation	**27 970**		✓	✓	✓			

Old Mutual, Sanlam and Discovery also have a significant presence in territories outside of sub-Saharan Africa.

Liberty is the market leader in the South African retail long-term insurance risk sales capturing 18%[2] of the new business by sum insured in the industry in the 2012 financial year (latest available industry survey).

In addition, the total value of collective investment scheme assets managed through Liberty's asset manager STANLIB are the highest in the South African collective investment scheme industry, at 12%[3] of total assets under management.

For institutional risk business in the 2012 financial year (latest available industry survey), Liberty received 13%[4] of total gross written premiums in the group risk market, placing it fourth by market share.

Other financial institutions

A number of other financial institutions including South Africa's major competitor banking groups (Absa, Nedbank, First National and Investec) also compete in the South African investment, asset management and risk market particularly through distribution associations and affinity partnerships.

Sub-Saharan Africa

Liberty currently has a relatively significant presence in East and Southern Africa with both direct distribution capabilities as well the association with Standard Bank under the bancassurance agreement. In these regions Liberty mainly competes with the South African insurance groups of MMI, Old Mutual and Sanlam as well as a number of local companies and European associated asset managers and insurers.

[1] Bloomberg.
[2] Swiss Re's Individual Risk Market New Business Volumes Survey 2012 (Main report), published in September 2013.
[3] ASISA's analysis of collective investments statistics by management company was based on both the local fund statistics and the rand denominated foreign fund statistics at 31 December 2013.
[4] Swiss Re's 2012 Group Volume Survey, published August 2013.

2013 Performance

Strategic planning saw Sandton City located on the highest piece of land in the area, allowing the tower to be visible from almost any point in Johannesburg.

The more you know,
the more you can do.

And the more you do,
the more you know.

Global and domestic economic review

The global economic recovery continued at a moderate pace in 2013, led by the United States. Monetary policy remained highly stimulatory in most developed markets, including the United States, Euro-area, United Kingdom and Japan. The European Central Bank cut its policy rate by 25 basis points to an all-time low of 0,25%, while the United States Federal Reserve emphasised that it will be cautious in slowing the pace of its asset purchases programme during 2014.

Within emerging markets, there arose a substantial divergence in economic performance during 2013. Some countries, including India, Indonesia, Brazil and Turkey, chose to tighten macroeconomic policy to protect themselves against pronounced currency weakness. Although this provided some currency support it led to a noticeable fall-off in economic activity. In contrast, other emerging economies such as Mexico, Thailand and Hungary cut interest rates, hoping to stimulate an improvement in activity.

China's economy grew by 7,7% in 2013, slightly down from growth of 7,8% in 2012. Importantly, the policy decisions formulated at the third plenum of the 18th Chinese Communist Party Central Committee sets out an impressively broad roadmap for reform in China over the next five to ten years. These include the promotion of a market-based allocation of resources, including land. State-owned enterprises are to retain a core role in the economy, but will be required to be more efficient and market oriented. The plan also stresses the need to open up the economy to private activity and reduce regulatory impediments.

Although many of these proposals require much more work to implement, the Chinese government's plan provides the basis for the country to make the transition to a more market oriented economy, which is needed for the economy to achieve a balanced and more sustainable growth path.

Sub-Saharan Africa continued to deliver an impressive performance, achieving GDP growth of over 5% in 2013, and an average of 5,6% over the past 10 years. The sustained high growth has been led by Nigeria, with growth of over 6% in 2013 and an average growth rate of 7% since 2004. More broadly, sub-Saharan Africa's economic performance has been supported by improved fixed investment activity in a number of countries, relatively prudent macroeconomic policy and resilient commodity prices.

South Africa's economic growth rate slowed to a disappointing 1,8% in 2013, after expanding by 2,5% in 2012. This was largely due to significant labour market disruptions in the mining and manufacturing sectors as well as a noticeable fall-off in consumer spending. It is concerning that South Africa's economic recovery since the 2009 recession has not been robust enough to lead to widespread job creation in the private sector.

More positively, the rate of growth in capital spending by general government improved somewhat during 2013. This included increased spending by provincial and local government departments on upgrading public roads, as well as the commencement of various water and sanitation projects. In addition, Eskom and Transnet continued to make progress on upgrading key elements of South Africa's economic infrastructure. Overall, although infrastructure investment activity in South Africa remains below target, the government's endorsement of the National Development Plan is expected to raise the level of infrastructural development over the coming years. In contrast, private sector investment spending remains relatively subdued, with many sectors operating below their average capacity utilisation level.

Consumer inflation averaged a fairly respectable 5,8% in 2013, up slightly from 5,7% in 2012. This is despite the fact that the Rand has weakened by more than 40% against the major global currencies since the beginning of 2011. The rand weakness largely reflects South Africa's large and sustained current account deficit, which has become increasingly difficult to finance.

Despite the relatively muted pass-through from currency weakness to consumer inflation, the sustained depreciation of the rand has led to increased concerns that inflation could, ultimately, move sustainably above the 3% to 6% inflation target. This prompted the South African Reserve Bank to increase interest rates in early 2014.

Kevin Lings

Chief economist, STANLIB

26 February 2014

Performance review of 2013

2013 has proven to be one of Liberty's most impressive performance years, with a number of key indicators significantly improving to "best ever" levels.

For further detail on the group's five material sustainability issues, as well as assurance provided, refer to
www.libertyholdings.co.za

In line with the board's intention to manage the business sustainably for the benefit of all stakeholders, this 2013 review has been prepared to indicate the year's performance towards meeting Liberty's five material sustainability issues.

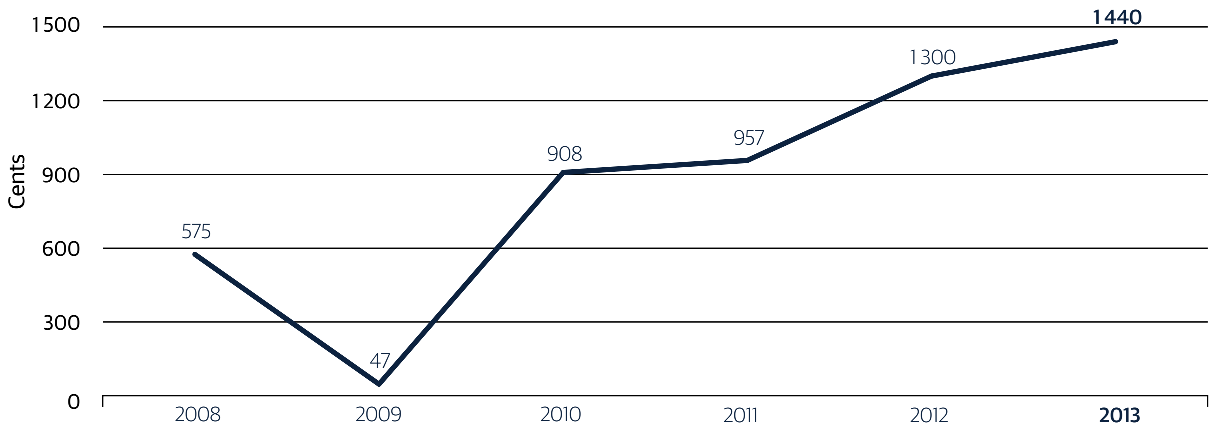
Deliver sustainable financial results (*BEE normalised*)

The group's financial results for 2013 reflect a number of key indicators that have demonstrated substantially improved performance. The value of long-term insurance new business, customer cash inflows, operating earnings growth and the group's Shareholder Investment Portfolio (SIP) outperformance are particularly impressive.

Return on equity (ROE) at 23,3% and return on group equity value (ROGEV) of 16,1% are highly satisfactory and are well ahead of the group's medium-term target levels (ROE between 18% and 20% and ROGEV long bond rate plus 4% – 12,1% at 31 December 2013). Liberty continued to produce positive experience variances in the long-term insurance business and the balance sheet management capability successfully managed the volatile interest rate and currency markets experienced during 2013.

For a comprehensive review of Liberty's business units and their 2013 performance, refer to
www.libertyholdings.co.za

BEE normalised headline earnings per share



BEE normalised headline earnings of R4 076 million or R14,40 per ordinary share are 11% up, representing a 28% growth in operating earnings and a gross investment return on the SIP of 15% (2012: 16%). This performance has been supported by innovative new products, solid insurance new business growth, good investment performance, growth in assets under management and a demonstrated ability to manage to model.

Contributions to earnings by business unit

Unaudited	2013 Rm	Restated[(1)] 2012 Rm	% change
Insurance			
Retail segment [(1)]	**1 467**	1 179	24,4
Institutional segment	**133**	45	>100
Liberty Corporate [(1)]	**121**	66	83,3
Liberty Africa Insurance [(2) (3)]	**52**	21	>100
Liberty Health	**(40)**	(42)	4,8
Balance sheet management			
LibFin Markets – credit portfolio	**132**	109	21,1
LibFin Markets – asset/liability matching	**5**	42	(88,0)
Asset management			
STANLIB	**633**	537	17,9
South Africa	**571**	489	16,8
Other Africa [(3)]	**62**	48	29,2
Liberty Properties	**44**	48	(8,3)
Development and management	**44**	39	12,8
Fountainhead (sold 1 August 2012)		9	
Central overheads and sundry income [(1)]	**(216)**	(237)	8,9
BEE normalised operating earnings	**2 198**	1 723	27,6
LibFin Investments	**1 878**	1 965	(4,4)
BEE normalised headline earnings	**4 076**	3 688	10,5
BEE preference share adjustment	**(62)**	(62)	
Headline earnings	**4 014**	3 626	10,7

(1) *2012 earnings have been restated for the change in accounting policy relating to the adoption of the amendments to IAS 19 Employee Benefits.*

(2) *Liberty Africa Insurance includes long-term and short-term insurance products sold to both the retail and institutional markets. The business unit has been classified under the institutional segment as the majority of premiums are derived from institutional customers.*

(3) *With effect from 1 January 2013, STANLIB manages all the group's African asset management businesses that are located in South Africa as well as other African territories. Prior year comparatives have been restated to reflect this change.*

Performance review of 2013 (continued)

The growth in operating earnings has been achieved without any significant contribution from assumption or modelling changes and reflects very good performance from virtually all of the business units with only Liberty Health, which is still suffering from lack of scale to leverage the investment in systems and processes, producing a disappointing result.

The core insurance and asset management operations both benefited from higher management fees off increased assets under management. Retail SA growth has been further supported by on-going positive persistency and risk variances, good annual contract increases and good expense control despite significant new regulation compliance projects. Liberty Corporate enjoyed improved risk claims experience and cost efficiency. The credit portfolio assets backing guaranteed investment products contributed R132 million to headline earnings while the net result of asset/liability matching activities, in line with mandate, was virtually break-even for the year at R5 million. Liberty Africa Insurance result has been supported by rand weakness, higher investment markets in East Africa and consistent claims loss ratios in the short-term insurance business.

STANLIB's headline earnings at R633 million are 18% higher despite the increased costs associated with additional investment capabilities developed in late 2012. Earnings have benefitted from gross fee income growth of 16% driven by a higher opening asset base, excellent customer net fund inflows and a better fund mix reflecting the higher proportion of retail flows in recent periods.

The SIP performance is largely a function of investment markets outside of management's control, however, the net result of R1 878 million, while slightly lower than the prior year, was considerably higher than benchmark and benefited from tactical allocations to developed market equities and other foreign assets.

Shareholder Investment Portfolio at 31 December

BEE normalised group equity value per share of R126,08 is 9% up on 31 December 2012, and reflects R5 281 million of equity value profits, or a 16,1% return on group equity value, despite being impacted by a higher interest rate environment. The return is considerably higher than the estimated cost of capital target of 12,1%. The outperformance on the SIP, positive operating experience, growth in the LibFin credit book and strong value of new business all positively contributed.

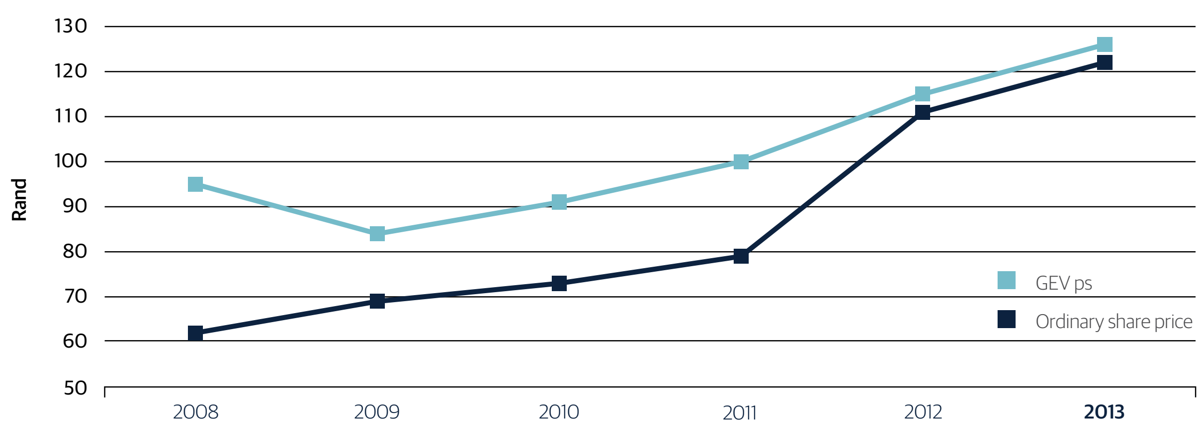
Embedded value of new long-term insurance business, considered by many analysts to be a key barometer of the ability of the business to generate value, is probably the highlight of an impressive set of results. Despite the higher interest rates negatively impacting the value by approximately R100 million (through higher discount rates) the group result of R839 million, at a margin of 2,2%, is 21% higher than 2012.

Six year review of shareholder value creation

Rm	**2013**	2012	2011	2010	2009	2008
Value components:						
South African long-term insurance						
Value of in-force contracts less cost of capital	**18 101**	17 006	14 970	13 528	12 547	14 188
LibFin Credit	**650**	500				
Liberty African long-term insurance	**330**	272	247	145	108	67
Short-term insurance	**158**	364	291	267	495	234
Asset management	**6 050**	5 347	4 812	4 594	4 410	4 703
Capital	**10 778**	9 251	8 319	7 496	6 558	8 015
Total BEE normalised group equity value	**36 067**	32 740	28 639	26 030	24 118	27 207
Annual growth	**3 327**	4 101	2 609	1 912	(3 089)	(202) [1]
Shareholder distributions and capital transactions	**1 954**	1 785	1 372	1 311	1 312	1 202 [1]
Annual group equity value generated	**5 281**	5 886	3 981	3 223	(1 777)	1 000 [1]
Return on BEE normalised group equity value (%)	**16,1**	20,8	15,3	13,4	(6,5)	3,7 [1]
BEE normalised group equity value per share (Rand)	**126**	115	100	91	84	95
Ordinary share price (Rand)	**122**	111	79	73	69	62

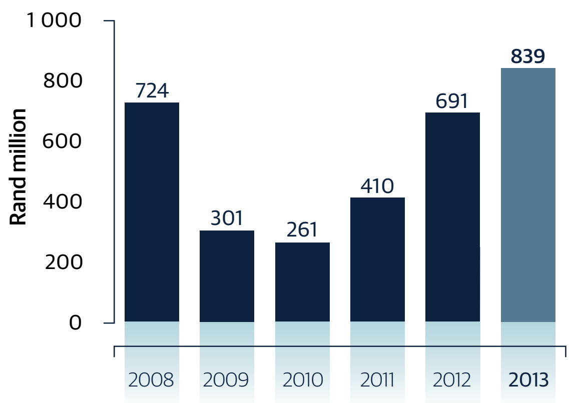
[1] *Liberty Group Limited used as group equity value not reported at Liberty Holdings level.*

BEE normalised group equity value per ordinary share (GEV ps) compared to ordinary share price



Performance review of 2013 (continued)

Group embedded value of long-term insurance new business



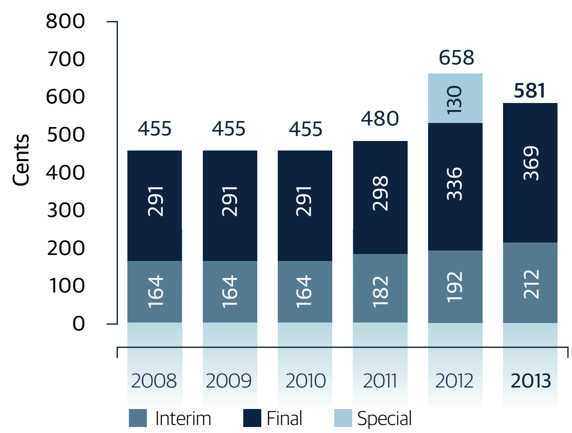
The 2013 result further demonstrates our ability to deliver against the group's chosen strategic objectives which remain focused on:

- Managing the core South African insurance operations within acceptable sustainable long-term assumption sets, whilst profitably capturing greater shares of both the existing and developing markets;
- Developing innovative products to service targeted customer segments;
- Optimising the balance sheet within board approved risk appetite limits;
- Improving asset management capability, whilst leveraging off the strong property, fixed income, balanced and money market franchises and new alternative capability to capture a larger share of the retail and institutional fund flows;
- Achieving the business cases of business development initiatives across the group;
- Expanding the geographical footprint into expected high growth regions of sub-Saharan Africa; and
- Maximising opportunities under the Standard Bank bancassurance agreement.

Dividends

In line with the group's dividend policy, the board has approved and declared a gross final dividend of 369 cents per ordinary share. The final dividend will be payable out of income reserves and payable to all ordinary shareholders recorded in the books of Liberty Holdings Limited at the close of business on Friday, 28 March 2014. This brings the total dividend for the 2013 dividend cycle to 581 cents per share, which is an increase of 10% on 2012.

Distributions per ordinary share



Bancassurance

Partnering with Standard Bank is a source of competitive advantage for Liberty, primarily from the perspective of expanding market share and the revenue base in South Africa and facilitating entry into new markets in other African countries. The importance of the bancassurance relationship is underpinned by the substantial contribution made by these arrangements to Liberty's new business volumes and STANLIB's customer cash flows.

Indexed long-term insurance new business from Standard Bank channels in 2013 amounted to R2 880 million, a 17% increase over 2012. This has been achieved mainly through strong complex product sales (multi-access endowment and Evolve) as well as a 17% increase in credit life sales through ongoing higher bank credit extension compared to 2012.

For a detailed summary of the bancassurance agreement, refer to
www.libertyholdings.co.za

Bancassurance benefits to Liberty

Liberty share	2013 Rm	2012 Rm	% change
Credit life			
IFRS headline earnings	**145**	135	7
Embedded value of in-force contracts	**399**	412	(3)
Other insurance products			
Embedded value of new business	**69**	27	>100
Embedded value of in-force contracts	**865**	826	5
STANLIB			
Net service fees on assets under management sourced from Standard Bank distribution	**450**	395	14

Liberty's share of the South African credit life profits for 2013 was up 7% compared to 2012 and amounts to R145 million after tax (2012: R135 million). The embedded value of in-force credit life contracts at 31 December 2013 amounted to R399 million, down 3% compared to R412 million at 31 December 2012, mainly due to higher discount rates and changes to the withdrawal rate assumptions on the in-force book.

The embedded value of new business in respect of other insurance products has increased significantly due to improved business mix, driven by large volumes of the Evolve product. Despite the higher discount rate, the embedded value of other insurance products in-force contracts grew 5% supported by the higher value of new business.

Net service fees earned by STANLIB on assets under management sourced from Standard Bank distribution in 2013 amounted to R450 million, a highly satisfactory 14% increase over the R395 million generated in the equivalent period in 2012.

Provide compliant and responsible financial services

Liberty upholds the highest levels of professionalism and integrity in its business and in its relationships with stakeholders. The group's code of ethics (available at www.libertyholdings.co.za) outlines its ethical and moral attitude to conducting business and sets expectations for all employees in South Africa and in other parts of Africa. The code, first approved by the board in 2004, is reviewed and updated periodically and will again be reviewed by the board in 2014 to ensure its continued relevance.

Liberty's internal audit services division conducts periodic reviews of the group's ethical performance as part of its wider governance reviews. An independent ethics survey was also undertaken in 2013 to determine employees' perceptions of Liberty's ethics policies and practices in order to gain a sense of the ethical culture of the group and provide management with an indication of areas requiring attention. Actions taken to address the findings of the survey included increased executive communication regarding ethics, additional employee training and strengthening the ethics content of induction training for new employees, as well as more extensive publicising of internal and external reporting channels.

Liberty's businesses operate within a complex regulatory environment with compliance being monitored by group legal services, group compliance and risk functions.

The group's management regularly interact with a cross section of government bodies and legislators in all jurisdictions in which the group operates. The primary regulator in South Africa is the Financial Services Board (FSB) to which the life licence group entities in South Africa report. There has also been interaction with the South African Reserve Bank (SARB) and the South African National Treasury during 2013.

Performance review of 2013 (continued)

Capital adequacy cover and life licence rationalisation

One of the key protections to ensure policyholder contract terms are met, is that the various regulated entities need to hold sufficient capital to withstand various scenarios. Under the current measure of capital and the adequacy thereof, all of the group's regulated entities at 31 December 2013 are well ahead of regulatory minimum requirements.

The capital adequacy cover of the main regulated subsidiary, Liberty Group Limited remains strong at 2,56 times the statutory requirement (2012: 2,71 times), with all the other group subsidiary life licences also being well capitalised.

The life licence rationalisation (LLR), transferring three of the South African long-term insurance licenced entities (Capital Alliance Life Limited, Liberty Growth Limited and Liberty Active Limited) into the main licence entity, Liberty Group Limited, was successfully completed with effect from 1 September 2013. The rationalisation will result in improved capital efficiency under the new SAM framework and simplification of operational requirements.

Due to a technicality in the way CAR is calculated in respect of subsidiaries, the Liberty Group Limited's post-rationalisation capital adequacy cover ratio reflects a lower cover ratio than previously reported for Liberty Group Limited but a higher capital surplus.

The pro forma capital adequacy cover of Liberty Group Limited at 31 December 2012, assuming rationalisation had been implemented at that date, would have been 2,11 times the statutory requirement and therefore the capital position has in reality improved further in 2013 (2,56 times covered). The group's risk appetite allows for a capital adequacy cover of no less than 1,5 times.

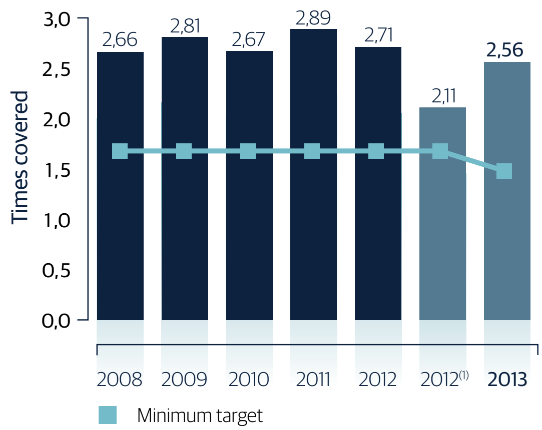
Where applicable, the group's statutory actuaries have given the board comfort around the dividend declarations necessary to support the group's declared 2013 final dividends.

We continue to prepare for the implementation of the proposed new South African long-term insurance solvency regime (SAM) and we believe the group is appropriately positioned from a capital perspective.

During 2013 no significant regulatory penalties were imposed within the group for non-compliance.

Liberty plays an active role in tax collection, not only through direct taxes but also as an administrative agency in respect of income taxes due by the group's staff and policyholders. Over the past six years the group has collected and paid taxes to the South African government totalling R22,0 billion, with R5,6 billion accruing for 2013.

Liberty Group Limited capital adequacy cover (times covered)



(1) *Pro forma post LLR.*

The financial services sector remains vulnerable to threats posed by fraud and corruption and Liberty remains vigilant to these risks. The dedicated group forensic services (GFS) unit works to proactively detect and investigate instances of possible fraud.

Liberty's financial crime risk policy applies to all staff, contractors, suppliers and financial advisers. GFS led a communication campaign to educate employees about ethics and fraud, and to create awareness of the fraud hotline. Furthermore, GFS provided 2 321 employees with anti-fraud training.

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

Of the 740 incidents recorded for further investigation during the year, 83% related to Retail SA and were reported via internal staff reporting mechanisms. In 2013, the group took 94 (2012: 60) actions against fraud and corruption and achieved group-wide fraud savings of R67 million (2012: R101 million).

In 2014 GFS intends to increase its headcount and add to the existing investment in technology to further enhance its capacity to combat fraud and corruption.

Liberty seeks to invest in companies whose policies and practices promote long-term value creation. The group is a signatory to the Code for Responsible Investing by Institutional Investors in

South Africa and to the United Nations Principles of Responsible Investment.

In 2012 STANLIB introduced a formal responsible investment policy. The policy incorporates environment, social and governance issues into its investment decisions through the 'stewardship' pillar of its research process. The business continually conducts training to raise the responsible investment competency of its analysts and portfolio managers.

To meet the needs of its Islamic customers, STANLIB has two targeted socially responsible investment funds: the Shari'ah Equity Fund and Liberty Balanced Shari'ah Fund which together had R427 million in assets under management at the end of 2013.

Where LibFin has responsibility for other asset manager mandates in respect of Liberty customer and shareholder investments, LibFin ensures through due diligence reviews of these managers that environmental, social and governance considerations are taken into account in investment decisions. In particular, managers' proxy voting is monitored and LibFin encourages engagement with boards and management where appropriate.

LibFin has invested over R1,5 billion in renewable energy infrastructure projects. The investments include a variety of long-term debt exposures which are typically ring-fenced within project finance structures. The projects span across various regions in the Eastern, Western and Northern Cape through the natural sources of wind and solar energy. This portfolio of assets is split between 37% wind and 63% solar assets with an average debt maturity of 16 years.

Liberty is committed to managing its business with a view to minimising the impact on the environment taking cognisance of the group's business objectives. Recognition is given to the key role the directly owned and managed properties business has on the environment, resulting in applicable lease contract terms with tenants specifically on direct environmental impacts. The board is committed to best environmental practice wherever applicable and viable. The social, ethics and transformation committee monitor the group's environmental footprint through KPI measurement.

Summary of CO_2 emissions and water consumption

	2013	2012	% change
Total measured CO_2 emissions (tonnes)	**46 781**	51 210	9
Total scope 1 and 2 emissions per full time employee	**4,76**	5,59	15
Purchased electricity (million kWh)	**40,3**	45,2	11
Water consumed at owned and occupied properties (kilolitres)	**157 309**	127 389	(23)

In 2013 Liberty's carbon footprint decreased by 9% to 46 781 tonnes of CO_2 emissions. This is largely due to the lowered electricity usage due to strategic workspace management initiatives such as relocating staff from the Libridge building to Liberty Centre at the Braamfontein campus. Various energy saving initiatives that have lowered demand for lighting and air – conditioning have also contributed to the reduction. The group replaces old equipment and light fittings with energy-efficient alternatives as a matter of ongoing maintenance.

The significant increase in water usage is mainly due to extensive construction activities at Sandton City and Eastgate complexes.

Liberty made improvements in its recycling efforts during the year, increasing the tonnage of total recycled material by 8% from 2 754 in 2012 to 2 972 tonnes in 2013 across the entire portfolio.

Liberty Properties expects to receive its first Green Building Council of South Africa green building certification in late 2014 for Phase 3 of the Liberty Midlands Mall and the retrofitting of the Atrium on Fifth in Sandton City. Both projects were designed to lower electricity consumption by between 40 – 50% and water consumption by between 30 – 40%.

Performance review of 2013 (continued)

Focus on our customers

Through its products and services, Liberty impacts the financial well-being of many people in Africa. Product sales, customer net cash inflows and assets under management have increased substantially in 2013 demonstrating perceived value in the group's various products and services.

Long-term indexed insurance sales of R6 947 million are up 15% on the prior year. The new Evolve and Stable Growth investment product ranges launched in South Africa in late 2012 have been very successful.

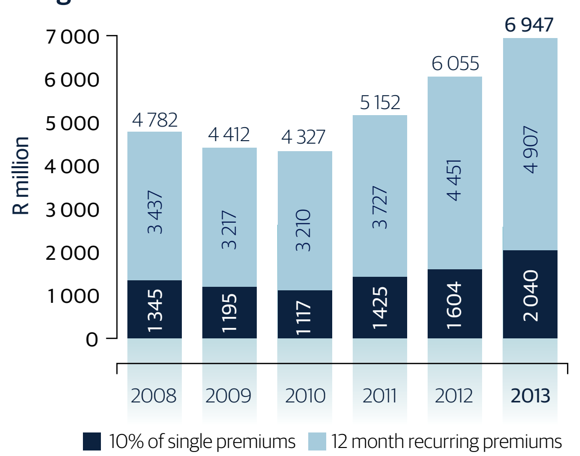
The new Evolve range of single premium investment products delivered very encouraging new business sales totalling R3,6 billion for the year. Credit life sales under the bancassurance agreement with Standard Bank (up 17%) remain good whilst growth in recurring investment and risk sales are satisfactory considering they are off high bases. Following Liberty Corporate's 2012 launch of the new flagship investment product, the Liberty Stable Growth Fund, as well as a unique index tracking investment range, the business unit was recognised by the Financial Intermediary Association as the best employee benefits product supplier. This is indicative of the recent focus on enhancing service levels and establishing a distribution and product capability for larger corporates and retirement funds through the Intelligent Insurance division. Liberty Corporate has been successful in winning several large mandates in the latter half of the year.

Initiatives targeting sales growth in the emerging consumer segment are not growing as expected, leading to the decision to combine the various group direct capabilities from the beginning of 2014 in order to develop a more comprehensive focused retail multi-channel distribution capability.

Group asset management net cash inflows of R15,7 billion are 10% up compared to the R14,3 billion cash inflows for 2012. This was achieved despite a drawdown of R7 billion of assets under a government mandate in East Africa. STANLIB's South African business had a particularly good year attracting R21,7 billion of net cash inflows of which R19,4 billion went into higher margin non money market retail and institutional mandates. Assets under management across the group grew by 16% from 31 December 2012 to R611 billion.

It is worth noting that in 2013 the group attracted a total net customer cash inflow of R22,9 billion (asset management R16,2 billion and insurance operations R6,7 billion) which is R3,6 billion or 19% higher than 2012.

Long-term insurance indexed new business sales



Net customer cashflows (excluding intergroup)

R million	2013	2012	2011	2010	2009	2008
Asset management (STANLIB and GateWay)	**16 169**	14 327	(91)	22 179	2 755	13 374
Long-term insurance	**6 316**	4 572	4 230	(287)	1 267	(2 861)
Short-term insurance	**371**	329	108	14	n/a	n/a
Total	**22 856**	19 228	4 247	21 906	4 022	10 513
R billion						
Assets under management	**611**	528	455	442	396	337
South African sourced (%)	**94**	93	91	93	94	94

Death and disability protection is the cornerstone of the groups' insurance product offerings. In 2013 total death and disability claims grew 7,5% to R6,7 billion, providing much needed financial relief at times of significant stress. Sums assured have increased by 9,4% to R1 196 billion.

Liberty conducts on-going market research to understand the needs of its customers, the results of which are reflected in a dynamic and evolving product portfolio. New product innovations in 2013 included Retail SA's GateWay Investment Plan and Evolve hybrid investment products and a Lifestyle Protector risk product for HIV-positive lives. Liberty Corporate launched the first tier of the new retirement umbrella offering, Liber8 Smart. STANLIB launched the Africa Direct Property Development fund and restructured its offshore fund range. Liberty Africa Insurance launched the MyLife, Msiba and Karo products.

Liberty is committed to delivering superior risk-adjusted performance for its customers over the long term. The group fund control committee is responsible for ensuring the appropriate management of policyholder assets and that investment portfolios deliver on their expectations.

Liberty is committed to ensuring that the previously disadvantaged can benefit from products and services that enhance their financial well-being. The emerging consumer market (ECM) is defined as individuals with a personal income below R11 000 per month. The group's financial products provided to this market are easy to understand, transparent and clearly linked to defined needs such as funeral cover and savings toward education. Access through existing community – based channels plays an important role in extending the reach of financial services in the ECM segment. New products launched to the ECM market in 2013 were an Education Benefit, offered as a rider to the underlying Standard Funeral and Comprehensive Funeral plans, as well as a range of value added services.

Most of Liberty's products are sold through intermediaries in the form of tied or independent financial advisers. In line with its growth strategy, the number of tied agents in South Africa increased from 2 754 in 2012 to 3057 in 2013. In other parts of Africa, the number of tied agents increased from 414 in 2012 to 454 in 2013.

Supporting its tied and independent financial advisers is a critical component of growing Liberty's market share, and thus bolstering the group's long-term viability. Enhancement of Retail SA's financial adviser value proposition continued to build on the success of the 2011 implementation. A comprehensive learning programme to assist financial advisers to prepare for the FAIS regulatory examinations was developed and 95% of Retail SA's tied agents passed the examinations, compared to the industry average of 92%.

Liberty Africa Insurance runs roadshows in all countries in which it operates to educate advisers and customes on the need for employee benefits and to train advisers to enable them to provide quality advice to customers.

The group customer relations department oversees customer satisfaction through regular satisfaction surveys as well as analysis of retention patterns and complaint volumes and causes. It also facilitates the resolution of escalated complaints.

South African distribution headcount

	2013	2012	% change
Tied	**3 057**	2 754	11
Agency	**951**	874	9
Liberty entrepreneurs	**1 130**	832	36
Liberty@work	**976**	1 048	(7)
SBFC	**685**	630	9
Broker consultants	**188**	250	(25)
	3 930	3 634	8

Liberty's Retail SA business has been addressing the full experience of its customers by considering their perspective and establishing minimum service standards for all customer-facing activities. In order to provide a more comprehensive view of customers' perception of Liberty as a whole, focus is now being given to Net Promoter Score (NPS), which is an outcome based metric utilised to determine customer sentiment and loyalty towards Liberty. There has been a notable improvement across Liberty's customer base to promote Liberty, its products and its services, with an improvement of 6% since 2010. Liberty aims to improve the proportion of customers promoting the organisation by a further 3% in 2014.

Increased customer awareness of Liberty's servicing and complaints channel following customer education initiatives has contributed to an increase in the number of complaints escalated to group customer relations. The number of complaints grew by 17% to 3 181 (2012: 2 718). Of these, 73 remained unresolved at

Performance review of 2013 (continued)

31 December 2013, compared to 312 at the end of the prior year, reflecting improved response to, and resolution of, customer complaints. Reasons for complaints are analysed to enable appropriate management action to be taken. Most complaints related to poor service, inadequate responses to requests for policy information and non-payment of policy advances and surrenders.

Liberty fully supports the FSB's recently launched Treating Customers Fairly (TCF) programme and is using the opportunity to improve customers' experience of the group and ensure strong long-term customer relationships based on trust and respect. During 2013, a comprehensive implementation plan was formulated, governance structures instituted, continuous training enhanced and internal measurement tools introduced.

Attract and retain quality employees

	2013	2012	% change
Total number of employees (including tied agents)	**10 098**	9 449	7
South African demographics:			
Women employees (%)	**57**	56	2
Black employees (African, Indian, Coloured) (%)	**74**	73	1
Voluntary employee turnover (%)	**11,6**	10,3	(13)
Training expenditure as a % of staff costs	**1,1**	1,3*	(15)

** Restated.*

Employees are integral to delivering the group's strategies. Consequently investment into the creation of a culture of knowledge and learning, investing in talent and career development and managing diversity and inclusion are key components of creating an organisational culture that results in employees performing at a high level.

During 2013, road shows were held with staff across the group to share Liberty's vision and reinforce its brand and culture, thereby ensuring that the same philosophy as that communicated externally is embedded and experienced internally. Liberty also implemented and further refined strategies and frameworks relating to leadership development, job profiling, talent and career management as well as change management during the year.

In 2013 Liberty exceeded employment equity (EE) commitments made to the Department of Labour, as captured in the group's EE plan which expired on 31 December 2013. A new EE plan has been accepted by the Department of Labour and commits the group to various numeric and affirmative action measures to be achieved by 31 December 2017.

The biennial group-wide employee attitudinal survey which gauges employee satisfaction levels took place in 2013. The overall satisfaction rating improved to 69% (2011: 67%) which indicates that Liberty has a highly satisfied workforce. 79% of the group's permanent employees participated in the survey.

Focus in the group's sub-Saharan African businesses is on developing leadership and the core technical skills required to create competitive advantage in these businesses as well as talent management and aligning the businesses to the Liberty brand and culture. Various initiatives are underway to achieve this and ensure that leaders are equipped to lead the culture, brand and strategic direction of the businesses and unlock in country opportunities.

The 7% growth in employee headcount is mainly attributable to growth in the number of tied agents as well as the building of capacity in the ECM and direct channel businesses in the South African retail segment

South African 2013 voluntary employee turnover increased to 11,6% which is slightly above the group target of 11,0%. Total employee turnover for 2013 is 12,3%. The group has historically benchmarked turnover against a voluntary turnover target of 11,0%. The group ensures that succession bench strength is available, representing the full demographic profile, in the event of employee turnover affecting key roles.

The company was awarded Top Employer status by the Top Employer Institute (previously known as the Corporate Research Foundation) for the fifth consecutive year. Liberty achieved an absolute score of 81% out of a maximum attainable score of 86%.

The group's remuneration philosophy, methodology and structures are detailed in the Remuneration of Liberty's people section of this report.

Continue the transformation journey

A transformation vision was developed in 2012 that now serves as a guide for the group's policies and activities. This vision aims to align business priorities and stakeholder expectations with the ultimate goal of driving transformation.

	2013	2012	% change
Liberty dti B-BBEE score	86.11	89.32	(4)
Liberty dti B-BBEE level	2	2	–
Total BEE procurement spend (Rbn)	3,3	2,7	22
South African CSI spend (Rm)	44,9	38,8	16
Number of people educated in financial literacy	48 802	42 132	16

Liberty maintained its B-BBEE level 2 status in 2013 with a total score of 86.11 out of 100, down from 89.32 points achieved in 2012. The dti Codes of Good Practice set forth more stringent targets for employment equity and preferential procurement for the period 2013 to 2017. These heightened targets are the reason for the decline in overall score from 2012 to 2013. STANLIB also achieved level 2 status in 2013, having delivered 85.65 of the full scorecard targets. Liberty was ranked 8th in the 2012 Mail and Guardian's Top 100 Empowerment survey (published January 2013), up from 19th in 2011.

Liberty's total South African BEE procurement spend in 2013 was R3,3 billion up from R2,7 billion in 2012. In line with the increase in procurement spend from 2012 to 2013, the proportion of procurement spend from BEE-accredited vendors rose from 77,8% in 2012 to 85,7% in 2013. This was a direct result of the implementation of Liberty's new procurement policy introduced in 2012, which focused not only on the management and containment of costs across the group but also focused on bringing about empowerment across the group's supply chain.

The group's long-term sustainability depends on the ability of the societies in which it operates to procure the group's products and services. Corporate social investment (CSI) is fundamental in assisting in providing education and thereby the tools to support the upliftment of communities. Pure CSI spend during the year totalled R44,9 million up 16% from 2012, focused primarily on children's education. R3,8 million was spent on CSI administration costs.

Liberty's CSI strategy is shaped around the wider socio-economic needs of communities in which the group operates with a special focus on education. Liberty is committed to supporting the South African Department of Basic Education's Mathematics, Science and Technology strategy and through its holistic approach to education, Liberty journeys with communities in the Gauteng and KwaZulu-Natal region through the different educational and life stages. Education interventions are positioned at: foundation phase, further education and training phase, entrepreneurial development projects, development of education professionals and basic financial literacy. These targeted interventions allow Liberty to support a lifetime of learning in communities. During the year, Liberty supported 70 schools across South Africa as well as programmes to develop related professionals such as teachers, principals and administrators.

Low levels of financial literacy pose a substantial challenge to financial inclusion, with a direct impact on consumers' well-being. Liberty conducts financial literacy training in the workplaces of its customers as well as in the communities in which it operates, and reached almost 49 000 people during the year. STANLIB's Smartbucks programme uses an hour-long educational comedy film and booklet to teach high school learners about the importance of budgeting, debt management, savings and investment. Audiences of the film surpassed the anticipated target and reached 8 709 learners from 92 schools.

Liberty's Transformation Vision

We are committed to increasing the pace and impact of our transformation journey for the benefit of our investors, customers, 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.

2013 Performance dashboard and 2014 targets

		2013			2014
		Actual	Target	Achievement	Target
Financial indicators	Return on embedded value	16,1%	>10 year South African government bond rate plus 4%	Fully achieved	>10 year South African government bond rate plus 5%
Financial indicators	Liberty Group Limited CAR cover	2,6 times	>1,7 times	Fully achieved	>1,5 times
Financial indicators	Retail SA new business margin	2,4%	>2,0%	Fully achieved	>2,2%
Financial indicators	Retail SA maintenance expense inflation assumption (cost per policy)	4,15%	4,15%	Fully achieved	5,15%
Financial indicators	Shareholder Investment Portfolio performance	> benchmark	Board approved benchmark reference	Fully achieved	Board approved benchmark reference
Non-financial indicators	South African voluntary staff turnover	11,6%	<11%	Partially achieved	<11%
Non-financial indicators	dti score	86.11	86.10	Fully achieved	86.14 [1]
Non-financial indicators	Corporate social investment spend	R45 million	1% of adjusted net operating profit after tax	Fully achieved	1% of adjusted net operating profit after tax

[1] *Adoption of Financial Sector Code of Good Practice with effect from 1 January 2014.*

Fully achieved *Partially achieved* *Not achieved*

2013 Strategic objectives self assessment

Manage policyholder persistency levels within assumption	✓
Grow overall sales ahead of inflation levels	✓
Build ability to increase share of ECM in South Africa	✓ 1/2
Complete life licence rationalisation	✓
Launch additional investment products both in retail and institutional segments	✓
Create an alternative, diversified revenue source through the management of shareholder exposures	✓
Construct asset portfolios that match Liberty's liability portfolios as closely as possible	✓
Maintain and improve STANLIB fund performance	✓ 3/4
Grow presence in selected African markets across insurance, health and asset management	✓
Achieve sales growth in the large corporate segment	✓
Complete the corporate administration transformation programme	✓
Launch an Africa Direct Property Development Fund	✓ 3/4
Achieve a double digit return on the property portfolio	✓
Grow health lives under information technology, administration and Liberty Blue risk policies	✓ 1/4
Sustainably grow new business from bancassurance channels	✓
Secure substantial property development mandates	✓ 1/2
Improve Liberty and STANLIB brand positioning and awareness	✓

✓ *Substantially achieved* ✓ 3/4 *Good progress* ✓ 1/2 *Moderate progress* ✓ 1/4 *Limited progress*

Report of the group audit and actuarial committee

for the year ended 31 December 2013

The group audit and actuarial committee (GAAC) has been constituted in accordance with applicable legislation and regulations. The members of the GAAC are all independent non-executive directors of the group. Six scheduled meetings were held during 2013, four of which were the quarterly meetings in line with the scheduled board meetings. The other two meetings were held prior to the six-monthly results determination in order to review assumptions used in the actuarial valuation of policyholder liabilities and embedded value, and then recommend the assumption set, including any changes, to the board for approval. These meetings enabled the members to fulfil their functions as prescribed by the Companies Act No. 71 of 2008 and the Long-term Insurance Act 52 of 1998 and as recommended by King III.

The members of the GAAC were recommended by the board to shareholders and were formally appointed at the annual general meeting on 17 May 2013. The composition of the committee and details of their attendance at committee meetings is set out in the governance and risk management section on pages 112 and 118 of this report. The committee executed its duties and responsibilities, in accordance with the terms of reference of its mandate. Details of the activities of the GAAC are contained in the governance and risk management section on pages 112 to 114 of this report.

In order to execute his responsibilities, the chairman of the GAAC met separately during the course of the year with the head of group internal audit services, the statutory actuary, the group compliance officer, the chief risk officer, management and the external auditors. The chairman of the GAAC was also a member of the group risk committee during 2013 and attended all the meetings of the group risk committee held during the year under review.

Based on the information and explanations given by management and the internal auditors, the GAAC is of the opinion that the accounting and internal controls are adequate and effective and that the financial records may be relied upon for preparing the financial statements in accordance with IFRS and maintaining accountability for the group's assets and liabilities. Nothing has come to the attention of the GAAC to indicate that any breakdown in the functioning of these controls, resulting in material loss to the group and company, has occurred during the year and up to the date of this report.

The GAAC has satisfied itself that the auditors are independent of the group and thereby are able to conduct their audit functions without any influence from the group. The GAAC has reviewed the performance, appropriateness and expertise of the executive director – finance and risk, Mr Casper Troskie, and confirms his suitability as financial director in terms of the JSE Listings Requirements. The GAAC has also satisfied itself, through the assurance from the internal and external auditors, of the expertise, resources and experience of the group's finance function.

The GAAC has reviewed the 2013 integrated annual report and annual financial statements and recommended these reports to the board for approval.

TDA Ross
Chairman
Group audit and actuarial committee

Johannesburg
10 March 2014

Summary 2013 group annual financial statements and related assurance

The summary 2013 group annual financial statements have been derived from the audited group annual financial statements of Liberty Holdings Limited for the year ended 31 December 2013, which are available on **www.libertyholdings.co.za**, or can be obtained from the company secretary.

The summary group annual financial statements do not contain sufficient information to allow for a complete understanding of the results and state of affairs of the group, which is provided by the detailed group annual financial statements.

Basis of preparation and accounting policies

The summary group annual financial statements are prepared in accordance with the JSE Limited's (JSE) requirements for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The accounting policies applied in the preparation of the group annual financial statements, from which the summary group annual financial statements were derived, are in terms of IFRS and are consistent with those adopted in the previous year except for significant changes as detailed below.

Mandatory changes in accounting policies resulting from the adoption of new and revised IFRS with retrospective application

Refer to appendix A within the Annual Financial Statements and Supporting Information for details of the required restatements to the previously reported statements of financial position at 1 January 2012 and 31 December 2012 and the statement of comprehensive income for the year ended 31 December 2012. The group's 2012 condensed statement of cash flows has been restated for the increase in cash and cash equivalents resulting from the consolidation of additional mutual funds and the corresponding flows from investing activities. The condensed 2012 segment information has been restated in line with the changes to the statements of comprehensive income.

Adoption of control suite of standards and revisions

The group has compulsorily adopted IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IAS 27 (Revised) *Separate Financial Statements*, IAS 28 (Revised) *Investments in Associates and Joint Ventures* which deal with the accounting treatment for the group's involvement in investments in entities for which the group is assessed to have more than an insignificant influence as well as IFRS 12 *Disclosures of Interests in Other Entities*. These have resulted in changes in accounting policies effective for the year commencing 1 January 2013 and have been applied retrospectively in line with the transitional requirements. The group consequently re-examined the combined impact of these standards on all of its investments and certain reclassifications of investments in mutual funds were required. There have been no reclassifications of investments in other types of entities.

Previously, investments in mutual funds that amounted to between 20% and 50% of the total fund value or voting rights were considered to be interests in associates – held at fair value (mutual funds), and those greater than 50% were considered to be subsidiaries. As a result of the adoption of IFRS 10, which has redefined the definition of control, the group has removed the reference to specific percentage holdings in the group's accounting

Summary 2013 group annual financial statements and related assurance (continued)

policy as the defining parameter. This has led to an increased number of mutual funds being classified as subsidiaries or associates at a consolidated level, as well as reclassifications between these categories and financial instruments. No investments in mutual funds have met the new definition of joint arrangements.

The group continues to account for its interests in associates – mutual funds, as at fair value through profit or loss by applying the measurement exemption for investment-linked insurance funds in IAS 28.

The revised IAS 28 *Investments in Associates and Joint Ventures* allows entities to apply the measurement exemption for interests in joint ventures which are held indirectly by investment-linked insurance funds to be designated on initial recognition as at fair value through profit or loss.

Liberty elected to apply this exemption to the measurement of its interest in the joint venture, The Cullinan Hotel (Pty) Limited, on adoption of the revised standard, which resulted in a change in accounting policy. As the fair value equated to the carrying value of the investment in the joint venture including equity accounted earnings, there was no resultant change to the group's total earnings, comprehensive income, shareholders' funds or net asset value.

IFRS 12 *Disclosures of Interests in Other Entities* mandates the disclosure requirements related to subsidiaries, associates, joint arrangements and unconsolidated structured entities and is applicable retrospectively. There was no impact on net earnings or earnings per share as a result of the adoption of IFRS 12.

Amendments to IAS 19 Employee Benefits

The group has adopted the amendments to IAS 19 *Employee Benefits*, which has resulted in a change in accounting policy effective for the year commencing 1 January 2013, with retrospective application. The amendments have changed the basis for recognition of movements in post-retirement employee benefits liabilities or assets, with certain remeasurements of the relevant liability or asset now being mandatorily recognised in other comprehensive income. In prior periods the group recognised all remeasurements in post-retirement employee benefit plan liabilities or assets in profit or loss as previously allowed or mandated in IAS 19.

Mandatory change in accounting policy resulting from the adoption of new IFRS with prospective application

IFRS 13 Fair Value Measurement

The group has adopted IFRS 13 *Fair Value Measurement* which is effective for years commencing 1 January 2013. IFRS 13 defines fair value and describes in a single standard a framework for measuring fair value. IFRS 13 defines fair value on the basis of an exit price notion which results in a market-based, rather than entity-specific measurement. The standard introduces enhanced disclosure requirements, amongst others the inclusion of all assets and liabilities measured at fair value in a fair value hierarchy table (previously this was limited to financial assets and liabilities). There were no significant measurement changes to the valuations of any assets or liabilities as a consequence of the adoption of IFRS 13.

Voluntary adoption of new accounting policy

During the year under review, the group has entered into certain agreements of sale and repurchase of financial instruments as part of the group's asset/liability matching processes. This necessitated the adoption of a new accounting policy as follows:

Securities sold subject to linked repurchase agreements are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. Such securities are measured in accordance with the measurement policy as described under the accounting policy for financial assets. The liability to the counterparty is included under investment creditors within insurance and other payables on the statement of financial position.

The difference between the repurchase and sales price is treated as interest and amortised over the life of the reverse repurchase agreement using the effective interest method and disclosed as finance costs in the statement of comprehensive income. The transactions entered into during 2013 have been accounted for in compliance with this new accounting policy. The detailed restatements resulting from the changes in accounting policies are included in the annual financial statements and supporting information.

Directors' responsibility for financial reporting

The summary group financial statements appearing in this report are the responsibility of the directors. The directors take full responsibility for the preparation of the summary group financial statements including confirmation that the financial information has been correctly extracted from the underlying audited group annual financial statements.

Casper Troskie CA(SA), the executive director – finance and risk, and Jeff Hubbard CA(SA), the group chief financial officer, are responsible for this set of summary group annual financial statements and supervised the preparation thereof.

Auditor's involvement note

These summary 2013 group annual financial statements for the year ended 31 December 2013 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements of Liberty Holdings Limited from which these summary group financial statements were derived.

Copies of the auditor's report on the summary group financial statements and of the auditor's report on the group annual financial statements are available for inspection at the company's registered office together with the annual financial statements identified in the respective auditor's reports.

Key accounting policies

The group's reported comprehensive income is predominantly influenced by the application of accounting policies on a relatively few financial position items described below. This is primarily due to the nature of the group's business being dominated by the provision of risk and investment products under long-term insurance licences.

The various elections described within the accounting policies have mainly been chosen to eliminate as much as possible accounting mismatches within comprehensive income and increase the relevancy of reported profit in line with how the business is managed.

Predominantly measured at fair value through profit or loss

- Financial instruments
  - Impacts R303 billion (86%) of reported assets at 31 December 2013
  - Impacts R119 billion (36%) of reported liabilities at 31 December 2013

Measured at fair value through profit or loss

- Investment properties
  - Impacts R27 billion (8%) of reported assets at 31 December 2013

Measured on a financial soundness valuation basis

- Policyholder long-term insurance contracts, contracts with discretionary participation features
  - Impacts R190 billion (58%) of reported liabilities at 31 December 2013

Currently, IFRS refers the measurement of these liabilities to existing local practice, which in South Africa is the actuarial guidance issued by the Actuarial Society of South Africa

Consolidated statement of financial position
as at 31 December 2013

	31 December 2013 Rm	Restated 31 December 2012 Rm	Restated 1 January 2012 Rm
Assets			
Equipment and owner-occupied properties under development	**1 114**	952	897
Owner-occupied properties	**1 410**	1 378	1 598
Investment properties	**27 299**	24 133	23 470
Intangible assets	**475**	759	933
Defined benefit pension fund employer surplus	**210**	186	199
Deferred acquisition costs	**527**	449	403
Interests in joint ventures	**404**	378	626
Reinsurance assets	**1 609**	1 170	1 104
Long-term insurance	**1 161**	978	902
Short-term insurance	**448**	192	202
Operating leases – accrued income	**1 315**	1 277	1 085
Pledged assets held at fair value through profit or loss	**1 348**		
Assets held for trading	**6 387**	6 910	3 790
Interests in associates – equity accounted	**72**	72	
Interests in associates – measured at fair value	**15 361**	14 359	11 717
Financial investments	**279 043**	242 015	208 696
Deferred taxation	**354**	253	183
Prepayments, insurance and other receivables	**3 841**	3 628	2 656
Cash and cash equivalents	**9 870**	10 418	12 432
Total assets	**350 639**	308 337	269 789
Liabilities			
Long-term policyholder liabilities	**263 944**	236 684	208 565
Insurance contracts	**180 742**	164 666	145 558
Investment contracts with discretionary participation features	**9 056**	3 855	3 447
Financial liabilities under investment contracts	**74 146**	68 163	59 560
Short-term insurance liabilities	**846**	525	466
Financial liabilities at amortised cost	**3 167**	2 177	2 195
Third party financial liabilities arising on consolidation of mutual funds	**39 983**	30 015	27 717
Employee benefits	**1 344**	1 198	1 082
Deferred revenue	**194**	174	159
Deferred taxation	**3 586**	2 715	2 819
Deemed disposal taxation liability	**544**	918	
Provisions	**195**	338	371
Operating leases – accrued expense		30	93
Derivative liabilities	**4 860**	6 098	3 113
Insurance and other payables	**9 716**	8 230	6 312
Current taxation	**904**	724	614
Total liabilities	**329 283**	289 826	253 506
Equity			
Ordinary shareholders' interests	**17 654**	15 410	13 211
Share capital	**26**	26	26
Share premium	**5 985**	6 078	6 133
Retained surplus	**12 454**	10 332	7 683
Other reserves	**(811)**	(1 026)	(631)
Non-controlling interests	**3 702**	3 101	3 072
Total equity	**21 356**	18 511	16 283
Total equity and liabilities	**350 639**	308 337	269 789

Consolidated statement of comprehensive income

for the year ended 31 December 2013

	2013 Rm	Restated 2012 Rm
Revenue		
Insurance premiums	**35 782**	30 720
Reinsurance premiums	**(1 316)**	(1 089)
Net insurance premiums	**34 466**	29 631
Service fee income from investment contracts	**900**	881
Investment income	**13 220**	13 606
Hotel operations sales	**809**	720
Investment gains	**33 554**	31 108
Fee revenue and reinsurance commission	**2 324**	1 800
Total revenue	**85 273**	77 746
Claims and policyholder benefits under insurance contracts	**(25 904)**	(25 004)
Insurance claims recovered from reinsurers	**1 357**	672
Change in long-term policyholder liabilities	**(20 698)**	(19 532)
Insurance contracts	**(15 937)**	(19 228)
Investment contracts with discretionary participation features	**(4 941)**	(380)
Applicable to reinsurers	**180**	76
Fair value adjustment to policyholder liabilities under investment contracts	**(10 135)**	(10 035)
Fair value adjustment on third party mutual fund interests	**(7 832)**	(4 748)
Acquisition costs	**(4 233)**	(3 818)
General marketing and administration expenses	**(9 079)**	(7 573)
Finance costs	**(327)**	(243)
Profit share allocations under bancassurance and other agreements	**(984)**	(800)
Profit on sale of joint venture		135
Equity accounted earnings from joint ventures		3
Profit before taxation	**7 438**	6 803
Taxation	**(2 968)**	(2 685)
Total earnings	**4 470**	4 118
Other comprehensive income	**88**	90
Items that may be reclassified subsequently to profit or loss	**56**	5
Net change in fair value on cash flow hedges	**(183)**	(29)
Income and capital gains tax relating to net change in fair value on cash flow hedges	**53**	8
Foreign currency translation	**186**	26
Items that may not be reclassified to profit or loss	**32**	85
Owner-occupied properties – fair value adjustment	**28**	(192)
Income and capital gains tax relating to owner-occupied properties fair value adjustment	**(10)**	66
Change in long-term policyholder insurance liabilities (application of shadow accounting)	**(22)**	131
Actuarial gains on post-retirement medical aid liability	**24**	127
Income tax relating to post-retirement medical aid liability	**(7)**	(36)
Net adjustments to defined benefit pension fund[(1)]	**26**	(15)
Income tax relating to defined benefit pension fund	**(7)**	4
Total comprehensive income	**4 558**	4 208
Total earnings attributable to:		
Ordinary shareholders' interests	**3 908**	3 699
Non-controlling interests	**562**	419
	4 470	4 118
Total comprehensive income attributable to:		
Ordinary shareholders' interests	**3 936**	3 780
Non-controlling interests	**622**	428
	4 558	4 208
Basic and fully diluted earnings per share	**Cents**	Cents
Basic earnings per share	**1 517,9**	1 433,6
Fully diluted basic earnings per share	**1 393,4**	1 341,7

(1) Net adjustments to defined benefit pension fund include actuarial gains or losses, return on plan assets, reduced by the interest on the net defined benefit asset, and the effect of the application of the asset ceiling.

Summary statement of changes in shareholders' funds

for the year ended 31 December 2013

	2013 Rm	2012 Rm
Balance of ordinary shareholders' interests at 1 January	**15 410**	13 211
Ordinary dividends	**(1 566)**	(1 396)
Special dividend	**(371)**	
Total comprehensive income	**3 936**	3 780
Share buy-backs net of share subscriptions	**(15)**	(389)
Black Economic Empowerment transaction	**171**	126
Share-based payments	**109**	78
Preference dividends	**(2)**	(2)
FCTR recycled through profit or loss	**(18)**	2
Ordinary shareholders' interests	**17 654**	15 410
Balance of non-controlling interests at 1 January	**3 101**	3 072
Total comprehensive income	**622**	428
Unincorporated property partnerships net distributions	**(6)**	(182)
Non-controlling share of subsidiary dividend	**(17)**	(16)
FCTR recycled through profit or loss	**2**	
Acquisition of interest in Total Health Trust Limited		33
Disposal of Alberton City unincorporated property partnership		(234)
Non-controlling interests	**3 702**	3 101
Total equity	**21 356**	18 511

Summary statement of cash flows

for the year ended 31 December 2013

	2013 Rm	Restated 2012 Rm
Operating activities	**8 196**	4 557
Investing activities	**(10 014)**	(6 203)
Financing activities	**1 157**	(407)
Net decrease in cash and cash equivalents	**(661)**	(2 053)
Cash and cash equivalents at the beginning of the year	**10 418**	12 432
Foreign currency translation	**113**	10
Cash and cash equivalents acquired through business acquisition		29
Cash and cash equivalents at the end of the year	**9 870**	10 418

Headline earnings and earnings per share
for the year ended 31 December 2013

	2013 Rm	Restated 2012 Rm
Reconciliation of total earnings to headline earnings attributable to equity holders		
Total earnings attributable to equity holders	**3 908**	3 699
Preference share dividends	**(2)**	(2)
Basic earnings attributable to ordinary shareholders	**3 906**	3 697
Profit on sale of joint venture		(117)
Derecognition and impairment of intangible asset	**126**	44
FCTR recycled through profit or loss	**(18)**	2
Headline earnings attributable to ordinary shareholders	**4 014**	3 626
Net income earned on BEE preference shares	**62**	62
BEE normalised headline earnings attributable to ordinary shareholders	**4 076**	3 688
	Cents	Cents
Earnings per share		
Total earnings attributable to ordinary shareholders		
Basic	**1 517,9**	1 433,6
Headline	**1 559,8**	1 406,0
BEE normalised headline	**1 439,6**	1 300,1
Fully diluted earnings attributable to ordinary shareholders		
Basic	**1 393,4**	1 341,7
Headline	**1 431,9**	1 316,0

Summary segment information
for the year ended 31 December 2013

2013 Rm	Long-term insurance Retail	 Corporate	Short-term insurance	Asset management	Health services	Other	Total	Reporting adjustments[1]	IFRS reported
Total revenue	66 124	17 319	1 076	3 064	288	1 817	89 688	(4 415)	85 273
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 (loss)/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
Reconciliation of total earnings/(loss) to headline earnings/(loss) attributable to equity holders									
Total earnings/(loss)	2 576	220	65	668	(228)	611	3 912	558	4 470
Attributable (to)/from non-controlling interests	(14)	(17)	(25)	(8)	57	3	(4)	(558)	(562)
Preference share dividend						(2)	(2)		(2)
Intangible assets derecognition and impairment	27				99		126		126
FCTR recycled through profit or loss					6	(24)	(18)		(18)
Headline earnings/(loss)	2 589	203	40	660	(66)	588	4 014		4 014
Net income earned on BEE preference shares						62	62		62
BEE normalised headline earnings/(loss)	2 589	203	40	660	(66)	650	4 076		4 076

[1] *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of mutual fund subsidiaries, 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.*

2012 Restated Rm	Long-term insurance Retail	Corporate	Short-term insurance	Asset management	Health services	Other	Total	Reporting adjustments[1]	IFRS reported
Total revenue	62 096	16 395	904	2 419	289	1 634	83 737	(5 991)	77 746
Profit/(loss) before taxation	4 553	113	128	785	(132)	910	6 357	446	6 803
Taxation	(2 392)	(20)	(15)	(216)	38	(14)	(2 619)	(66)	(2 685)
Total earnings/(loss)	2 161	93	113	569	(94)	896	3 738	380	4 118
Other comprehensive income	71	10	7	2			90		90
Total comprehensive income/(loss)	2 232	103	120	571	(94)	896	3 828	380	4 208
Attributable to:									
Non-controlling interests	(22)	1	(59)	(7)	23	16	(48)	(380)	(428)
Equity holders	2 210	104	61	564	(71)	912	3 780		3 780
Reconciliation of total earnings/(loss) to headline earnings/(loss) attributable to equity holders									
Total earnings/(loss)	2 161	93	113	569	(94)	896	3 738	380	4 118
Attributable (to)/from non-controlling interests	(17)	1	(55)	(7)	23	16	(39)	(380)	(419)
Preference share dividend						(2)	(2)		(2)
Intangible assets derecognition and impairment	44						44		44
Profit on sale of joint venture						(117)	(117)		(117)
FCTR recycled through profit or loss					2		2		2
Headline earnings/(loss)	2 188	94	58	562	(69)	793	3 626		3 626
Net income earned on BEE preference shares						62	62		62
BEE normalised headline earnings/(loss)	2 188	94	58	562	(69)	855	3 688		3 688

[1] *Reporting adjustments include the consolidation of unincorporated property partnerships, the consolidation of mutual fund subsidiaries, 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.*

Retirement benefit obligations

as at 31 December 2013

Post-retirement medical benefit

The group operates an unfunded post-retirement medical aid benefit for permanent employees who joined the group prior to 1 February 1999 and agency staff who joined prior to 1 March 2005.

As at 31 December 2013, the Liberty post-retirement medical aid benefit liability was R375 million (2012: R371 million).

Defined benefit retirement funds

The group operates a number of defined benefit pension schemes on behalf of employees. All these funds are closed to new membership and are well funded with no deficits reported.

Capital commitments

as at 31 December 2013

	2013 Rm	2012 Rm
Equipment, fixtures, furniture and motor vehicles	**563**	551
Investment and owner-occupied property	**3 544**	1 937
Total capital commitments	**4 107**	2 488
Under contracts	**435**	838
Authorised by the directors but not contracted	**3 672**	1 650

The group's share of commitments of joint ventures amounts to R9 million (2012: R4 million) and is to be financed by the existing facilities in the joint venture operations.

The above 2013 capital commitments will be financed by available bank facilities, existing cash resources, internally generated funds and R218 million (2012: R198 million) from non-controlling interests in unincorporated property partnerships.

Related parties
for the year ended 31 December 2013

The following selected significant related party transactions have occurred in the 2013 financial period:

Standard Bank Group Limited and any subsidiary (excluding Liberty) is referred to as Standard Bank in the context of this section.

1) Summary of movement in investment in ordinary shares held by the group in the group's holding company is as follows:

	Number '000	Fair value Rm	Ownership %
Standard Bank Group Limited			
Balance at 1 January 2013	**7 749**	**922**	**0,49**
Purchases	**3 202**	**380**	
Sales	**(3 889)**	**(460)**	
Fair value adjustments		**72**	
Balance at 31 December 2013	**7 062**	**914**	**0,44**

2) Bancassurance

The Liberty group has extended the joint venture bancassurance agreements with the Standard Bank group for the manufacture, sale and promotion of insurance, investment and health products through the Standard Bank's African distribution capability. New business premium income in respect of this business in 2013 amounted to R7 630 million (2012: R5 984 million). In terms of the agreements, Liberty's group subsidiaries pay joint venture profit shares to various Standard Bank operations. The amounts to be paid are in most cases dependent on source and type of business and are paid along geographical lines. The total combined net profit share amounts accrued as payable to the Standard Bank group for the year to 31 December 2013 is R868 million (2012: R775 million).

The bancassurance agreements are evergreen agreements with a 24-month notice period for termination, but neither party could have given notice of termination until February 2014. As at the date of the approval of this integrated annual report, neither party had given notice.

A binder agreement has been entered into with Standard Bank effective from 31 December 2012. The binder agreement is associated with the administration of policies sold under the bancassurance agreement, and shall remain in force for an indefinite period with a 90 day notice period for termination. Fees accrued for the year to 31 December 2013 is R94 million.

In December 2013 Liberty Group Limited, a 100% held subsidiary of Liberty, issued 5 000 cumulative, participating, non-controlling redeemable preference shares for a total value of R5 million to The Standard Bank of South Africa Limited in order to facilitate the payment of profit shares under the bancassurance agreement. This followed the discontinuance of business in Liberty Active Limited, which previously was contracted to make payment.

3) Sale and repurchase agreements

As described in the accounting policies of this section, the group has entered into certain agreements of sale and repurchase of financial instruments as part of the group's asset/liability matching processes.

A total of R7,5 billion in assets have been traded with Standard Bank under a repurchase agreement with various repurchase dates to 13 January 2014 (at 31 December 2013 open contracts totalled R1,1 billion). Finance costs recognised in respect of these agreements as at 31 December 2013 was R52 million, with total finance costs over the term of the various agreements totalling R54 million.

4) Purchases and sales of other financial instruments

In the normal course of conducting Liberty's insurance business, Liberty deposits cash with Standard Bank, purchases and sells financial instruments issued by Standard Bank and enters into derivative transactions with Standard Bank. These transactions are at arm's length and are primarily used to support investment portfolios for policyholders and shareholders' capital.

Financial instruments measurement

Financial instruments measurement analysis and fair value hierarchy

as at 31 December 2013

Designation per Financial Position Statement Rm	Measurement basis: Amortised cost (1)	Measurement basis: Financial soundness value (2)	Measurement basis: Fair value	Measurement basis: Total	Fair value hierarchy: Provided below	Fair value hierarchy: Not provided (3)
Assets						
Pledged assets			1 348	1 348	1 348	
Assets held for trading			6 387	6 387	4 956	1 431
Interest in joint ventures – measured at fair value			400	400	400	
Interest in associates - measured at fair value			15 361	15 361	15 361	
Financial instruments	1 214		277 829	279 043	277 829	
Prepayments, insurance and other receivables			3 841	3 841		3 841
Cash and cash equivalents			9 870	9 870		9 870
Properties (investment and owner-occupied)			30 024	30 024	30 024	
Total financial instrument assets	1 214		345 060	346 274	329 918	15 142
Fair value of amortised cost assets	1 091					
Liabilities						
Investment contracts with discretionary participation features		9 056		9 056		
Financial liabilities under investment contracts			74 146	74 146	74 146	
Financial liabilities at amortised cost	3 167			3 167		
Third party financial liabilities arising on consolidation of mutual funds			39 983	39 983	39 983	
Derivative liabilities			4 860	4 860	4 860	
Insurance and other payables			9 716	9 716		9 716
Total financial instrument liabilities	3 167	9 056	128 705	140 928	118 989	9 716
Fair value of amortised cost liabilities	3 110					

(1) Amortised cost

The R1 214 million financial instrument asset relates to policyholder loans. The fair value has been determined by utilising a discounted cash flow model utilising discount rates ranging between 11,0% and 18,9%. The financial liabilities comprise subordinated notes of R3 069 million, non-controlling interests loan of R93 million and redeemable preference shares of R5 million. The fair value of these liabilities is R3 013 million, R92 million and R5 million respectively, using discount rates ranging between 7,2% and 8,3%.

(2) Financial soundness value

The financial soundness valuation methodology is described in SAP 104 issued by the Actuarial Society of South Africa. With regards to investment contracts with discretionary participation features, the group cannot reliably measure the fair value of the investment contracts with discretionary participation features (DPF). The DPF is a contractual right that gives investors in these contracts the rights to receive supplementary discretionary returns through participation in the surplus arising from the assets held in the investment DPF fund. These supplementary returns are subject to the discretion of the group. Given the discretionary nature of these investments returns and the absence of an exchange market in these contracts, there is no generally recognised methodology available to determine fair value. These instruments are issued by the group and the intention is to hold the instruments to full contract term.

(3) Fair value hierarchy not provided

The fair value of prepayments, insurance and other receivables, cash and cash equivalents and insurance and other payables approximate their carrying value and are not included in the hierarchy table as their settlement terms are short-term and therefore from a materiality perspective fair values are not required to be modelled.

Fair value hierarchy of instruments measured at fair value
as at 31 December 2013

The information below analyses assets and liabilities which are carried at fair value at each reporting period, by level of hierarchy as required by IFRS 7 and IFRS 13. The different levels in the hierarchy are defined below:

Level 1 – Values are determined using readily and regularly available quoted prices in an active market for identical assets or liabilities. These prices would primarily originate from the Johannesburg Stock Exchange, the Bond Exchange of South Africa or an international stock or bond exchange.

Level 2 – Values are determined using valuation techniques or models, based on assumptions supported by observable market prices or rates either directly (that is, as prices) or indirectly (that is, derived from prices) prevailing at the financial position date. The valuation techniques or models are periodically reviewed and the outputs validated.

Level 3 – Values are estimated indirectly using valuation techniques or models for which one or more of the significant inputs are reasonable assumptions (that is unobservable inputs), based on market conditions.

The table below analyses the fair value measurement of applicable assets by level:

Rm	Level 1	Level 2	Level 3	Total
2013				
Equity instruments	**111 639**	**6**	**728**	**112 373**
Listed ordinary shares on the JSE	**78 702**			**78 702**
Foreign equities listed on an exchange other than the JSE	**32 937**			**32 937**
Unlisted equities		**6**	**328**	**334**
Interests in joint ventures – measured at fair value			**400**	**400**
Debt instruments	**65 527**	**21 218**	**238**	**86 983**
Preference shares listed on the JSE or foreign exchanges	**1 928**			**1 928**
Unlisted preference shares		**1 012**	**238**	**1 250**
Listed term deposits[1] on BESA, JSE or foreign exchanges	**63 599**	**2 830**		**66 429**
Unlisted term deposits[1]		**17 376**		**17 376**
Mutual funds[2]	**249**	**68 731**	**246**	**69 226**
Active market	**249**	**66 555**		**66 804**
Property		**1 747**		**1 747**
Equity	**249**	**20 257**		**20 506**
Interest-bearing instruments		**14 551**		**14 551**
Mixed		**30 000**		**30 000**
Non-active market		**2 176**	**246**	**2 422**
Equity		**2 176**	**90**	**2 266**
Mixed			**156**	**156**
Investment policies		**26 356**		**26 356**
Derivatives		**4 956**		**4 956**
Equity		**1 227**		**1 227**
Foreign exchange		**17**		**17**
Interest rate		**3 712**		**3 712**
Properties (investment and owner-occupied)			**30 024**	**30 024**
Assets subject to fair value hierarchy analysis	**177 415**	**121 267**	**31 236**	**329 918**
Comprising:				
Held-for-trading		**4 956**		**4 956**
Designated as at fair value through profit or loss	**177 415**	**116 311**	**1 212**	**294 938**
Properties measured at fair value			**30 024**	**30 024**
Total assets carried at fair value	**177 415**	**121 267**	**31 236**	**329 918**

[1] *Term deposits include instruments which have a defined maturity date and capital repayment. These instruments are by nature interest bearing at a predetermined rate, which is either fixed or referenced to quoted floating indices.*

[2] *Mutual funds are categorised into property, equity or interest-bearing instruments based on a minimum of 80% of the underlying asset composition of the fund by value being of a like category. In the event of "no one category meeting this threshold" it is classified as mixed assets class.*

There have been no transfers between Level 1, 2 or 3 during the period.

Financial instruments measurement (continued)

The table below analyses the fair value measurement of applicable financial instrument liabilities which are all categorised as level 2:

	2013 Rm
Liabilities	
Long-term investment contract liabilities	**74 146**
Third party financial liabilities arising on consolidation of mutual funds	**39 983**
Derivatives	**4 860**
Total financial instrument liabilities carried at fair value	**118 989**
Comprising:	
Held-for-trading	**4 860**
Fair value through profit or loss	**114 129**
Total financial instrument liabilities carried at fair value	**118 989**

There were no transfers between levels 1, 2 and 3 during the period.

Reconciliation of level 3 assets

The table below analyses the movement of level 3 assets (investment and owner-occupied property and financial instruments) for the year under review:

	2013 Rm
Balance at 1 January 2013	**29 791**
Fair value adjustment recognised in profit or loss as part of investment gains/(losses) [1]	**2 518**
Fair value adjustment recognised in other comprehensive income	**28**
Foreign currency translation	**37**
Additions	**1 752**
Disposals	**(2 890)**
Balance at 31 December 2013	**31 236**
Investment and owner-occupied properties	30 024
Financial instruments – equity and mutual funds	974
– debt	238

[1] *Included in the fair value adjustment is a R2 409 million unrealised gain.*

Investment and owner-occupied property

Investment properties (including owner-occupied properties) fair values were derived by determining sustainable net rental income, to which an appropriate capitalisation rate is applied. Capitalisation rates are adjusted for occupancy levels, age of the building, location and expected future benefit of recent alterations.

The capitalisation rates applied at 31 December 2013 range between 7,0% to 11,0%. This compares to the ten year government yield of 8,14%. The non-observable adjustments included in the valuation can therefore be referenced to the variance to the ten year government rate.

The table below indicates the sensitivity of the aggregate market values for a 0,5% change in the capitalisation rate. It should be noted that as both the investment and the owner-occupied properties are entirely linked to policyholder benefits and consortium non-controlling interests there is no impact to group ordinary shareholder comprehensive income or equity for any changes in the fair value measurement.

2013	Rm	Change in capitalisation rate 0,5% increase	0,5% decrease
Properties between 7,0 – 9,0% capitalisation rate	**22 550**	**21 083**	**24 237**
Properties between 9,1 – 11,0% capitalisation rate	**7 474**	**7 072**	**7 919**
Total	**30 024**	**28 155**	**32 156**

Valuation techniques used in determining the fair value of assets and liabilities classified within level 2

Instrument	Valuation basis/techniques	Main assumptions
Unlisted preference shares	Discounted cash flow model (DCF)	Bond and interbank swap interest rate curves Agreement interest rate curves Issuer credit ratings Liquidity spreads
Unlisted term deposits and illiquid listed term deposits	DCF	Bond and interbank swap interest rate curves Issuer credit ratings Liquidity spreads
Mutual funds	Quoted put (exit) price provided by the fund manager	Price – not applicable Notice period – bond interest rate curves
Investment policies	Quoted put/surrender price provided by the issuer, adjusting for any applicable notice periods (DCF)	Price – not applicable Bond interest rate curves
Derivative assets and liabilities	Option pricing models DCF	Volatility and correlation factors Bond and interbank swap interest rate curves Forward equity and currency rates
Policyholder investment contracts liabilities		
– Unit-linked policies	Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held	Not applicable
– Annuity certains	DCF	Bond and interbank swap interest rate curves Own credit/liquidity
Third party financial liabilities arising on the consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable

Financial instruments measurement (continued)

Valuation techniques used in determining the fair value of assets and liabilities classified within level 3

Instrument	Valuation basis/techniques	Main assumptions
Investment and owner-occupied properties	DCF	Capitalisation discount rate Price per square meter Long-term net operating income margin Vacancies Market rental trends (average net rental growth of between 2,3% – 2,5%) Economic outlook Location Hotel income trends/inflation based Hotel occupancy (range between 50% – 75%)
	Sale price (if held for sale)	Not applicable
Unlisted equities, including joint ventures – measured at fair value	DCF/earnings multiple	Cost of capital Bond and interbank swap interest rate curves Consumer price index Gross domestic product If a property investment entity, then assumptions applied are as above under investment and owner-occupied properties
	Recent arm's length transactions	Not applicable
Unlisted preference shares	DCF	Bond and interbank swap interest rate curves Agreement interest rate curves Issuer credit ratings Liquidity spreads
	Recent arm's length transactions	Not applicable

Level 3 – significant fair value model assumptions and sensitivities

Financial instrument assets

Equities and mutual funds R974 million – earnings multiples applied between 7 and 10 times.

Debt instruments R238 million – discount rates applied between 7% and 11%.

Approximately 57% of these assets are allocated to policyholder unit linked portfolios and therefore changes in estimates would be offset by equal changes in liability values.

The net shareholder exposure is approximately R519 million. Changes to discount rates and implied earnings multiples applied of 50bps would result in between positive R22 million to negative R20 million after taxation net impact to profit or loss and shareholder funds.

Group's valuation process

The group's appointed asset managers have qualified valuators that perform the valuations of financial assets and properties required for financial reporting purposes, including level 3 fair values. These valuations are reviewed and approved every reporting period by the group balance sheet committee. The committee is chaired by the group's executive director – finance and risk.

The fair value of level 3 instruments are determined using valuation techniques that incorporate certain assumptions that are not supported by prices from observable current market transactions in the same instruments and are not based on available observable market data. Such assumptions include the assumed risk adjusted discount rate applied to estimate future cash flows and the liquidity and credit spreads applied to debt instruments. Changes in these assumptions could affect the reported fair value of these financial instruments.

Summary of key judgements

As Liberty is predominantly a long-term insurer, there are broadly two dominant items within the group's financial position which require a degree of judgement when measured. These are assets held to provide contracted benefits, measured almost exclusively at fair value, and contracted liability obligations measured either at fair value or financial soundness value. Below is a summary of judgements applied in these measurements.

Fair value measurements

Fair value measurement is required for a number of the group's financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability that is not quoted in an active representative market, the use of market observable data is maximised. Fair values are categorised into different levels in a fair value hierarchy based on the source of inputs used in the valuation techniques and their materiality to the measurement value. Where inputs are material to the instrument and not observable to market participants, these assets or liabilities are categorised as level three in the hierarchy.

Owner-occupied and investment properties (including operating lease accrued income and accrued expenses)

Determination of fair value: Investment and owner-occupied properties are measured at fair value taking into account characteristics of the properties that market participants would take into account when pricing the property at measurement date. These include various inputs relating to existing tenant terms, location, vacancy levels and restrictions, if any, on the sale or use of the asset. The group makes judgement regarding the unit of account, i.e. whether it should be valued as a stand-alone property or as a group of properties. Determination of fair value for a non-financial asset also considers the current use of the property in terms of its highest and best use, taking into account the use of the asset that is physically possible, legally permissible and financially feasible. Management derived risk adjusted discount rates factor in liquidity and asset class risk. Given the number of management judgements applied in the valuation, these assets are considered to be level three in the hierarchy.

Financial assets and liabilities including held for trading or held for hedging assets and liabilities and interests in associates – measured at fair value

Fair value measurement: The group holds a number of financial assets and liabilities that are designated at fair value through profit or loss or that are classified as held for hedging. These are valued at quoted liquid market prices as far as possible. However, if such prices are unavailable, fair value is based on either internal valuations or management's best estimates of realisable amounts. The value of the instruments can fluctuate on a daily basis and consequently the actual amounts realised subsequently may differ materially from their value at the reporting date. Financial instruments that are measured using the most advantageous active market quoted prices are measured on the market's reported closing price at 31 December. The closing price is often the particular markets defined "ruling price" commonly accepted by market participants as a practical expediency to reflect exit price. Given the number of management judgements applied in the valuation of unqualified equity instruments most are considered to be level three in the hierarchy.

Policyholder liabilities under long-term insurance and investment contracts with discretionary participation features and related reinsurance assets

Liability and asset determination: Policyholder liabilities under insurance contracts and reinsurance assets are derived from actual claims submitted which are not settled at reporting date, and estimates of the net present value of future claims and benefits under existing contracts, offset by probable future premiums to be received or paid (net of expected service costs). The key assumptions relate to mortality, morbidity, withdrawal rates, and various market assumptions including interest rate yield curves and option price volatilities. Sensitivity analysis of these assumptions is provided on page 148.

Employee benefits – Defined benefit pension fund employer surplus and post-retirement employee benefit liabilities

Liability and asset determination: In deriving probable post-retirement employee benefit liabilities and recognised surpluses, various assumptions, for example mortality, medical cost trend rate and future salary increases, are required.

Offsetting

The group does not have any financial assets or financial liabilities that are currently subject to offsetting in accordance with IAS 32 *Financial Instruments: Presentation*.

However, of the gross derivatives assets recognised of R6 387 million (2012: R6 910 million) and gross derivative liabilities R4 860 million (2012: R6 098 million), derivative assets of R6 265 million (2012: R6 910 million) and derivative liabilities of R4 671 million (2012: R6 098 million) are subject to master netting arrangements, with a net exposure of R1 594 million (2012: R812 million).

Report of the independent auditors on the group equity value report

To the shareholders of Liberty Holdings Limited

We have audited the group equity value report of Liberty Holdings Limited for the year ended 31 December 2013 on pages 59 to 63, which has been prepared in accordance with the equity value basis set out in section 2 of the group equity value report. This report should be read in conjunction with the audited annual financial statements where the policyholder liabilities are determined in terms of International Financial Reporting Standards, which are contained in the annual financial statements and supporting information.

Directors' responsibility for the group equity value report

The company's directors are responsible for the preparation and presentation of the group equity value report in terms of the group equity value basis set out in section 2 of the group equity value report, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of the group equity value report that is free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the group equity value report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the group equity value report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the group equity value report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the group equity value report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the group equity value report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the group equity value principles used and the reasonableness of valuation estimates made by the directors, as well as evaluating the overall presentation of the group equity value report.

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

Opinion

In our opinion, the group equity value report has been prepared in all material respects in accordance with the basis set out in section 2 of the group equity value report.

Basis of accounting and restriction on use

Without qualifying our opinion, we draw attention to section 2 of the group equity value report, which describes the basis of accounting. The group equity value report is prepared to reflect the combined value of the various components of Liberty's businesses. As a result, the group equity value report may not be suitable for another purpose. Our report is intended solely for the directors of Liberty Holdings Limited and should not be used by any other parties. We agree to the publication of our report in the integrated annual report of Liberty Holdings Limited provided it is clearly understood by the recipients of the integrated annual report that they enjoy such receipt for information only and that we accept no duty of care to them in respect of our report.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: **V Muguto**
Registered auditor

Johannesburg
26 February 2014

Group equity value report

1. Introduction

Liberty presents a "group equity value" report to reflect the combined value of the various components of Liberty's businesses.

Section 2 below describes the valuation bases used for each reported component. It should be noted the group equity value is presented to provide additional information to shareholders to assess performance of the group. The total equity value is not intended to be a fair value calculation of the group but should provide indicative information of the inherent value of the component parts.

2. Component parts of the group equity value and valuation techniques used

Group equity value has been calculated as the sum of the various component parts:

2.1 South African covered business:

The wholly owned subsidiary, Liberty Group Limited, comprises the cluster of South African long-term insurance entities and related asset holding entities. The embedded value methodology in terms of Advisory Practice Note 107 issued by the Actuarial Society of South Africa continues to be used to derive the value of this business cluster described as "South African covered business". The embedded value report of the South African covered business has been reviewed by the group's statutory actuary. The full embedded value report is included in the Annual Financial Statements and Supporting Information.

2.2 Other businesses:

STANLIB	Valued using a 10 times (2012: 10 times) multiple of estimated sustainable earnings.
Liberty Properties	Valued using a 10 times (2012: 10 times) multiple of estimated sustainable earnings.
Liberty Health	As Liberty Health has yet to establish a history to support a sustainable earnings calculation, IFRS net asset value is applied.
Liberty Africa Insurance	Liberty Africa Insurance is an emerging cluster of both long and short-term insurance businesses located in various African countries outside of South Africa. A combination of valuation techniques including embedded value, discounted cash flow and earnings multiples have been applied to value these businesses. The combined value of this cluster is not material relative to the other components of group equity value and therefore a detailed analysis of this valuation has not been presented.
LibFin Credit	LibFin originates appropriate illiquid assets that provide acceptable illiquidity premiums. The value of this origination is reflected at a 10 times multiple of estimated sustainable earnings adjusting for related expenses and prudential margin.
Liberty Holdings	The net market value of assets and liabilities held by the Liberty Holdings Limited company excluding investments in subsidiaries valued separately.

2.3 Other adjustments:

These comprise the fair value of share options/rights allocated to staff not employed by the South African covered businesses and allowance for certain shareholder recurring costs incurred in Liberty Holdings Limited capitalised at a multiple of 9 times (2012: 9 times).

Group equity value report (continued)

for the year ended 31 December 2013

3. BEE normalised group equity value

3.1 Analysis of BEE normalised group equity value

2013 Rm	SA covered business	Other businesses	Group funds invested	Adjustments	Net worth	Value of in-force: SA covered business	Total
SA insurance operations	**10 775**		**10 775**	**(5 350)**	**5 425**	**21 637**	**27 062**
Retail segment						**19 830**	
Corporate						**1 807**	
Value of in-force acquired	**150**		**150**	**(150)**			
Working capital and other assets	**4 145**		**4 145**	**(381)**	**3 764**		**3 764**
South African insurance operations	**15 070**		**15 070**	**(5 881)**	**9 189**	**21 637**	**30 826**
Other group businesses:							
STANLIB		**570**	**570**	**5 080**	**5 650**		**5 650**
South Africa		**396**	**396**	**4 854**	**5 250**		**5 250**
Other Africa		**174**	**174**	**226**	**400**		**400**
Liberty Properties		**50**	**50**	**350**	**400**		**400**
Liberty Health (including Total Health Trust)		**87**	**87**	**(87)**			
Liberty Africa Insurance		**488**	**488**		**488**		**488**
LibFin Credit				**650**	**650**		**650**
Liberty Holdings		**1 389**	**1 389**	**(47)**	**1 342**		**1 342**
Cost of required capital						**(1 566)**	**(1 566)**
Net equity as reported under IFRS	**15 070**[(1)]	**2 584**	**17 654**	**65**	**17 719**	**20 071**	**37 790**
BEE preference funding	**905**		**905**		**905**		**905**
Allowance for future shareholders costs		**(247)**	**(247)**		**(247)**	**(1 970)**	**(2 217)**
Allowance for employee share options/rights	**(236)**	**(175)**	**(411)**		**(411)**		**(411)**
BEE normalised equity value	**15 739**	**2 162**	**17 901**	**65**	**17 966**	**18 101**	**36 067**
Summary of adjustments:							
Negative rand reserves	**(5 350)**		**(5 350)**				
Deferred acquisition costs	**(513)**		**(513)**				
Deferred revenue liability	**185**		**185**				
Internally generated software	**(53)**	**53**					
Carrying value of in-force business acquired	**(150)**		**(150)**				
Fair value adjustment of non SA covered business		**5 993**	**5 993**				
Liberty Health loan impairment		**(100)**	**(100)**				
	(5 881)	**5 946**	**65**				

(1) *Reconciliation to SA covered business net worth*	
Net equity of SA covered business as reported under IFRS	***15 070***
Adjustments as above	***(5 881)***
Allowance for employee share options/rights	***(236)***
BEE preference share funding	***905***
Net worth	***9 858***

2012 Rm	SA covered business	Other busi-nesses	Group funds invested	Adjust-ments	Net worth	Value of in-force: SA covered business	Total
SA insurance operations	9 424		9 424	(4 796)	4 628	20 268	24 896
Retail segment						18 589	
Corporate						1 679	
Value of in-force acquired	230		230	(230)			
Working capital and other assets	3 535		3 535	(416)	3 119		3 119
South African insurance operations	13 189		13 189	(5 442)	7 747	20 268	28 015
Other group businesses:							
STANLIB		359	359	4 588	4 947		4 947
South Africa		262	262	4 438	4 700		4 700
Other Africa		97	97	150	247		247
Liberty Properties		45	45	355	400		400
Liberty Health (including Total Health Trust)	41	186	227		227		227
Liberty Africa Insurance	40	336	376		376	33	409
LibFin Credit				500	500		500
Liberty Holdings		1 214	1 214	37	1 251		1 251
Cost of required capital						(1 477)	(1 477)
Net equity as reported under IFRS	13 270[(1)]	2 140	15 410	38	15 448	18 824	34 272
BEE preference funding	1 012		1 012		1 012		1 012
Allowance for future shareholders costs		(236)	(236)		(236)	(1 785)	(2 021)
Allowance for employee share options/rights	(305)	(218)	(523)		(523)		(523)
BEE normalised equity value	13 977	1 686	15 663	38	15 701	17 039	32 740
Summary of adjustments:							
Negative rand reserves	(4 796)		(4 796)				
Deferred acquisition costs	(439)		(439)				
Deferred revenue liability	165		165				
Internally generated software	(37)	37					
Carrying value of in-force business acquired	(230)		(230)				
Fair value adjustment of non SA covered business	(100)	5 443	5 343				
Impact of discounting on deferred tax asset	(5)		(5)				
	(5 442)	5 480	38				

(1) Reconciliation to SA covered business net worth	
Net equity of SA covered business as reported under IFRS	*13 270*
Adjustments as above	*(5 442)*
Allowance for employee share options/rights	*(305)*
BEE preference share funding	*1 012*
Net worth	*8 535*

Group equity value report (continued)
for the year ended 31 December 2013

3. BEE normalised group equity value (continued)

3.2 Analysis of value of long-term insurance, new business and margins

	2013 Rm	2012 Rm
South African covered business:		
Retail segment	**1 580**	1 420
Traditional life	**1 387**	1 208
Direct channel	**91**	84
Credit life	**102**	128
Corporate	**141**	110
Gross value of new business	**1 721**	1 530
Overhead acquisition costs impact on value of new business	**(833)**	(782)
Cost of required capital	**(82)**	(88)
Net value of South African covered new business	**806**	660
South African life licences	**806**	655
Liberty Africa Insurance subsidiaries		5
Present value of future expected premiums	**37 753**	33 510
Margin	**2,1%**	2,0%
Liberty Africa Insurance:		
Net value of new business	**33**	31
Present value of future expected premiums	**362**	311
Margin	**9,1%**	10,0%
Total group net value of new business	**839**	691
Total group margin	**2,2%**	2,0%

3.3 BEE normalised group equity value earnings and value per share

Rm	2013 SA covered business	2013 Other busi-nesses	2013 Total	2012 SA covered business	2012 Other busi-nesses	2012 Total
BEE normalised equity value at the end of the year	**27 959**	**8 108**	**36 067**	25 574	7 166	32 740
Equity value at the end of the year	**27 054**	**8 108**	**35 162**	24 562	7 166	31 728
BEE preference shares	**905**		**905**	1 012		1 012
Adjustments from group restructure	**(6)**	**6**				
Capital transactions		**15**	**15**		389	389
Funding of restricted share plan	**87**	**(87)**		87	(87)	
Intergroup dividends	**1 653**	**(1 653)**		1 701	(1 701)	
Dividends paid		**1 939**	**1 939**		1 396	1 396
BEE normalised equity value at the beginning of the year	**(25 574)**	**(7 166)**	**(32 740)**	(23 185)	(5 454)	(28 639)
Equity value at the beginning of the year	**(24 562)**	**(7 166)**	**(31 728)**	(22 110)	(5 454)	(27 564)
BEE preference shares	**(1 012)**		**(1 012)**	(1 075)		(1 075)
BEE normalised equity value earnings	**4 119**	**1 162**	**5 281**	4 177	1 709	5 886
BEE normalised return on group equity value	**16,2%**	**16,1%**	**16,1%**	18,1%	33,7%	20,8%
BEE normalised number of shares (000's)			**286 057**			283 635
Number of shares in issue (000's)			**257 801**			256 440
Shares held for the employee restricted share scheme (000's)			**2 460**			1 399
Adjustment for BEE shares (000's)			**25 796**			25 796
BEE normalised group equity value per share (Rand)			**126,08**			115,43

3.4 Sources of BEE normalised group equity value earnings

Rm	2013 SA covered business	2013 Other businesses	2013 Total	2012 SA covered business	2012 Other businesses	2012 Total
Value of new business written in the year	**806**	**33**	**839**	660	31	691
Expected return on value of in-force business	**1 843**		**1 843**	1 763		1 763
Variances/changes in operating assumptions	**(14)**	**(53)**	**(67)**	37	(149)	(112)
Operating experience variances (including incentive outperformance)	**249**	**(15)**	**234**	131	(42)	89
Operating assumption changes	**(59)**	**(38)**	**(97)**	272	(107)	165
Changes in modelling methodology	**(204)**		**(204)**	(366)		(366)
Headline earnings of other businesses	**(48)**	**664**	**616**	(45)	547	502
Operational equity value profits	**2 587**	**644**	**3 231**	2 415	429	2 844
Non headline earnings adjustments		**(126)**	**(126)**	(2)	73	71
Development costs	**(53)**	**(29)**	**(82)**	(78)		(78)
Investment return on net worth	**1 089**	**182**	**1 271**	760	120	880
Investment variances	**1 030**		**1 030**	700		700
Change in economic assumptions	**(603)**		**(603)**	507		507
Increase in fair value adjustments on value of other businesses		**484**	**484**		1 163	1 163
Change in allowance for share options/rights	**69**	**7**	**76**	(125)	(76)	(201)
Group equity value earnings	**4 119**	**1 162**	**5 281**	4 177	1 709	5 886

Six year review

	2013	2012	2011	2010	2009	2008
Earnings performance						
BEE normalised headline earnings (Rm)[1]	**4 076**	3 688[3]	2 737	2 597	135	1 573
BEE normalised headline earnings per share (cents)[1]	**1 439,6**	1 300,1[3]	956,7	907,6	47,2	574,6
BEE normalised headline return on average IFRS equity (%)	**23,3**	24,0[3]	20,2	21,2	1,1	12,5
Solvency						
IFRS shareholders' funds (Rm)	**17 654**	15 410	13 211	11 716	10 515	11 633
CAR requirement Liberty Group Limited (Rm)[2]	**4 564**	2 791	2 495	2 688	2 542	3 020
CAR ratio Liberty Group Limited (times covered)[2]	**2,56**	2,71	2,89	2,67	2,81	2,66
Group equity value metrics						
BEE normalised group equity value (Rm)[1]	**36 067**	32 740	28 639	26 030	24 118	27 207
BEE normalised group equity value per share (Rand)[1]	**126,08**	115,43	100,15	91,01	84,32	95,12
BEE normalised group equity value profits (Rm)[1]	**5 281**	5 886	3 981	3 223	(1 777)	1 000
BEE normalised return on group equity value (%)[1]	**16,1**	20,8	15,3	13,4	(6,5)	3,7
Group embedded value of insurance new business written (Rm)	**839**	691	410	261	301	724
Long-term insurance new business margin (%)	**2,2**	2,0	1,4	1,2	1,3	2,6
Sustainability metrics (non-financial)						
Group employees	**10 098**	9 449	8 523	7 607	8 009	7 876
Salaried	**6 587**	6 281	5 752	5 318	5 564	5 334
Commission-remunerated	**3 511**	3 168	2 771	2 289	2 445	2 542
dti scorecard	**86.11**	89.32	85.70	75.03	69.19	n/a
Corporate social investment spend (Rm)	**45**	39	33	31	33	28
Taxes collected and paid on behalf of SA government (Rm)	**5 553**	4 816	3 197	3 416	2 626	2 394
CO_2 emissions (tonnes)	**46 781**	51 210	50 479	46 525	47 372	45 953
Customer complaint volumes (elevated to group level)	**3 181**	2 718	3 728	4 380	4 326	5 390
Share statistics						
Share price (Rand)						
Closing	**121,60**	111,17	79,48	72,50	69,20	62,46
High	**139,65**	116,01	88,50	82,33	75,25	76,67
Low	**108,43**	78,16	66,30	62,30	54,41	50,11
Total number of shares in issue at 31 December (millions)	**286**	286	286	286	286	286
Weighted average number of shares in issue (millions)	**283**	284	286	286	286	159
Distribution per ordinary share declared (cents)[1]	**581**	658	480	455	455	259
Distribution as a percentage of opening equity value (%)[1]	**5,0**	6,6	5,3	5,4	4,8	4,5
Market capitalisation (Rm)	**34 802**	31 817	22 747	20 737	19 793	17 864
JSE all share index	**46 256**	39 250	31 986	32 119	27 666	21 509
Life insurance index	**32 300**	25 578	17 642	15 213	13 865	9 390

(1) *Liberty Group Limited used as a comparative for 2008.*
(2) *2013 post Life Licence rationalisation.*
(3) *Restated for the change in accounting policy relating to the adoption of the amendments to IAS 19 Employee Benefits.*

	2013	2012	2011	2010	2009	2008
Insurance activities						
Long-term insurance new business[6] (Rm)						
Recurring premiums and inflows	**4 907**	4 451	3 727	3 210	3 217	3 437
Retail segment (South Africa)	**4 177**	3 797	3 086	2 722	2 921	2 966
Corporate	**575**	523	533	437	265	417
Liberty Africa	**155**	131	108	51	31	54
Single premiums and inflows	**20 414**	16 039	14 256	11 170	11 950	13 458
Retail segment (South Africa)	**18 237**	15 082	13 171	9 950	10 739	11 882
Corporate	**2 144**	892	1 053	1 051	1 202	1 567
Liberty Africa	**33**	65	32	169	9	9
Indexed new business (Rm)	**6 947**	6 055	5 152	4 327	4 412	4 782
Cash flows (Rm)						
Premium income and inflows	**47 845**	41 355	36 054	30 932	30 075	31 346
Claims and policyholder benefits	**(41 158)**	(36 454)	(31 716)	(31 205)	(28 808)	(34 207)
Net cash inflow/(outflow) (Rm)	**6 687**	4 901	4 338	(273)	1 267	(2 861)
Long-term:						
Retail segment (South Africa)	**6 111**	6 058	4 784	990	2 966	408
Corporate (including STANLIB Multi-Manager)	**(120)**	(1 795)	(770)	(1 536)	(1 776)	(3 319)
Liberty Africa	**325**	309	216	259	77	50
Short-term	**371**	329	108	14	n/a	n/a
Death and disability claims paid (Rm)	**6 738**	6 271	5 944	5 761	4 910	5 134
Annuity claims paid (Rm)	**4 480**	4 091	3 717	3 476	3 170	3 201
Retail SA maintenance costs per policy (Rand)						
– complex products[5]	**457,00**	439,00	415,69	363,25	333,50	315,65
Asset management activities						
Net cash flows (Rm)	**16 169**	14 327	(91)	22 179	2 755	13 374
STANLIB – South Africa	**21 662**	20 312	(5 488)	15 699	(1 572)	5 115
STANLIB – Other Africa	**(5 937)**	(5 985)	5 397	6 480	4 327	8 259
GateWay LISP	**444**					
Assets under management (Rbn)	**611**	528	455	442	396	337
STANLIB – South Africa	**476**	402	341	355	318	299
STANLIB – Other Africa	**38**	36	39	29	23	19
LibFin/other internal managers	**41**	32	25	10	n/a	n/a
Liberty Properties	**31**	35	27	25	22	19
Externally managed	**25**	23	23	23	33	n/a
Cost to income ratio (%)						
STANLIB – South Africa	**54,2**	54,2	54,0	54,7	51,6	50,3
Liberty Health						
Lives ('000)						
Under administration	**476**	519	498	528	460	267
Licenced on proprietary IT platforms	**940**	921	1 107	1 085	863	1 351
Insured under Liberty Blue product range[4]	**78**	84	68	33	17	n/a
Risk net claims loss ratio (%)	**68**	64	89	82	n/a	n/a

(4) *Liberty Health risk products applicable from 2009.*
(5) *Simple products are weighted either 25% or 50% of a complex product.*
(6) *Excluding annual contribution increases.*
n/a *Not reported or not applicable.*

Engaging our stakeholders

Sandton City's burgeoning success and intent to be a truly dominant centre saw the commencement of the second phase of development, trebling Sandton City's size from 30 000 square meters to 100 000 square meters of mall space, building additional offices, more parking and what would become the Sandton Sun hotel.

Knowledge
with its sleeves rolled up,
makes a difference,
changes realities

Managing our stakeholder relationships

Liberty relies on the contribution and support of various stakeholders for the continued success and sustainability of its business.

The full summary of stakeholders engagements is available at www.libertyholdings.co.za

Liberty builds and maintains strategic relationships with a broad range of stakeholders to enable proactive engagement, manage social expectations, minimise reputational risk and influence the business environment.

A range of channels and mechanisms are employed to gather stakeholder feedback. The frequency of engagement varies according to each stakeholder group and the particular issue at hand. Liberty's stakeholder management framework serves as a guide to each individual business unit, on how to undertake stakeholder engagement activities appropriate to their particular areas and consistent with Liberty's brand ethos.

Managing our stakeholder relationships (continued)

Liberty's stakeholders

The social, ethics and transformation committee (utilising the AA1000 SES principles) has identified ten key stakeholder groups which are depicted below along with their expectations when engaging with Liberty.

Employees

- Career and skill development
- Diverse and non-discriminatory work force
- Performance based remuneration

69

Suppliers

- Understanding of service level requirements
- Appropriate and timely settlement of accounts
- Encouragement of BEE in South Africa

87

Customers

- Products and services that meet their needs
- Delivery of contracted promise and a positive experience
- Fairness in all dealings with Liberty

88

Intermediaries

- Products and services that meet customer needs
- Training and support for products and services as well as regulatory obligations
- Fair remuneration

88

Media

- Understand Liberty's brand ethos and business strategy
- Access to company spokespersons
- Provide balanced views of Liberty's performance and market conduct

91

Communities

- Identify with Liberty's brand ethos
- Understand the value of Liberty's products and services
- Obtain support for community upliftment initiatives

92

Trustees of various retirement and medical schemes

- Delivery of the Liberty contracted promise to members
- Comprehensive administration and governance support
- Transparency of required information

93

Government

- Embrace, adopt and support pension and social reform
- Apply fair business practices
- Comply with tax regulation and proactively engage on tax reform

94

Regulatory bodies and industry associates

- Treat customers fairly
- Adhere to regulations
- Hold sufficient capital to ensure a high probability of delivering the customer promise

94

Liberty shareholders, investors and analysts

- Relevant and timely reporting on performance and queries
- Sustainable and attractive returns on capital invested
- Excellence in governance and risk management

96

Engagements governed by:

- Specific contracts
- Societal responsibilities
- Regulation

Highlights

- Extensively engaged key government departments and officials around developments within South Africa's regulatory landscape
- Successful implementation of the stakeholder engagement framework
- Completed a stakeholder sentiment survey which indicated a positive perception of Liberty's engagements

Looking ahead

- A dedicated focus on building key relationships with government
- Support government's quest of implementing the National Development Plan
- Active involvement in regulatory reforms
- Ongoing development of internal networks to support stakeholder engagement activities and strategy development

Liberty's people

Liberty's employees play a critical role in realising the company's strategic vision of being the trusted leader in insurance and investments in Africa and other chosen markets.

The board recognises that a long-term view of human capital is required in order to effectively support the sustainability of the group. Accordingly, investment in Liberty employees' career management, skills development and empowerment remain key focus areas.

The group engages with its employees through several mechanisms, including direct interactions between staff and line managers, the intranet, communication emails, the internal TV network, the printed magazine, quarterly sessions with group executives and the biennial employee attitudinal survey.

The biennial group-wide employee attitudinal survey gauges satisfaction and highlights any concerns. 79% of the group's permanent employees participated in the 2013 employee attitudinal survey. Survey data is analysed by an external party to ensure that anonymity and confidentiality of respondents is not compromised.

The overall satisfaction rating improved to 69% (2011: 67%), which is considered to be good, indicating wide spread positive employee attitudes.

Areas that have been identified for further development include career development and aspects of employee remuneration structures. SET with management are addressing these areas.

Profile of South African staff

	2013	2012
Management	**149**	144
Professionally qualified	**1 346**	1 284
Skilled	**2 724**	2 640
Semi skilled	**1 455**	1 386
Unskilled	**184**	202
Tied agents	**3 057**	2 754
Total	**8 915**	8 410
Female representation	**57%**	56%
Black [1] – management	**44%**	42%
– other categories	**75%**	73%
Voluntary staff turnover	**11,6%**	10,3%

[1] *African, Indian or Coloured.*

Notable 2013 engagement activities

- Achieved an improved overall employee rating in the 2013 employee attitudinal survey
- Invested R40,4 million in providing training and development for employees
- Implemented a leadership 360 degree assessment process for senior leaders
- 2013 employment equity plan targets met and the 2014 employment equity plan submitted
- Established business unit employment equity forums to support Liberty's employment equity process

South African 2013 voluntary staff turnover of 11,6% is slightly above the group target of 11,0%. Total staff turnover is 12,3%. The group ensures that succession bench strength is available, representing the full demographic profile, in the event of staff turnover affecting key roles.

Career and skill development

Liberty's job architecture and career framework project is designed to enable better decision making for recruitment, development, performance management, remuneration and succession planning. As a part of the project, the estimated total number of roles to be profiled was 612 and as at 31 December 2013, 84% job profiles were completed with the remainder expected to be completed early in 2014.

The group's talent management framework identifies three categories of high-performing staff, namely critical skills, leadership talent and young talent and has assisted management in providing appropriate support to facilitate retention and succession planning.

Liberty's people (continued)

Creating an environment in which staff can learn and grow ensures that a sustainable talent pipeline is maintained and a knowledge-based culture is reinforced. The total amount invested in training, through various training programmes during 2013, was R40,4 million (restated 2012: R39,5 million). Of the total training expenditure, 45% was spent on training at the skilled technical occupational level. 80% of total staff who attended training were Black (restated 2012: 83%). Liberty provides induction training for all new employees, which covers ethics and fraud prevention. Furthermore, training for tied agents emphasises sales skills and product knowledge.

Liberty encourages skills development through its bursary programme, designed to assist employees in developing their careers within the group. Liberty granted 774 bursaries (2012: 1 044) in helping employees to gain a wide range of qualifications associated with career advancement in the group. The number of bursaries granted is dependent on the number of staff applying for bursaries and the group's operational requirements. The group also paid actuarial bursaries to nine students (2012: five students).

A leadership 360 degree assessment for all senior managers was implemented in 2013. This assessment provides individuals and teams with constructive feedback from those they work with, and aligns management to Liberty's adopted leadership behaviours.

Diverse and non-discriminatory work force

Liberty seeks to have a work force that reflects the diversity of the population in the jurisdictions in which it operates. This philosophy, drawn from the South African Constitution, guides the company's commitment to embedding diversity throughout its ranks. Liberty adheres to the Employment Equity Act of 1998, the dti Codes of Good Practice and the Financial Sector Code in South Africa. Liberty's transformation vision is embedded in the organisation through the group's employment equity plan.

Liberty's employment equity plan contains both numerical targets, affirmative action and annual internal stretch targets, which are measured in executive management key performance indicators. Since 2009, the South African Department of Labour's targets and the group's internal stretch targets have been met each year.

In 2013, Liberty exceeded employment equity targets across all occupational categories, reflecting good progress. However, the revised higher thresholds within the dti Codes of Good Practice have had the visible effect of reducing the equity rating of the group to 9,40 in 2013 (2012: 11,20). Of the 866 new South African appointments in 2013, 89% were Black candidates with half of these appointments representing the African race group. Over 750 of these appointments were female with more than half of these appointments being black candidates.

Increased focus is, however, required to improve representation of people living with disabilities, as well as females, across all occupational levels. The employment equity plan is also urgently addressing the under representation of black employees at senior and professionally qualified levels, which is a common feature of the South African financial services sector.

Liberty's talent management and career development frameworks are closely aligned to the group's transformation objectives. Learning and development initiatives to address the development of black and senior female staff require significantly higher budget allocations in 2014.

Performance based remuneration

The realisation of the group's vision requires a high performance work culture. As such, Liberty's recently adopted remuneration philosophy is to ensure that, as far as possible, its employees and shareholder interests are aligned. In recent years, this resulted in a restructuring of employee packages to increase the proportion of variable remuneration linked to performance. The 2013 employee attitudinal survey has highlighted, however, a possible concern that guaranteed pay is declining in real terms. This is being analysed by the SET and the group's remuneration committee.

All staff receive pre-agreed performance objectives and their performance against these objectives is formally assessed twice a year.

Looking ahead

Liberty will continue to focus on creating a diverse and inclusive culture as part of the transformation journey, specifically addressing senior female and disabled representation through identified strategies and initiatives.

The group aims to make communication regarding remuneration practices more transparent to assist in addressing employee perceptions and to attend to any areas where discrepancies may exist.

Remuneration committee chairman's overview

As mentioned in my letter last year, management and I engaged with a sample of shareholders on our draft 2013 Remuneration Policy in January 2013. Following some amendments to the policy, I am pleased to record that a comprehensive majority of shareholders endorsed the group's remuneration policy at the AGM in May 2013. Shareholders were also asked to vote specifically on the increase in the vesting periods on new issues of long term incentive awards to three, four and five years, which was approved. The committee aims to continue to balance detailed disclosure, in a simplified manner, whilst maintaining a competitive position in terms of remuneration practice.

I believe that the Liberty remuneration policy continues to support company performance, encourages the sustainable financial health of the business and promotes sound risk management. The policy is continuously reviewed against market trends as well as remuneration guidelines such as those contained in King III and the Association of British Insurers (ABI).

During 2013 the committee investigated a number of local and global market trends but specifically reviewed:

- Additional long-term incentive awards for delivering financial outperformance;
- Total Shareholder Return (TSR) as an additional performance hurdle; and
- Minimum share ownership requirements for key executives.

The committee decided not to add an outperformance element to the long-term schemes as it is satisfied that the short-term scheme rewards outperformance sufficiently and TSR will not be introduced as we are confident that the performance measures currently in use are appropriate to our business. The committee will however investigate the concept of minimum shareholdings for key executives for the 2015 financial year.

The committee also kept abreast of the regulatory environment and the impact that developments may have on remuneration, the work is ongoing and includes:

- Retirement reform legislation;
- Solvency Assessment and Management implementation;
- Treating Customers Fairly; and
- The Protection of Personal Information Act.

Discussions were held with Liberty's majority shareholder on its experience in remuneration issues in the rest of Africa and best practice in terms of paying expatriates. Subsequently Liberty has enhanced its expatriate remuneration policy to ensure that it is competitive and market related.

With the leadership changes effective 1 March 2014, as detailed in the Chairman's letter to shareholders, the relevant executive directors' total annual remuneration was reviewed in line with their new responsibilities to ensure market competitiveness but within our approved policy. Bruce Hemphill received an annual award of Liberty Holdings restricted shares for the 2013 financial year's performance. These shares will still be subject to the Liberty vesting conditions over the holding period and we believe it will ensure Bruce's personal alignment to Liberty in his new role at Standard Bank. The cost of these shares will be borne by Standard Bank.

The total remuneration (salary, short- and long-term incentives) for 2013 increased by 9% to R3,1 billion from the prior year, which includes a head count increase of 5% (306 people). The committee views this increase as not being excessive given the improvement in performance from the prior year, inflation and the head count increase which is considered necessary to deliver on the group's growth strategy.

The 2014 fees for non-executive directors have been reviewed based on benchmarking with the 50th percentile, medium cap, financial services, JSE listed companies and the majority of member and committee fees have been adjusted in line with inflation. A significant adjustment has however been made to the fees paid to the remuneration committee members and chairman in order to align these fees closer to the 50th percentile market comparison. The fees paid to the lead independent director and the members of the directors' affairs committee were adjusted to reflect the increased importance of their activities and the resultant increase in responsibility and time spent by such directors. These fees will be presented for shareholder approval at the 2014 AGM.

Looking forward, the committee will continue to ensure that the remuneration policy supports the delivery of the business strategy and supports sustainable growth in returns to shareholders whilst retaining an appropriate risk profile. The committee does not foresee material changes to the remuneration policy in 2014 and I recommend the remuneration report to shareholders for their advisory vote at the 2014 AGM.

Angus Band

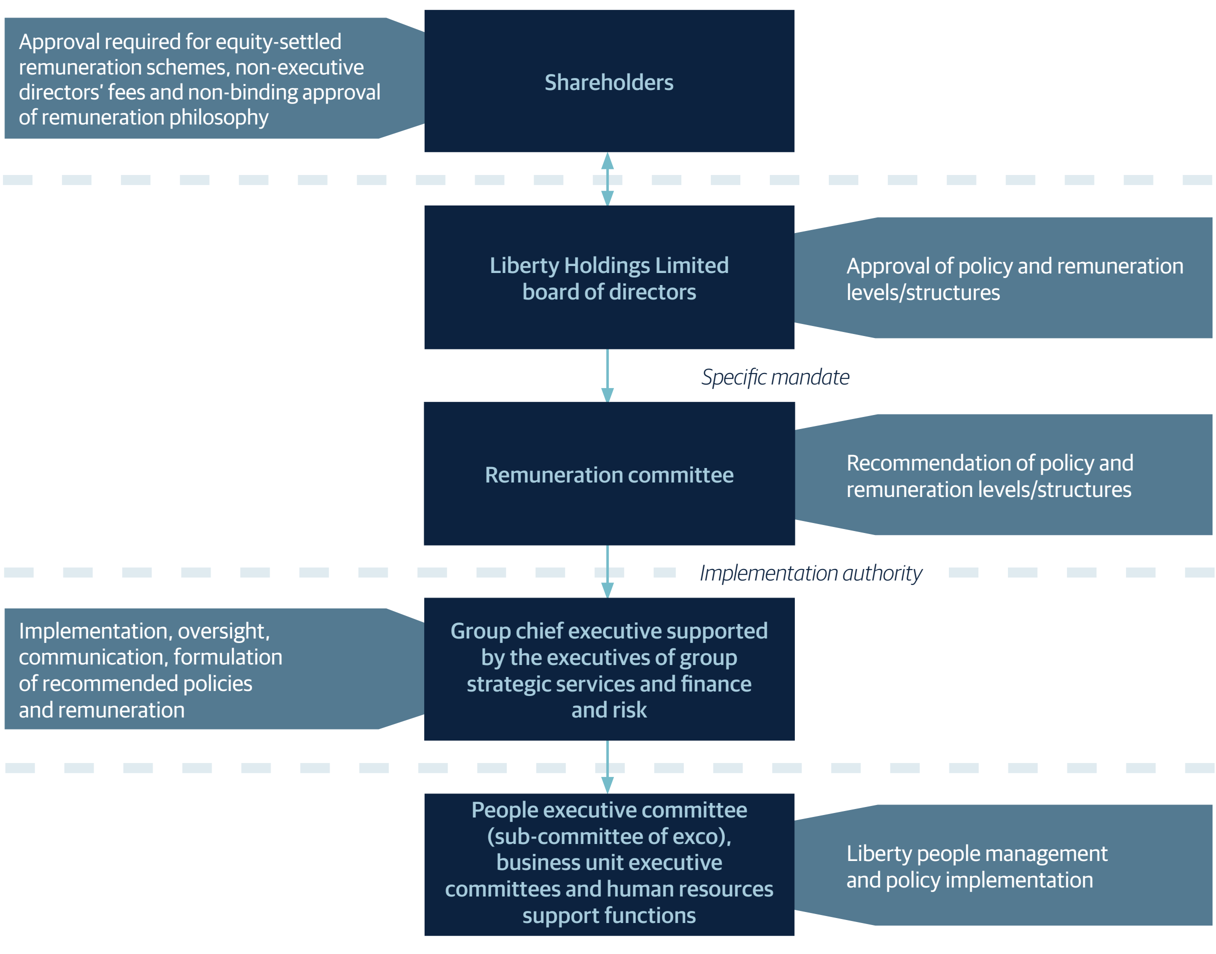
10 March 2014

Remuneration of Liberty's people

Shareholders were actively engaged at the beginning of 2013 to gather insights and suggestions related to Liberty's remuneration practices. No material concerns were raised. A number of legislative changes and their potential impact on remuneration practices were considered. This work is ongoing and includes Solvency Assessment and Management implementation, Treating Customers Fairly, The Protection of Personal Information Act and the proposed retirement reform legislation. Simplicity in remuneration structures and detailed, easy to understand remuneration disclosure remained a focus in 2013.

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:



Overview of the remuneration committee (remco)

The primary purpose of the 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, Standard Bank 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 and they are empowered in all aspects of human resource management. They are assisted by dedicated human resource experts and sub-committees which focus on specific issues. The remco is provided with reports and assistance from the group human resource function, enabling oversight to assess the effectiveness of and the implementation of policies. The key objective being 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.

Responsibilities and meetings

The members of the remco, their meeting attendance summary and responsibilities are summarised in the governance section.

Shareholder approvals at the 2013 annual general meeting (AGM)

At the May 2013 AGM, a comprehensive majority of shareholders endorsed the group's remuneration policy. Approval was also given for the increase of vesting periods from two, three and four years to three, four and five years on new issues of awards in the primary long-term incentive scheme, housed within the Liberty Holdings group restricted share plan.

Directors

Details of the Liberty Holdings Limited directors' remuneration and policy are given in the Governance section.

Summary of remuneration policy, structure and processes

The remuneration summary that follows aims to provide details of the group's remuneration policy and how it is applied to the various groupings of employees. Liberty adopts a "pay for performance" culture and significant detail has been provided on the variable remuneration components.

Remuneration policy

Liberty's remuneration policy ensures as far as possible that its employee and shareholder interests are aligned. Engagement with shareholders continued during 2013 with specific focus on minority shareholders. The 2013 remuneration disclosure has been appropriately enhanced by taking account, where practical, of suggestions received from all shareholders. 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 total remuneration package 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.

Remuneration of Liberty's people (continued)

Remuneration structure

The remuneration structure is designed to attract, motivate and retain talented people at all levels of the organisation in a highly competitive environment. The remuneration package is geared to the employee's level of influence and role complexity in the group. 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. Service agreements are not offered and notice periods do not exceed three months.

Benchmarking

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. Market surveys form the base to guide appropriate remuneration structures. Benchmarking in particular to other major South African insurers and listed companies in the financial services industry is completed and reviewed at the end of the year to track market movement and to influence relevant salary scales for the following year. Ad hoc surveys are undertaken where there are indications of significant shifts in remuneration structures or levels in the market or new areas of business are developed.

Remuneration practices of group subsidiaries that operate in other African countries (other than South Africa)

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.

Guaranteed remuneration

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

The primary role of variable remuneration is to reward out-performance 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.	In most cases benchmarked 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 short-term incentive award comprising cash and deferred amounts.	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. 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 incentive award	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.

Remuneration of Liberty's people (continued)

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	✓	✓

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 shareholder investment portfolio and unhedgeable components of asset/liability mismatches. This measurement was chosen given its relevance to those earnings that managements' performance tends to influence.

- *Return 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.

- *LibFin Shareholder Investment Portfolio (SIP) – gross return (10% weighting)*

  This measure reflects the under or over performance of the SIP compared to set 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.

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).

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 KPI's. 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.

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

	Senior management (excluding risk, compliance and technical specialists) % of annual salary package	Senior management fulfilling risk and compliance roles % of annual salary package	Senior management fulfilling technical specialised roles % of annual salary package
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 out-performance	Maximum of 20% for on target[1] measure – scaled for under- or out-performance	Maximum of 15% for on target[1] measure – not scaled
Financial scale: **1. Below minimum threshold** **2. Above minimum threshold**	Yes 1. Nil award 2. Bonus increases in line with proportional scale	Yes 1. Nil award 2. Bonus increases in line with proportional scale	No 1. Nil award 2. 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 utilising a base level adjusted for percentages of profit growth 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 LTI-2 and LTI-4 on pages 79 and 80.

Remuneration of Liberty's people (continued)

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 predetermined key performance targets.

Deferral

The above short-term incentive 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.

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.

Summary of long-term incentive schemes (LTIs)

Incentive scheme	Reference
Current	
Liberty Holdings group restricted share plan (long-term)	LTI-1
Liberty Holdings group restricted share plan (deferred plan)	LTI-2
Liberty Equity Growth	LTI-3
STANLIB deferred bonus	LTI-4
Business unit long-term	LTI-5
Legacy	
Share unit rights plan	LTI-6
2010 Liberty deferred bonus	LTI-7
Phantom share	LTI-8
Black Managers' Trust	LTI-9
Liberty Group Share Incentive	LTI-10
Liberty Life Equity Growth	LTI-3

LTI-1, LTI-2, LTI-3, LTI-9 and LTI-10 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.

The Black Managers' Trust is closed to new participants.

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

It is intended that this long-term plan will be utilised by the remco for selected executives mainly as a retention mechanism, fully aligning the key decision-makers with shareholder interests.

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. The executive is entitled to receive dividends during the vesting period. Specific details are as follows:

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: • 2 years – 33⅓% (no performance condition) • 3 years – 33⅓% (no performance condition) • 4 years – 33⅓% (performance condition)	Awards granted after 28 February 2013: • 3 years – 33⅓% (performance condition) • 4 years – 33⅓% (performance condition) • 5 years – 33⅓% (performance condition)
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 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. Participants are entitled to receive dividends.

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; 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.		

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	• 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.

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 employee 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. The number of phantom rights were calculated as the number of share options/rights outstanding, multiplied by R3,60, divided by the average Liberty Group Limited share price over five days, starting 5 June 2006 (R73,81 per share). The vesting dates of these rights have been matched to the share options/rights in respect of which they were granted, with the earliest date being 11 August 2006, and can be exercised at the option of the employee over a maximum of a 12-year period from 12 June 2006. On exercise, Liberty Group Limited will compensate the employee in cash for the difference between strike price and the market price of a Liberty Holdings Limited share at the date of exercise. The phantom share scheme qualifies as a cash-settled scheme, as Liberty incurs a liability to the employee based on the price of Liberty Holdings Limited's shares.

LTI – 9 Black Managers' Trust

As part of the group's BEE transaction in 2004, 10 318 458 Liberty Holdings Limited ordinary shares (converted from Liberty Group Limited shares in terms of the 2008 section 311 scheme of arrangement) were reserved for allocation to qualifying black employees and certain non-executive directors. As at 31 December 2010, all the shares have fully vested. There are restrictive trading conditions until 31 December 2014. In terms of the group's transformation strategy, three non-executive directors were included in the scheme of which one has resigned as a director in 2012. After a JSE Listings rule change, there has been no subsequent entitlement by non-executives. There is no performance condition attached hereto, thus the principle of performance-based pay for non-executives was not breached.

LTI – 10 The Liberty group share incentive scheme

Prior to the implementation of the equity growth scheme, options were granted in terms of the Liberty group share incentive scheme. These options were granted to permanent employees at the discretion of the directors in terms of which shares in Liberty Holdings Limited (formerly Liberty Group Limited) may be acquired at prices prevailing at the dates of grant of the options. Delivery of such shares was acquired at future dates, which are determined at the date of implementation at the subscription price as determined on grant date. No options were issued at a pricing discount. Option holders were not entitled to dividends and do not have voting rights.

Remuneration of Liberty's people (continued)

Solvency Assessment and Management (SAM)

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

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.

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 Bruce Hemphill, Casper Troskie, Thabo Dloti and Steven Braudo 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.

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 2013 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.

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.

2013 Remuneration

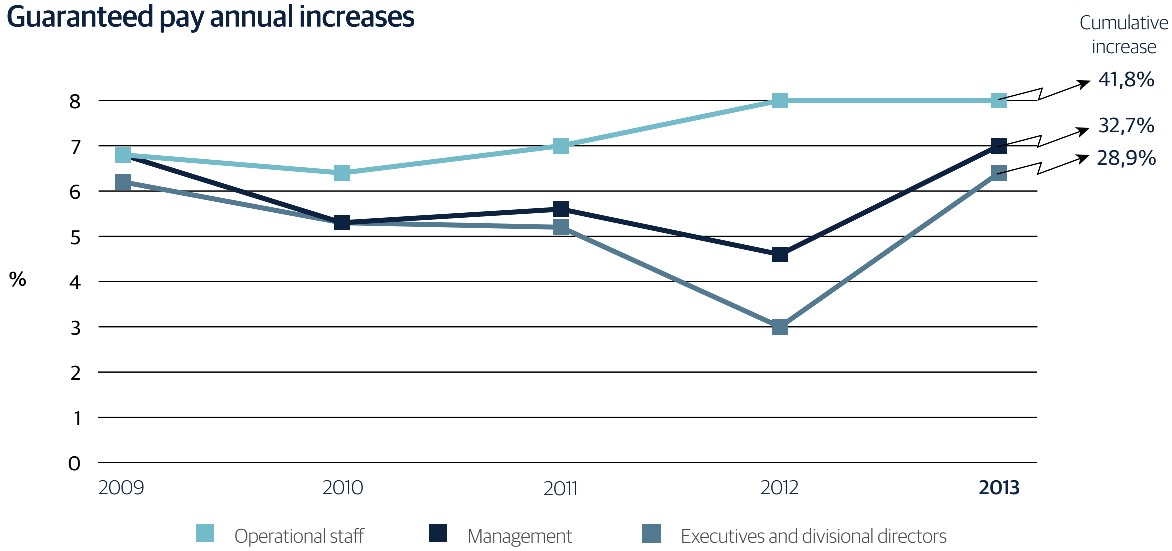
Guaranteed pay – benchmarking

21st Century Business and Pay Solutions and Remchannel conducted surveys on remuneration trends and benchmarking of remuneration packages.

Liberty work force

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, the lowest salary packages are a minimum of R100 000 per annum.

Guaranteed pay annual increases



Liberty Holdings Limited executive committee remuneration

	2013 R'000	2012 R'000
Guaranteed pay	**36 512**	40 581
STI awards	**51 936**	60 394
LTI awards (including STI deferral)	**93 818** [1]	59 511
Total	**182 266**	160 486

[1] *The 2013 increase is mainly due to awards granted in lieu of leadership changes.*

Full details of the remuneration of Messrs Bruce Hemphill (CE), Casper Troskie (executive director – finance and risk), Thabo Dloti (chief executive designate) and Steven Braudo (deputy chief executive designate) are contained on pages 122 to 127 in the Remuneration of directors and prescribed officers section of this report. The top three earners for 2013 were Messrs Dloti, Braudo and Hemphill. The next highest individual remuneration of non-disclosed employees is approximately 64% of Mr Dloti's total remuneration. Of the executive committee, the average personal KPI score achieved in 2013 was 91% (2012: 85%).

Remuneration of Liberty's people (continued)

Summary of incentive schemes

Description	Eligible participants	Number of participants[1] 2013	2012	Award amounts[2] 2013 Rm	2012 Rm
Short-term					
Senior management and specialists	Senior management and specialists not included in other specific schemes	**544**	371	**313**	305
STANLIB	Investment professionals and senior management employed by STANLIB	**166**	194	**104**	91
LibFin markets	Investment professionals	**12**	12	**22**	18
Liberty general staff	Staff not included in the above mentioned schemes	**4 722**	4 673	**121**	126
Long-term *Currently utilised:* Liberty Holdings group restricted share plan (long-term)	Selected executives	**237**	188	**156**	89
Liberty Holdings group restricted share plan (deferred)	Participants of the senior management scheme that receive awards in excess of thresholds	**218**	154	**61**	59
Liberty Equity Growth (incorporating the Liberty Life Equity Growth Scheme)	Selected executives	**368**	399		
STANLIB deferred bonus	Investment professionals and senior management employed by STANLIB	**121**	113	**94**	74
Business unit plans[3]	Selected business unit executives	**25**	35	**21**	
Historical: Share unit rights plan	Selected executives and senior management	**19**	32		2
2010 deferred bonus	Participants of the senior management scheme that received awards for the 2010 year in excess of thresholds	**21**	26		
Phantom share scheme	Liberty Group Limited share option holders on 12 June 2006	**79**	140		
Black managers' trust	Black qualifying managers eligible under the 2004 BEE transaction	**1 728**	1 728		
Liberty Group share incentive	All staff	**14**	43		
Total				**892**	764

[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 share options/rights and shares represent the outstanding awards not as yet vested or vested but not exercised.*

Equity or cash-settled	IFRS expense 2013 Rm	IFRS expense 2012 Rm	Number of share options/rights and shares at 31 December 2013[4]	Scheme overview reference	Group annual financial statements note
	685	550			**20.2**
cash	**398**	304		STI-1	
cash	**92**	81		STI-2	
cash	**46**	26		STI-3	
cash	**149**	139		STI-4	
equity	**46**	22	**1 682 721**	LTI-1	**35**
equity	**37**	15	**777 487**	LTI-2	**35**
equity	**25**	39	**8 424 047**	LTI-3	**35**
cash	**102**	39		LTI-4	**20.3**
cash	**Provided in 2011**			LTI-5	
cash	**28**	39		LTI-6	**20.3**
cash	**5**	6		LTI-7	**20.3**
cash	**1**	4		LTI-8	**35**
equity			**10 318 458**	LTI-9	**44**
equity			**39 800**	LTI-10	**35**
	929	714			

Remuneration of Liberty's people (continued)

Utilisation of shareholder approved LTI ordinary share allocation

Shareholders have approved that the aggregated number of unissued shares which may be reserved for long-term incentive purposes is 29 000 000, approximately 10% of the current issued share capital. This approval is applicable to unvested equity growth scheme awards at 1 September 2008 plus any new awards granted under any scheme thereafter. At the directors' option, settlement of obligations under the equity growth scheme can be undertaken either by a share issue or by use of treasury shares re-purchased from the market. Shares reserved for the restricted share schemes (deferred and long-term plans) can only be obtained from treasury shares acquired from the market. The table below indicates the level of utilisation as at 31 December 2013:

Utilisation of shareholder approved share incentive scheme allocation

	Equity growth scheme	Deferred plan restricted shares	Long-term restricted shares	Total
Scheme allocation originally approved with effect from 1 September 2008[1]				29 000 000
Unvested awards at 1 September 2008	(7 224 181)			(7 224 181)
Awards for the period 1 September 2008 to 31 December 2012	(10 620 702)	(455 249)	(952 597)	(12 028 548)
Cancellations for the period 1 September 2008 to 31 December 2012	4 742 575	8 037	1 154	4 751 766
Available balance for scheme allocation at 31 December 2012				**14 499 037**
Awards		**(525 953)**	**(816 447)**	**(1 342 400)**
Cancellations	**342 691**	**55 349**	**85 169**	**483 209**
Available balance for scheme allocation at 31 December 2013				**13 639 846**

[1] *Date when JSE regulations changed to not allow roll over adjustments to shareholder approved allocations for awards that are implemented.*

The maximum number of shares that may be acquired by all participants in terms of the Liberty Holdings Group Restricted Share Plan, together with any other plan, adopted by the company is 29 million shares (10,13% of issued share capital) and any one participant cannot acquire in excess of 725 000 shares under the plan (0,253% of issued share capital). At 31 December 2013 the highest cumulative restrictive share allocation to one participant is 188 789 shares.

Awards granted less any subsequent cancellations are accumulated and reduce the number of shares available within the approved scheme allocations.

Summary of unvested or unexercised Liberty shares under option, restricted and subject to rights at 31 December 2013

2013	Shares/options/ rights under share schemes at 1 January	Awards granted	Implemented[1]	Cancelled	Shares/options/ rights under share schemes at 31 December
Share option schemes	**345 750**		**(305 950)**		**39 800**
Share rights schemes	**11 060 652**		**(2 293 914)**	**(342 691)**	**8 424 047**
Restricted shares – long-term plan	**951 443**	**816 447**		**(85 169)**	**1 682 721**
– deferred plan	**447 212**	**525 953**	**(140 329)**	**(55 349)**	**777 487**
Total	**12 805 057**	**1 342 400**	**(2 740 193)**	**(483 209)**	**10 924 055**

[1] *Implemented represents the fulfilment of obligations by the group under each scheme.*

Refer to the group equity value report on page 59 for the mark to market value of unvested shares/rights under option.

Chosen suppliers

Liberty has over 5000 suppliers that provide an array of products and services to support the business operations, with preference in South Africa given to BEE compliant suppliers.

Liberty's procurement process endeavours to provide value added cost effective and sustainable service delivery to business units that maximises support in their strategic delivery.

To facilitate better alignment of supplier appointments and business unit needs, a procurement council was established in 2013. The council comprises representatives from business units and central procurement and has oversight authority on the appointment and evaluation of key supplier contracts.

Relationships with suppliers commence with fair selection and pricing processes and are governed on an ongoing basis by comprehensive service level agreements.

During 2013 Liberty comprehensively reviewed the existing supplier base in terms of cost efficiency and to leverage opportunities across the group.

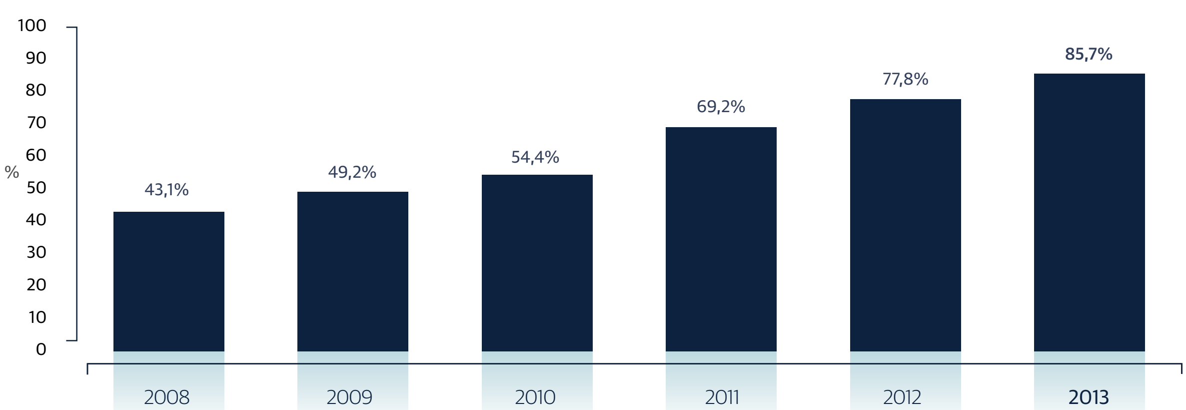
Liberty's total BEE procurement spend in 2013 was R3,3 billion, up 22% from R2,7 billion in 2012. In line with the increase in spend in 2013, the proportion of Liberty's procurement spend to black owned businesses in South Africa has increased to 85,7% from 77,8% in 2012.

The 2013 supplier summit included the top 200 strategic vendors and was very successful in conveying Liberty's strategic relationship requirements.

Notable 2013 engagement activities

- Liberty hosted a supplier summit in November 2013 for its strategic suppliers, representing approximately 80% of the group's procurement spend
- Liberty partnered with the ASISA Enterprise Development Fund by investing R2 million to support the establishment and improvement of black owned enterprises that service the financial services industry

BEE compliant procurement spend as a percentage of total procurement spend



Customers, appointed representatives and intermediaries

Customers are integral to any business and Liberty invests significantly in ongoing delivery of innovative products, supported by appropriate high quality service, that meet customer needs and are appropriately priced. Increasing access to products and educating customers on the benefits of sound financial planning are top priorities.

Liberty's products are primarily sold through intermediaries in the form of tied or independent financial advisers. Complementary direct channels have also been developed to follow the increasing trend of consumer direct purchasing in line with growth of direct platforms such as the internet. Management, however, believe that provision of financial advice will remain a cornerstone of the delivery of risk and investment products. In the African markets outside of South Africa, products are also sold through distribution partners, which provides customers with easy access to appropriate and cost effective products. Standard Bank is the largest of these distribution partners.

Interacting with customers

Liberty over many years has established a comprehensive sales and distribution capability in South Africa. This includes four regional hubs, 35 branches that are spread throughout the country. Eight regional and head office management complemented by 301 broker and sales consultants support the efforts of Liberty's distribution force as well as over 6 000 independent financial advisers. Following consumer purchasing trends, additional direct to customer capabilities have been established including FRANK.NET (an internet enabled transaction platform), out- and in-bound call centres (223 seats in total) and work site engagement. Liberty also has an extensive tied agent distribution force of 454 individuals in Kenya.

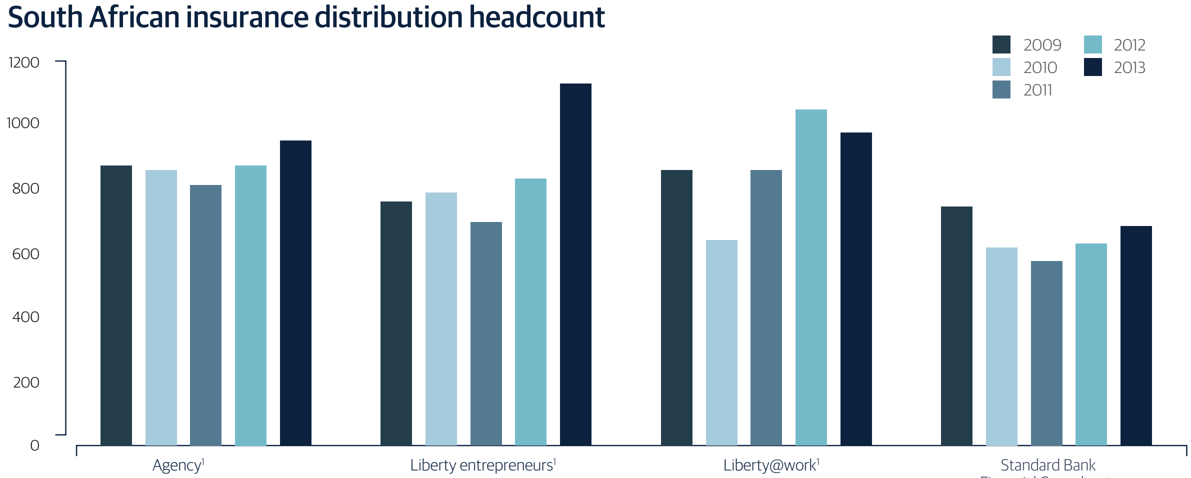
Engaging and supporting intermediaries

Intermediary support involves:

- A market leading financial adviser value proposition (FAVP) that holistically provides remuneration, service, products, technology and support to financial advisers;
- Comprehensive training on Liberty's products and industry regulation;
- Learnership support for aspiring financial advisers;
- Interactive community forums monitoring intermediary requirements and customer needs;
- Comprehensive administrative and service support, and
- Extensive roadshows informing on Liberty's brand support, new products, changes in regulations, economic conditions and campaigns.

Enhancement of the FAVP continued across the tied and independent distribution channels. A holistic approach was applied to the process, focusing not only on the compensation paid to

South African insurance distribution headcount



[1] *Tied agents.*

intermediaries but also on personal and professional development, business growth opportunities as well as technology and service support. The ultimate aim is to ensure that the advice given to Liberty's customers is of the highest quality.

A comprehensive learning programme to assist financial advisers to prepare for the FAIS regulatory examinations enabled 95% of Liberty's tied agents to pass the examinations (2012: 95%), compared to the industry average of 92% (2012: 85%).

Liberty Africa Insurance runs roadshows in all countries in which it operates to educate advisers and customers on the need for employee benefits and to train advisers to enable them to provide quality advice to customers.

Liberty's agency management teams in South Africa and Kenya visit each others operations to share knowledge and insights.

Notable 2013 engagement activities

- Completion of preparation for the Treating Customers Fairly requirements
- Innovative products launched in South Africa including Liber8 Smart by Liberty Corporate, and Liberty GateWay Investment Plan and Evolve Hybrid by Retail SA
- STANLIB launched the Africa Direct Property Development fund and restructured the offshore fund range
- Liberty Africa Insurance launched the MyLife, Msiba and Karo products
- Delivery of a comprehensive learning programme to assist advisers to prepare for and pass the FAIS regulatory examinations

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 a deferred unit trust forward purchase scheme that is used as a retention mechanism. The scheme provides award values in the form of units in designated STANLIB unit trusts with delivery periods of three years, 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. In respect of STANLIB sales management, portions of the volume awards are deferred between one and two years and are adjusted by subsequent customer retention levels.

Providing quality products and services

The group's businesses strive to meet customers' diverse needs through their products and services, as well as the way in which they are delivered. Understanding these needs and how to fulfil them requires a solid knowledge of customers. To this end, Liberty conducts on-going market research, the results of which are reflected in a dynamic and evolving product portfolio.

Liberty Corporate was awarded the 2013 Best Employee Benefits Product Supplier by the Financial Intermediary Association

Customers, appointed representatives and intermediaries
(continued)

Recent product developments include:

- Evolve Hybrid;
- Liberty GateWay Investment Plan;
- Liber8 Smart;
- STANLIB Africa Direct Property Development Fund; and
- Liberty Africa Insurance launched MyLife in Uganda and the Msiba and Karo products in Kenya.

STANLIB also rebranded its money market funds and restructured its offshore fund range. Liberty is committed to ensuring that the previously-disadvantaged can benefit from products and services that will enhance their financial well-being. This consumer segment represents a key growth market opportunity.

Providing a superior customer experience

Liberty strives to improve service and accountability at all service points and carefully tracks its customers' satisfaction as a measure of its success in preserving these relationships.

Complaints that are elevated to group level are logged, analysed and directed to the relevant business unit for investigation, root cause analysis and resolution. To understand trends and learn from interventions, reports are circulated internally throughout the group.

Complaints resolution committees sit within each business unit and are comprised of senior individuals with subject matter expertise or oversight of key customer processes. These committees review escalated complaints and recommend resolution approaches.

Liberty's final internal body for dispute resolution is its internal arbitrator. While their decisions are binding for the business, customers may refer these complaints to the various external Ombudsmen if they are not satisfied with the internal arbitrator's decisions.

Increased customer awareness of Liberty's servicing and complaints channels following customer education initiatives has contributed to an increase in the number of complaints escalated to group customer relations. The number of complaints grew from 2718 in 2012 to 3181 in 2013. Reasons for complaints are analysed to enable appropriate management action to be taken.

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Although the number of complaints has increased, the number of unresolved complaints at the end of 2013 was 73 compared to 312 at the end of 2012, reflecting improved response to and resolution of customer complaints.

Treating Customers Fairly (TCF)

Liberty has always aspired to provide value to customers through the provision of needed products supported by appropriate financial advice. Liberty fully supports the FSB's recently launched TCF programme and is using the initiative as an opportunity to improve customers' experience of the group and build stronger long-term customer relationships based on trust and respect. TCF is already embedded as part of the group's culture, firmly rooted in the minds of staff and reinforced through leaders exhibiting the right behaviours. The group's objective is to ensure that the six TCF outcomes contained in the regulation are business as usual and an integral part of all aspects of customers' experience with Liberty.

During 2013 a comprehensive implementation plan was formulated, governance structures were instituted, continuous training and communication was enhanced and internal measurement tools were introduced.

Looking ahead

Focus will remain on developing and launching innovative, cost effective products to meet customer needs through Liberty's insurance and asset management businesses in South Africa and other selected territories in which the group has a presence. Liberty will seek to further enhance the customer and intermediary experience by improving the efficiency of processes to simplify doing business with Liberty.

Media involvement

Journalists and public commentators who report on Liberty play a key role in influencing the reputation of the group in the minds of the public and representative forums. To both protect and build Liberty's image, it is imperative that there are open and transparent channels of communication between key company representatives and the various reputable media editors and journalists.

Building relationships

By facilitating good relationships, journalists who report on the financial sector gain a more informed understanding of the strategic direction and objectives of the group. This will include the context of performance, the products, services and philosophy, and the strength of the management team. There is also a greater likelihood of journalists requesting comment and perspective on industry matters, thereby providing Liberty with the opportunity to comment on issues that will enhance its reputation. Liberty monitors media on a daily basis against key criteria for the business and the industry which allows for response to media requests and issues raised in a timely and appropriate manner. Through this process Liberty aspires to balanced and accurate reporting.

Engagement with journalists in African countries outside of South Africa takes place through spokespersons, who work closely with the head office media team to manage in-country media relationships in each country where Liberty is represented.

An important component of Liberty's engagement process is the focus on the identification of key journalists, establishing and maintaining relationships with them. The approach is tailored to open proactive communication whether a journalist targets financial, consumer or trade audiences. Additional engagement takes place with journalists who are new to publications or who have a particular biased perception of Liberty.

Looking ahead

The various media channels change in line with developments in society. The advent of social communication via digital platforms have rapidly become significant influencers of public opinion. Liberty has therefore started implementing an online reputation management programme that includes a listening tool to facilitate the tracking of any mentions of the Liberty brand on the internet in real time. This allows Liberty to respond rapidly to any issues that may impact its reputation.

The South African and Kenyan media monitoring capabilities will be merged into an Africa-wide solution during 2014.

Notable 2013 engagement activities

- Increased the number of one-on-one meetings between management and key journalists and commentators at the time of release of the group's financial results
- Liberty executives communicated the group's strategy to financial journalists at four high profile events
- Liberty participated at the Highway Africa conference, the largest gathering of African journalists, providing a platform to convey its Africa strategy

Liberty's community involvement

Liberty's strategic objectives depend on the growth, development and sustainability of the societies in which it operates. The group is therefore committed to investing in the education and upliftment of communities in which it operates

Liberty's community upliftment activities have largely been aimed at supporting education at primary and secondary levels with a bias towards mathematics and science.

The majority of Liberty's corporate social investment spend is distributed through the Liberty Foundation chaired by Hylton Appelbaum, a former Liberty director. To support these education initiatives, Liberty has a longstanding partnership with Mindset.

Educational interventions are targeted at five levels as follows:

- **Foundation phase learning:** Developed and produced educational material and provided direct support to underprivileged primary schools, focusing on Mathematics and English;
- **High school learning:** Partnered with Mindset to provide video and interactive media support to learners and teachers. Invested in the Kutlwanong programme which contributed to a 100% pass rate for 149 grade 12 learners in 2013, with 77 Mathematics and 56 Science distinctions achieved;
- **Entrepreneurial development:** Contributed to entrepreneurial development projects enabling job creation for the youth;
- **Basic financial literacy:** Liberty invested in financial literacy training in the workplaces of its customers as well as communities in which it operates; and
- **Development of education professionals:** Training programmes which aim to increase the number of professionally-trained new teachers, particularly in areas where there are critical skills shortages. Partnered with leadership programmes in the Gauteng and KwaZulu-Natal regions to identify influential learners and grow their leadership skills.

During the year, Liberty invested R44,9 million (2012: R38,8 million) in CSI projects in South Africa.

Looking ahead

Liberty will focus its investment in communities on embedding education initiatives embarked on in 2013. We will expand our reach to include a greater number of school learners who will benefit from our target interventions and encourage responsible financial behaviours through programmes specifically tailored to the needs of community beneficiaries.

Mindset

Mindset is an award winning not-for-profit organisation set up in 2002 to provide educational solutions for formal education and health.

It has three principle programmes – Mindset Learn, Mindset Teach and Mindset Health- which source and produce high quality and curriculum aligned video content which is distributed via television, the internet and DVDs and is supported by print and multimedia materials.

Mindset has strategic partnerships with the Departments of Education, Health, Communication and Science and Technology, and is supported by its lead founding partners the Liberty Foundation and the Standard Bank Foundation.

Trustee support

Liberty sponsors and administers a number of regulated funds in terms of legislation, including pension funds, other retirement funds, collective investments schemes and medical schemes. These funds, which are separate legal entities governed by independent and sponsor appointed trustees, house customers' retirement and investment savings, and provide medical expense insurance.

Trustee responsibility

Trustees have a fiduciary responsibility to Liberty's customers and staff who are members of the respective funds. They act as custodians of significant investments managed by the group and have oversight of the delivery of contractual promises.

Governance structures

Various committees have been established to facilitate efficient and effective interaction between fund trustees and Liberty. These include, where appropriate, communication, investment, legal and regulatory, audit and risk and general administration committees. Liberty interacts by appointing relevant management and technically skilled employees to attend trustee and sub-committee meetings. To the extent that Liberty, as a sponsor, has the right to appoint trustees, they are selected from appropriately experienced employees and suitably qualified experts. Appointments are approved by the relevant BU executive committee.

Responsibility for supporting the boards of trustees is allocated by business unit as reflected in the table below.

Notable 2013 engagement activities

- Trustee education and information sessions held to update trustees on industry and legislative developments
- The trustees participated in TCF workshops and discussion groups facilitated by Liberty
- The boards of trustees were provided with regular feedback on Liberty's TCF framework and progress with the implementation thereof
- Focused stakeholder engagement sessions were held to enhance and improve synergies and strengthen communication channels
- Investment in increased capacity of risk and compliance functions to support the trustees in their oversight role of the various funds

Trustee group	Significant sponsored funds	Business unit responsible
• Pension funds	• Corporate Selection Umbrella funds	• Liberty Corporate
• Retirement annuity funds	• Lifestyle retirement funds • Classic retirement funds	• Retail SA and STANLIB
• Unit trusts	• Various branded mutual funds	• STANLIB
• Medical schemes	• Liberty Medical Scheme	• Liberty Health
• Staff benefit funds	• Staff pension, provident and medical aid funds	• Liberty executive committee

Regulatory environment in South Africa

Financial Services Board (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
- Consumer Protection via Treating Customers Fairly framework (TCF)

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
- **TCF** – Framework implemented to regulate market conduct of financial services firms and drive delivery of fairness outcomes for consumers
- **Retail Distribution Review (RDR)** – Review of intermediary services and remuneration – likely to bring significant change to structure of financial advice and intermediary services
- **Financial Markets Act (2013)** – Provides regulatory framework for unlisted securities, enables central reporting of derivative transactions and additional steps to combat market abuse
- **Pension reform** – Proposed changes to insurance and retirement savings structures as part of government aim to create more financially secure lives for South Africans
- **Financial Services Laws General Amendment Act gazetted January 2014** – To align FSB laws with international best practice and extend powers of regulatory bodies
- **The "Twin Peaks" initiative** – Refer to separate block, opposite page

South African Reserve Bank (SARB)

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

Compliance oversight of (amongst others)

- Banks Act
- Foreign exchange controls

Key developments

- **The "Twin Peaks" initiative** – refer to separate block, opposite page

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
- 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 reform** – Enacted 2009 budget reforms, effective from 1 March 2015. These 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

Liberty's strategic response

Liberty ascribes to compliance with all regulation. Significant provision has been made for the anticipated cost of SAM and PoPI in particular. A regulatory project management office is in place to oversee and monitor progress with compliance requirements of new and proposed legislation.

Liberty recognises that the new democratic South Africa has a legacy of significant inequality and lack of retirement provision for large components of its population. As such, Liberty is supportive of government's initiatives to enable social reform that provides a broader opportunity for the access to pensions. Consequently, management is actively engaging with policymakers to assist in shaping this reform and the business is adapting its capabilities to take full advantage of opportunities that will emerge.

Liberty, throughout its history, has provided value by meeting customers' financial needs through the provision of appropriate products and services. Strategically the principles of TCF, management believe, are the essence of the culture of the organisation and are not seen as a pure compliance requirement.

For many years, Liberty has run dual capital management programmes and reporting, being the current legislative

Other notable regulators and oversight bodies

Financial Reporting Standards Council

- International Financial Reporting Standards (IFRS)

Johannesburg Stock Exchange (JSE)

- JSE Listing Requirements

Information Protection Regulator (still to be set up)

- Protection of Personal Information Act (PoPI)

Pension Fund Adjudicator

National Credit Regulator (NCR)

- National Credit Act

National Consumer Commission (NCC)

- Consumer Protection Act

Competition Commission

- Competition Act

Council for Medical Schemes

- Medical Schemes Act

Ombudsman for Long-term Insurance Act and FAIS

Key developments

- **PoPI** – Legislated late 2013 but implementation date not yet announced. Will significantly impact security measures around collecting, storing and distributing customer information
- **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 late 2014 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
- **Credit Insurance** is being investigated jointly by the NCR and FSB and there may be material changes affecting the provision of credit insurance

requirements and risk-adjusted economic capital measures. This places Liberty in a good position to transition to SAM relatively seamlessly. Liberty believes that the SAM framework is a more relevant basis to manage capital.

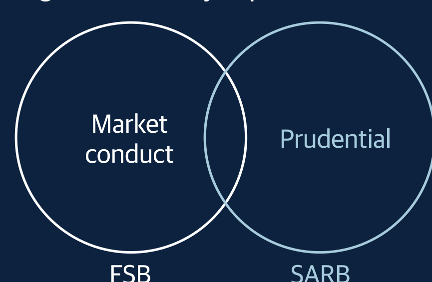
The recently appointed Tax Review Committee, credit insurance investigation and IFRS developments are not sufficiently advanced to warrant comprehensive implementation focus or strategic alignment. Subject matter experts have, however, been assigned to appraise the board and management as developments occur.

Notable 2013 engagement activities

- Liberty hosted the South African National Planning Commission to discuss the National Development Plan (NDP). Liberty made a submission to Business Leadership South Africa pledging support and commitment to the NDP
- Regular interaction with the FSB, SARB and National Treasury, including an industry issues discussion with the South African Minister of Finance
- Actively participated in ASISA forums to promote Liberty and industry interests

The "Twin Peaks" initiative

Two pillars of oversight. The first being a new prudential authority within the SARB, responsible for the safety and soundness of banks, insurers and financial conglomerates. The SARB will also be responsible for macro-prudential supervision and financial stability. The second pillar is a market conduct authority, the FSB, which will protect and inform customers and improve the way financial services providers conduct their business. In order to enable this initiative, various pieces of legislation will be promulgated over a two year period.



Investor information – Analysis of ownership

Notice of the Liberty 2013 annual general meeting is included as a separate booklet.

Ordinary shareholders

Ordinary shareholders' spread

	Number of shareholders		%		Number of shares ('000)		% of issued shares	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
1 – 10 000 shares	**8 996**	8 462	**95**	94	**6 104**	5 694	**2**	2
10 001 – 100 000 shares	**349**	396	**4**	4	**12 451**	13 267	**4**	5
100 001 – 1 000 000 shares	**121**	126	**1**	2	**35 685**	34 969	**12**	12
1 000 001 – 10 000 000 shares	**24**	25			**55 804**	51 148	**20**	18
10 000 001 shares and over	**3**	3			**176 158**	181 124	**62**	63
	9 493	9 012	**100**	100	**286 202**	286 202	**100**	100

Distribution of ordinary shareholders

Licenced financial institutions	**330**	269	**3**	3	**203 025**	195 551	**71**	68
BEE empowerment vehicles	**4**	4			**25 796**	25 796	**9**	9
Other empowerment vehicles	**1**	1			**624**	836		
Individuals	**7 382**	6 973	**78**	78	**6 174**	5 631	**2**	2
Mutual funds	**188**	204	**2**	2	**21 920**	24 442	**8**	9
Nominees and trusts	**1 072**	1 007	**11**	11	**4 669**	3 389	**2**	1
Retirement vehicles and medical aid schemes	**238**	264	**3**	3	**22 807**	27 202	**8**	10
Companies and corporations	**278**	290	**3**	3	**1 187**	3 355		1
	9 493	9 012	**100**	100	**286 202**	286 202	**100**	100

Non-public/public ordinary shareholders

Non-public shareholders	**12**	9			**179 988**	180 096	**63**	63
Standard Bank Group Limited	**1**	1			**153 456**	153 456	**54**	54
BEE empowerment vehicles[1]	**4**	4			**25 796**	25 796	**9**	9
Other empowerment vehicles	**1**	1			**624**	836		
Directors' holdings	**6**	3			**112**	8		
Public shareholders	**9 481**	9 003	**100**	100	**106 214**	106 106	**37**	37
	9 493	9 012	**100**	100	**286 202**	286 202	**100**	100

[1] *Two directors received rights to 100 000 shares each in the Black Managers' Trust as part of the 2004 BEE transaction.*

Beneficial ordinary shareholders holding 3% or more

	Number of shares ('000)		% of issued shares	
	2013	2012	**2013**	2012
Standard Bank Group Limited	**153 456**	153 456	**54**	**54**
Government Employees Pension Fund	**12 383**	17 349	**4**	**6**
The Black Managers' Trust (Lexshell 622 Investments (Pty) Limited)	**10 318**	10 318	**4**	**4**

Preference shareholders

Preference shareholders' spread

	Number of shareholders		%		Number of shares ('000)		% of issued shares	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
1 – 1 000 shares	**22**	23	**16**	15	**11**	13		
1 001 – 10 000 shares	**34**	37	**25**	25	**180**	217	**1**	1
10 001 – 100 000 shares	**51**	58	**37**	38	**2 113**	2 470	**14**	16
100 001 – 1 000 000 shares	**28**	31	**20**	21	**6 162**	6 813	**41**	46
1 000 001 shares and over	**3**	2	**2**	1	**6 534**	5 487	**44**	37
	138	151	**100**	100	**15 000**	15 000	**100**	100

Distribution of preference shareholders

Individuals	**104**	112	**75**	74	**6 915**	6 519	**46**	44
Mutual funds	**1**	1	**1**	1	**1 406**	1 406	**10**	9
Nominees and trusts	**20**	25	**15**	16	**1 384**	1 875	**9**	13
Corporations	**2**	4	**1**	3	**15**	40		
Private companies	**9**	8	**6**	5	**1 147**	1 079	**8**	7
Public companies	**1**	1	**1**	1	**4 081**	4 081	**27**	27
Close corporations	**1**		**1**		**52**			
	138	151	**100**	100	**15 000**	15 000	**100**	100

Beneficial preference shareholders holding 5% or more

	Number of shares ('000)		% of issued shares	
	2013	2012	**2013**	2012
Nedbank Corporate Private Equity	**4 081**	4 081	**27**	27
Santam RSA Equity Portfolio	**1 406**	1 406	**9**	9
Rosenthal, S	**1 047**		**7**	
Berger, I	**752**		**5**	

Note holders

Distribution of subordinated note holders

Issued by Liberty Group Limited – 2013	LGL02 Rm	LGL03 Rm	LGL04 Rm
Licenced financial institutions	**26**	**67**	**1**
Individuals		**3**	
Mutual funds	**442**	**657**	**525**
Retirement vehicles and medical aid schemes	**198**	**35**	**103**
Foreign sector – rest of the world	**39**	**44**	**28**
Long- and short-term insurers	**295**	**194**	**343**
	1 000	**1 000**	**1 000**

Cumulative top five note holders

2013	Rm
Sanlam Life Insurance Limited	**664**
Investec Corporate Bond Fund	**404**
STANLIB Income Fund	**365**
Investec Cautious Managed Fund	**100**
Coronation Strategic Income Fund	**50**

Investor information – Dividend policy and distributions

Dividend policy

The directors have approved a dividend policy as follows:

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.

Dividends summary

Shareholder category	Cents per share	Register date
Ordinary	**2013 Cycle**	
Interim	**212**	**30 August 2013**
Final	**369**	**28 March 2014**
Total	**581**	
Preference		
First	**5,5**	**5 July 2013**
Second	**5,5**	**27 December 2013**
Total	**11,0**	
Ordinary	2012 Cycle	
Interim	192	31 August 2012
Final	336	28 March 2013
Special	130	28 March 2013
Total	658	
Preference		
First	5,5	29 June 2012
Second	5,5	28 December 2012
Total	11,0	

Investor information – Company reference details

Liberty Holdings Limited

Authorised share capital: 400 000 000 shares

Issued share capital: 286 202 373 shares

JSE share code: LBH
ISIN code: ZAE000127148
Registration number: 1968/002095/06

Company registered address: Liberty Life Centre
1 Ameshoff Street
Braamfontein, Johannesburg
2001

Liberty Group Limited
(Note issuer)
Registration number: 1957/002788/06

Note code	Strate code
LGL02	ZAG000097932
LGL03	ZAG000100249
LGL04	ZAG000105784

Investor information – 2014 Diary

Pre 30 June

Event	2014 Date
Results announcement for the year ended 31 December 2013	27 February
Declaration of final distribution for 2013	27 February
2013 Integrated annual report published and distributed	Week commencing 24 March
Final distribution for 2013 paid to ordinary shareholders	31 March
Subordinated note semi-annual interest payment – LGL02 – LGL03 – LGL04	12 February 3 April 14 February
Annual general meeting	23 May
Preference dividend declared for the six months ended 30 June 2014	2 June

Post 30 June

Event	2014 Date
Preference shares dividend paid for the six months ended 30 June 2014	30 June
Publication of interim results and declaration of interim distribution	7 August
Interim distribution for 2014 paid to ordinary shareholders	8 September
Subordinated note semi-annual interest payment – LGL02 – LGL03 – LGL04	12 August 3 October 14 August
Preference dividend declared for the six months ended 31 December 2014	8 December
Financial year end	31 December
Preference dividend paid for the six months ended 31 December 2014	5 January 2015

Notable 2013 engagement activities

- Annual general meeting held in May 2013 – significant support for all resolutions
- Executive management team held over 200 meetings with various investor institutions
- Three international roadshows and two analyst days
- Bi-annual results presentations
- Pre-note issuance road shows

Governance at Liberty

Today, following recent new developments including a further R1,77 billion investment, Sandton City has more than doubled in size since 1982 to 215 000 square meters.

Our flame is a symbol
of our passion
for what we stand for

Our commitment to governance

The board unanimously embraces the King Code of Governance Principles (King III).

The full list of King III principles and confirmation of application thereof is available on
www.libertyholdings.co.za

The board has in all material respects applied this code, with only two recommended practices that have not been fully adopted. These are detailed below together with Liberty's response.

Liberty was fully compliant with the requirements of the Companies Act No. 71 of 2008 and the Companies Act Regulations by the May 2013 deadline.

During the year under review Liberty complied with the Listings Requirements of the JSE Limited in all respects.

The board subscribes to full compliance with all laws and regulations in any jurisdiction in which it operates. Certain minor non-compliance incidents have been reported to governance structures during the 2013 year, however no material breaches have been identified that require separate disclosure.

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.

Governance structures at Liberty

The group's governance structures and processes are aligned with enterprise-wide value and risk management principles. In particular these structures and processes provide clarity of accountability for the management of risk.

2013 Governance developments

- Appointment of an additional independent director to the directors affairs' committee to ensure that the majority of the members of the committee are independent
- Additional management committees were constituted late in 2013 to align with the developing requirements of Solvency Assessment and Management in South Africa
- The governance frameworks, policies, processes and procedures were strengthened in the group's non South African subsidiaries

Combined assurance

Regular communication between internal audit and external audit as well as other assurance providers served to optimise the areas of reliance and enhanced value delivery to all parties. Combined assurance will continue to evolve and further enhance alignment between the key role-players from an Enterprise Value Risk Management Framework (EVRM) perspective. In 2013, the head of internal audit was tasked to co-ordinate the future combined assurance plan on behalf of the GAAC.

Governance and the 'three lines of defence' model

The group 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.

Within this structure the group relies on the board, its standing committees and the group executive committee to provide oversight of the operation of the group's enterprise-wide value and risk management.

Roles and responsibilities within the governance model

The roles, responsibilities and accountabilities for managing, reporting and escalating risks and issues have been defined as follows.

Oversight

Board of directors and standing committees

The board of directors and standing committees of the board provide an oversight function of the group's risk management activities. Their accountabilities, membership and related information are described in the following commentary.

Management committees

The chief executive utilises the group executive committee and key management committees to manage the components of risk. A short description of each committees' responsibilities is contained on pages 130 and 131.

Risk mitigation, monitoring and assurance

First line of defence

business unit management

- Managing day-to-day risk exposures by applying appropriate procedures, internal controls and group policies;
- Assessing the effectiveness of risk management and risk outcomes, and for allocating resources to execute risk management activities;
- Tracking risk events and losses, identifying issues and implementing remedial actions to address these issues; and
- Reporting and escalating 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

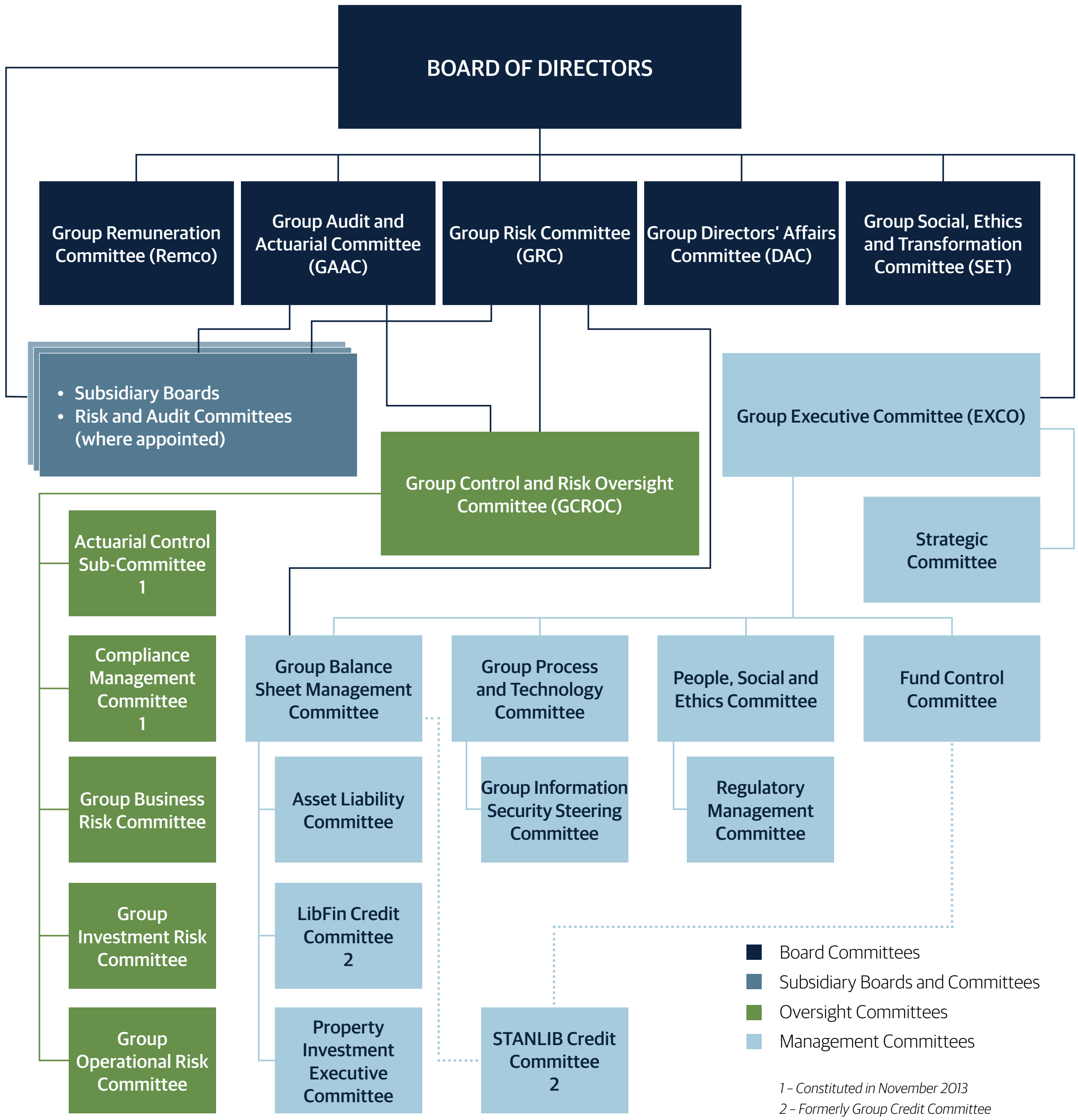
This comprises the group's assurance functions that are intended to provide an independent and balanced view of all aspects of risk management (both first and second line of defence). Various levels of assurance are provided on account balances, valuation methodologies and reported performance measures,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

All significant internal financial controls throughout the group's business units and support functions are attested and assessed for adequacy and application by the group's internal audit function within their GAAC approved audit plan.

Governance structures at Liberty (continued)

The board applies responsible governance in managing the business within the approved risk appetite.

Boards and associated committees depicted below are appointed under the guidance of the directors affairs' committee.



Shareholder approvals during 2013

The 2013 Liberty Holdings Limited annual general meeting of shareholders was held on 17 May 2013. All resolutions were passed.

Summary of the voting on resolutions passed at the 2013 annual general meeting

	Total votes for %	Total votes against %
Ordinary resolution		
1. Adoption of annual financial statements	100,0	
2. Re-election of directors (Messrs AP Cunningham, MP Moyo, TDA Ross, Dr SP Sibisi and Ms MW Hlahla)	100,0 – 98,3	0,0 – 1,7
3. Re-appointment of independent external auditors (PricewaterhouseCoopers)	99,9	0,1
4. Place unissued ordinary shares under the control of the directors	99,2	0,8
5. Place unissued preference shares under the control of the directors	97,4	2,6
6. General authority to issue shares for cash	99,2	0,8
7. Election of audit and actuarial committee members	100,0 – 98,3	0,0 – 1,7
8. Liberty remuneration policy (non-binding vote)	99,3	0,7
9. Liberty Holdings group restricted share plan	99,6	0,4
Special resolution		
1. Issue of ordinary shares for share incentive schemes	92,5	7,5
2. Fees of non-executive directors	100,0	
3. Financial assistance to related or inter-related company	99,9	0,1
4. General authority for an acquisition of shares issued by the company	97,9	2,1

There were no corporate events which required specific shareholder approval during 2013. Accordingly no circulars were issued to shareholders during the year and no shareholder meetings were held, other than the annual general meeting.

Board of directors

1. Saki Macozoma (56)

Non-Executive Chairman

(BA (Unisa), BA (Hons) (Boston))

Appointed to the board: December 2003

The non-executive chairman of Liberty Holdings Limited and Liberty Group Limited. He is deputy chairman of Standard Bank Group Limited as well as non-executive director of The Standard Bank of South Africa Limited. He is currently the chairman of STANLIB Limited. He chairs the Social, Ethics and Transformation and Directors' Affairs Committees of Liberty Holdings Limited and is a member of the Remuneration Committee.

2. Angus Band (61)

Lead Independent Director

(BA, BAcc (Wits), CA (SA))

Appointed to the board: November 2008

The lead independent director of Liberty Holdings Limited and Liberty Group Limited. He is the chairman of the Remuneration Committee and serves on the Audit and Actuarial Committee, Social, Ethics and Transformation Committee and Directors' Affairs Committee of Liberty Holdings Limited.

3. Bruce Hemphill (50)

Chief Executive

(BA (UCT), CPE, Solicitor)

Appointed to the board: November 2008

The chief executive of Liberty Holdings Limited and Liberty Group Limited and serves on the Social, Ethics and Transformation Committee of Liberty Holdings Limited. He is also a director of STANLIB Limited.

4. Santie Botha (49)

Independent Director

(BCom (Hons) (Stellenbosch))

Appointed to the board: August 2013

An independent director of Liberty Holdings Limited and Liberty Group Limited.

5. Steven Braudo (42)

Executive Director

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

Appointed to the board: November 2013

The chief executive: Retail SA. He is a director of Liberty Holdings Limited and Liberty Group Limited. He is also on the boards of various subsidiaries in the group. He is a Fellow of the Institute of Actuaries.

6. Tony Cunningham (58)

Independent Director

(MA (Cambridge), FIA)

Appointed to the board: February 2009

An independent director of Liberty Holdings Limited and Liberty Group Limited. He serves on the Risk and Audit and Actuarial Committees of Liberty Holdings Limited. He is also a director of STANLIB Limited. He is a Fellow of the Institute of Actuaries.

7. Thabo Dloti (44)

Executive Director

(B Bus Sc (UCT), AMP (Harvard))

Appointed to the board: November 2013

The chief executive of STANLIB Limited. He is a director of Liberty Holdings Limited and Liberty Group Limited. He is also on the boards of various subsidiaries in the group.

A full list of directorships of board members is available from the company secretary on request. Directorships on other listed entities are provided on page 108.

(**) indicates directors' age as at 31 December 2013

8. Monhla Hlahla (50)

Independent director

(BA (Honours) Pomona College, MA in Urban Planning (UCLA School of Architecture and Planning))

Appointed to the board: August 2012

An independent director of Liberty Holdings Limited and Liberty Group Limited. She serves on the Social, Ethics and Transformation Committee of Liberty Holdings Limited and is a director of STANLIB Limited.

9. Peter Moyo (51)

Independent Director

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

Appointed to the board: February 2009

An independent director of Liberty Holdings Limited and Liberty Group Limited. He serves on the Risk, Audit and Actuarial and the Remuneration Committees of Liberty Holdings Limited.

10. Tim Ross (69)

Independent Director

(CTA (Natal), CA (SA))

Appointed to the board: November 2008

An independent director of Liberty Holdings Limited and Liberty Group Limited. He is the chairman of the Audit and Actuarial Committee and is a member of the Directors Affairs and Risk Committees.

11. Dr Sibusiso Sibisi (58)

Independent Director

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

Appointed to the board: November 2008

An independent director of Liberty Holdings Limited and Liberty Group Limited. He serves on the Risk Committee of Liberty Holdings Limited.

12. Jim Sutcliffe (57)

Independent Director

(BSc (UCT), FIA)

Appointed to the board: September 2009

An independent director of Liberty Holdings Limited and Liberty Group Limited. He is the chairman of the Risk Committee and is a member of the Audit and Actuarial and Remuneration Committees of Liberty Holdings Limited. He is also a director of STANLIB Limited. He is a Fellow of the Institute of Actuaries.

13. Casper Troskie (50)

Executive Director – Finance and Risk

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

Appointed to the board: October 2010

The executive director – finance and risk of Liberty Holdings Limited and Liberty Group Limited. He is also on the board of various subsidiaries in the group including STANLIB Limited.

14. Sim Tshabalala (46)

Non-Executive Director

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

Appointed to the board: April 2013

The joint chief executive of Standard Bank Group Limited and chief executive of The Standard Bank of South Africa Limited. He is a director of Liberty Holdings Limited and Liberty Group Limited and serves on the Directors' Affairs and Remuneration Committees of Liberty Holdings Limited.

15. Swazi Tshabalala (48)

Independent Director

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

Appointed to the board: November 2008

An independent director of Liberty Holdings Limited and Liberty Group Limited. She serves on the Risk and Directors' Affairs Committees of Liberty Holdings Limited. She is also a director of STANLIB Limited.

Board of directors (continued)

Completed years service as directors

Completed years service at 31 December 2013 as a director of Liberty Holdings Limited (LHL) or Liberty Group Limited (LGL)

Director	LHL	LGL
1. Saki Macozoma	10	10
2. Angus Band	5	10
3. Bruce Hemphill	5	7
4. Santie Botha		
5. Steven Braudo		
6. Tony Cunningham	4	4
7. Thabo Dloti		
8. Monhla Hlahla	1	1
9. Peter Moyo	4	4
10. Tim Ross	5	6
11. Dr Sibusiso Sibisi	5	10
12. Jim Sutcliffe	4	4
13. Casper Troskie	3	3
14. Sim Tshabalala		
15. Swazi Tshabalala	5	7

Directorships of board members on other listed entities at 31 December 2013

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]
Saki Macozoma	Director of Standard Bank Group 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]

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

Board composition

- Nine independent non-executives
- Two non-executives
- Four executives

Board role and function

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.

The board acknowledges its responsibility for overall corporate governance and the ultimate control of the group's various businesses, as well as for ensuring that there is clear strategic direction and that appropriate management structures are in place.

Key structures, which are described in this integrated annual report, are designed to provide an appropriate level of assurance as to the proper control and conduct of the group's affairs.

The Liberty board meets quarterly and additional meetings are arranged as and when necessary. Four board meetings were held during 2013 and a two-day strategy session was held in September 2013. In addition two directors' information sessions were held in April and October 2013.

The chief executive recommends strategies and implementation plans as well as overseeing and managing the group's daily operations.

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

The board operates in terms of a detailed mandate. Key features of the mandate include the following:

- Provide effective leadership based on an ethical foundation;
- Ensure the sustainability of the group, including reviewing the material sustainability issues;
- Approve the group's objectives as well as the strategies and plans for achieving these objectives;
- Approve major changes to the group's policies on key issues such as risk management and the governance thereof, ethics and transformation;
- Ensure that an effective governance framework is adopted and implemented in the group and regularly monitor and evaluate the adequacy and effectiveness of the framework;
- Ensure the group is compliant with its regulatory obligations; and
- Ensure than an effective risk management process exists and is maintained throughout the group.

For the full board mandate, refer to
www.libertyholdings.co.za

Code of business 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, which prescribes the group's approach to business ethics and its obligations to customers, shareholders, employees, representatives, suppliers, the general public and the authorities. Management are required to ensure there is compliance with this code.

The code is available on the group's website:
www.libertyholdings.co.za

The chairman

The chairman, Mr SJ Macozoma, is not considered independent as he is a shareholder and director of Safika Holdings (Pty) Limited, the shareholder of Lexshell 620 (Pty) Limited, which is a 2,16% shareholder of Liberty. In addition, he is the deputy chairman of Standard Bank Group Limited, the majority shareholder.

Though the chairman cannot be classified as independent in terms of governance best practice criteria, the board is of the view that the chairman brings valuable expertise, experience and skill to the board and does exercise independent judgement in relation to board matters. Nevertheless, as recommended by King III, and in compliance with the JSE Listings Requirements Regulation 3.84(c), the board appointed a lead independent director in 2010 to provide leadership and advice to the board in the event that the chairman decides that he is conflicted in any matter or decision facing the board.

Lead independent director

Mr AWB Band is the lead independent director. 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 of directors

The company has a unitary board structure consisting of fifteen directors. Their particulars are as set out on pages 106 and 107 of this report.

Mr JH Maree resigned from the board on 7 March 2013 and Mr SK Tshabalala was appointed to the board on 2 April 2013. Mr PG Wharton-Hood resigned from the board on 14 August 2013 and Ms SL Botha was appointed to the board on 19 August 2013.

Board of directors (continued)

Messrs SIM Braudo and T Dloti were appointed to the board on 4 November 2013. The directors are drawn from diverse backgrounds and bring a wide range of experience, insight and professional skills to the board.

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 and executive director – finance and risk. The board meetings of these companies are combined meetings, resulting in improved efficiency and flow of information.

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;
- Eleven of the fifteen directors are non-executive, with nine of the eleven non-executive directors being classified as independent in terms of the Companies Act and as defined by King III;
- The group audit and actuarial committee consists of five independent, non-executive directors;
- The group risk committee consists of six independent, non-executive directors;
- 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 two independent non-executive directors, one executive director and the non-executive chairman of the board;
- The group directors' affairs committee consists of the non-executive chairman of the board and four non-executive directors, three of whom are independent;
- 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, 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 2013 or 2012.

Board evaluation

The performance of the board and its standing committees is evaluated periodically against their respective mandates and the results are collated by independent assurance providers. Feedback is provided to the directors' affairs committee and thereafter to the board. This feedback is also taken into account by the chairman in his meetings with the other non-executive directors to ensure that any concerns regarding board processes or capabilities are addressed. During 2013, one-on-one meetings were held with each director and the chairman of the board. No significant concerns were raised.

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.

Appointment 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 2014, the directors' affairs committee considered the candidates who are standing for election or re-election at the annual general meeting in May 2014. Ms SL Botha and Mr SK Tshabalala have been appointed since the last annual general meeting and are therefore standing for election. The directors standing for re-election are: Messrs SJ Macozoma, JH Sutcliffe and Ms BS Tshabalala. The directors' affairs committee therefore recommends to shareholders the re-election of Messrs SJ Macozoma, JH Sutcliffe and Ms BS Tshabalala, and the election of Ms SL Botha and Mr SK Tshabalala, as detailed in the 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 four executive directors. Members of the board have regular contact with the other senior executive management through their invited participation in board and board standing 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, which boards are noted by the group directors' affairs committee. 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.

STANLIB Limited

In 2012, 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 was strengthened by the appointment of three non-executive directors, being Messrs AP Cunningham, JH Sutcliffe and Ms BS Tshabalala. Ms MW Hlahla was appointed to the board of STANLIB on 16 May 2013.

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 Chapter VIII, entitled Market Abuse, of the Securities Services Act of 2004, 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.

Company secretarial function

The company secretary 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 fulfill 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.

Board committees

Board standing committees

Five standing committees of the board were in place during 2013, namely audit and actuarial; risk; remuneration; social, ethics and transformation; and directors' affairs.

All have operated in accordance with the written terms of reference.

Group audit and actuarial committee

at 31 December 2013

Tim Ross *(Chairman)*	All independent directors
Angus Band	
Tony Cunningham	
Peter Moyo	
Jim Sutcliffe	

There were no changes to the composition of this committee during 2013.

The audit and actuarial committee is also the audit and actuarial committee of Liberty Group Limited which has responsibility for Liberty Group Limited's wholly-owned life insurance subsidiaries, namely Frank Life Limited, Liberty Active Limited, Capital Alliance Life Limited and Liberty Growth Limited. Separate audit committees fulfil the audit committee functions for these life insurance subsidiaries. These committees report to the audit and actuarial committee of Liberty Group Limited. In September 2013, the long-term insurance licences for Liberty Active Limited, Capital Alliance Life Limited and Liberty Growth Limited were cancelled as part of a board approved life licence rationalisation.

The group's wholly-owned asset management subsidiaries, STANLIB Limited (which includes three regulated entities, namely STANLIB Multi-Manager Limited, STANLIB Collective Investments Limited and STANLIB Asset Management Limited) and Liberty Properties Proprietary Limited, have their own separate audit committees as does Liberty Health Holdings Proprietary Limited and the other regulated companies in the Liberty Africa business unit. These audit committees meet quarterly and report to the group audit and actuarial committee of Liberty Holdings Limited.

Reports by the chairmen of the internal audit committees and minutes of meetings are provided to all board members.

The chairman and members of the group audit and actuarial committee are elected by the board and are subject to shareholder approval to be obtained at the annual general meeting, which approval was obtained at the meeting in May 2013. All members of the group audit and actuarial committee are independent directors who are suitably qualified, having the necessary expertise required to discharge their responsibilities. No changes to the membership of the committee are proposed by the board and the current composition will be subject to shareholder approval at the annual general meeting in May 2014.

Responsibilities

Interaction with assurance providers

- Act as an effective communication channel between the board and the external auditors and the head of internal audit;
- Assist the board in ensuring that the external audit is conducted in a thorough, objective and cost-effective manner;
- Nominate the external auditors annually for appointment by the shareholders and determine fees and terms of engagement;
- Provide the board with an assessment of the effectiveness of the external auditors and the internal audit function;
- Adopt a combined assurance model and ensure it is consistently applied to provide a co-ordinated approach to all assurance activities;
- Monitor the relationship with the external assurance providers of the group; and
- Monitor the application of the policy governing the provision of non-audit services by Liberty's external auditors and review the extent and nature of non-audit services provided.

Governance and regulatory compliance

- Provide the board with an assessment of the effectiveness of the compliance function;
- Ensure that the combined assurance received is appropriate to address all the significant risks facing the group;
- Evaluate the adequacy and completeness of the statutory returns to the FSB in terms of the applicable laws and regulations;
- Consider the governance over information technology (IT);
- Oversee the management of IT risk in relation to business continuity in particular;

- Review and oversee tax governance and compliance; and
- Monitor all relationships and contracts with Standard Bank to ensure they are in the best interests of Liberty shareholders.

Oversee integrated annual reporting

- Assist the board and social, ethics and transformation committee in approving disclosure of sustainability issues in the integrated annual report by ensuring that the information is reliable and does not conflict with the financial results;
- Enhance the quality, effectiveness and relevance of the published financial statements and other public documentation of a financial nature issued by Liberty, with focus on the actuarial assumptions, parameters, valuations and reporting guidelines;
- Provide the board with an independent point of reference in seeking a resolution of interpretative and controversial issues that impact on the published financial statements and other public announcements issued by Liberty;
- Provide the board with assurance that the group remains a going concern; and
- Consider and recommend to the board any changes to accounting policies or practice used to prepare the group and company financial statements.

Consideration of actuarial matters

- Review the statutory actuary's reports on the results of actuarial investigations, including the validation of actuarial models;
- Review reports on compliance with actuarial guidance in the preparation of financial statements;
- Review and recommend to the board the management actions assumed in calculating the capital adequacy of the group;
- Review and recommend to the board the statutory actuary's recommended changes to the policyholder bonus philosophy and policyholder bonus rates; and
- Review the assumptions, and the results thereof, used in calculating the policyholder liabilities and embedded value calculations and recommend to the board for approval.

Principles and Practices of Financial Management (PPFM)

- Provide governance over the discretionary participation business;
- Recommend the PPFM that shall be applied when managing discretionary participation products to the board for approval;
- Express an opinion annually to the board on the compliance with the PPFM. To enable the board to express its opinion on the compliance with the PPFM in the statutory returns to the Regulator;
- Ensure that the PPFM, as well as a summary thereof, is published on the company website;
- Review relevant reports from the statutory actuary regarding the discretionary participation business; and
- Provide an annual report to the board on its work and any other issues that it considers relevant. In preparing the report the committee should take account of written reports by the statutory actuary on proposed bonus declarations.

Control functions

- Consider, evaluate and recommend nominees to the board of directors for the control functions including:
  - A regulatory compliance function;
  - An actuarial control function (in consultation with the GRC); and
  - An internal audit function.
- Consider and advise on any proposal to terminate the employment of a head of a control function mentioned above; and
- Annually review the effectiveness and role of the heads of the control functions mentioned above.

Report, through its chairman or one of its members, to the shareholders at the company's annual general meeting on the matters within its mandate.

Meetings and attendance

Four meetings were held during 2013. Group audit and actuarial committee meetings are held concurrently with Liberty Group Limited audit and actuarial committee.

Meetings are attended by the external auditors, Liberty Group Limited statutory actuary, head of internal audit, chief executive, executive director – finance and risk, chief financial officer and appropriate members of the senior executive management team.

External and internal audit

PricewaterhouseCoopers Inc. (PwC) is Liberty's lead appointed firm of external auditors. However, certain of the group's subsidiaries are audited by SizweNtsaluba Gobodo.

Pursuant to sections 94(7)(d) and (e) of the Companies Act, the board has approved a policy governing the provision of non-audit services by the group's external auditors in order to maintain independence. The policy requires the group audit and actuarial committee's prior approval for any non-audit assignment with a fee in excess of R750 000 (2012: R750 000).

Board committees (continued)

The committee also reviewed the budgeted audit fee for the 2013 financial year and the final fee for 2012, which were both considered appropriate.

On 25 February 2014, the group audit and actuarial committee resolved that, pursuant to sections 90(2)(c), 94(7)(a) and 94(8) of the Companies Act, it supported the appointment of the audit firm, PwC, and the audit partner, Mr Jorge Goncalves, being re-appointed as the group's auditor for the financial year ending 31 December 2014, and that it had satisfied itself that both the audit firm and audit partner were independent of the group. The re-appointment of PwC will be put to shareholders for approval at the annual general meeting in May 2014.

The members of the group audit and actuarial committee review the audit plans, budgets and scope of the external and internal audit functions. The external auditors, head of internal audit, statutory actuary, chief executive, head of group compliance and company secretary all have unrestricted access to the chairman of the group audit and actuarial committee.

Integrated annual report and financial statements

In fulfilling its oversight responsibilities, the committee has reviewed and discussed the audited financial statements and the related schedules as reported in the integrated annual report with the chairmen of the other board committees and management. The committee considers that the report complies with the Companies Act and International Financial Reporting Standards and has therefore recommended the annual financial statements for approval by the board. These statements will be open for discussion at the forthcoming annual general meeting.

As advocated by King III, the committee has overseen the preparation of the integrated annual report for 2013 and has recommended the approval of the integrated annual report by the board.

The board's approval for the 2013 integrated annual report was obtained and is included on page 1. The board's approval of the annual financial statements was obtained and is included on page 3 of the Annual Financial Statements and Supporting Information.

Information technology (IT)

The board has mandated the committee to provide oversight over IT governance. As such, the committee will oversee the implementation and review of all relevant IT governance mandates, policies, processes and control frameworks while ensuring compliance with all the standards adopted by the group. Furthermore, the committee will also provide assurance to the board on all IT matters, including significant IT investments, by engaging both internal and external assurance providers. This assurance forms part of the Combined Assurance framework through which the relationships and interdependencies of IT and business are considered holistically.

In order to assist the committee in the discharge of its duties in respect of IT governance, the committee has also mandated the executive oversight of IT through the exco. Exco have delegated oversight of IT governance to the group process and technology committee to ensure that the IT strategy supports the business goals and objectives while providing the flexibility to exploit market opportunities and support the sustainability objectives of the group. The exco will also be responsible for the implementation of, and measurement against, the IT governance framework and related initiatives in conjunction with the other existing oversight bodies.

Liberty has adopted and implemented the IT governance principles advocated by King III, and have adopted the CoBIT 5 framework.

Group risk committee
at 31 December 2013

Jim Sutcliffe *(Chairman)*	All independent directors
Tony Cunningham	
Peter Moyo	
Tim Ross	
Dr Sibusiso Sibisi	
Swazi Tshabalala	

There were no changes to the composition of this committee during 2013.

The group risk committee is also the risk committee of Liberty Group Limited and also has responsibility for Liberty Group Limited's life insurance subsidiary, namely Frank Life Limited.

The various separate audit committees at subsidiary level are also responsible for the risk oversight function in relation to their scope of businesses. The various chairmen of these committees report any matters in relation to risk to the group risk committee on a quarterly basis.

These chairmen and the chief risk officer have unrestricted access to the chairman of the group risk committee.

Responsibilities

Understanding risk

- Understand and ensure that management understands the shape and texture of Liberty's risks;
- Review the economic and competitor environment;
- Review product designs where appropriate;
- Review the risk disclosures, including key sustainability risks, to shareholders to be included in the integrated annual report and advise the board through the GAAC on their appropriateness; and
- Provide the board on a quarterly basis with an assessment of the state of risk management within Liberty and recommendations to address serious risk issues.

Setting policy

- Review Liberty's risk philosophy, strategy, policies and processes recommended by executive management;
- Make recommendations to the board concerning the levels of risk tolerance and appetite and formally recommend the risk appetite statement for approval by the board;
- Approve policies and processes that are designed to keep the effect of risks to an acceptable level; and
- Recommendation to the board of group risk targets and appetite limits.

Scrutinising management actions

- Ensure that management implements specific limits or tolerance levels that are aligned with the overall risk appetite levels set by the board;
- Ensure that material corporate risks and transactions have been identified, assessed and have received appropriate attention;
- Review the group's capital position and adequacy thereof;
- Monitor the effectiveness of executive controls and investment processes in respect of the Shareholder Investment Portfolio and ensure that the risk profile of the Shareholder Investment Portfolio is within risk appetite;
- Ensure that rewards are commensurate with the risks undertaken and consider the need for disclosure of any undue, unexpected or unusual risks undertaken in the pursuit of reward; and
- Review the adequacy of short-term insurance coverage.

Compliance with policy

- Review and assess the integrity of the processes and procedures for identifying, assessing, recording and monitoring of risk;
- Ensure compliance with risk policies and with the overall risk profile of Liberty;
- Liaise with the remuneration committee to ensure relevant key risks are taken into account in that committee's decision-making;
- Monitor compliance with the Treating Customers Fairly guidelines as set out by the FSB; and
- Monitor the roll-out of Solvency Assessment and Management (SAM) throughout the group.

Report, through its chairman or one of its members, to the shareholders at the company's annual general meeting on the matters within its mandate.

Meetings and attendance

Four meetings were held during 2013. The Liberty Holdings Limited group risk committee meetings are held concurrently with the Liberty Group Limited risk committee.

Meetings are attended by the executive director – finance and risk, head of internal audit, Liberty Group Limited statutory actuary, Liberty's external auditors, chief executive and appropriate members of the senior management team.

Group remuneration committee

at 31 December 2013

Angus Band *(Chairman)*	Lead independent director
Saki Macozoma	Non-executive chairman
Peter Moyo	Independent director
Jim Sutcliffe	Independent director
Sim Tshabalala	Non-executive director

Mr PG Wharton-Hood resigned from this committee on 16 May 2013 and Mr SK Tshabalala was appointed in his stead. All the members of this committee are non-executive directors.

Responsibilities

Formulating remuneration strategy and policies

- Determine the policy for total executive remuneration and approving the individual remuneration packages, including short- and long-term incentive schemes and share-based schemes, for each of the executive directors and other senior executives, including key persons in control functions, as appropriate;
- Ensure that competitive reward strategies and programmes are in place and are market related to facilitate the recruitment, motivation and retention of high performance staff;
- Develop and implement a remuneration philosophy to enable a reasonable assessment of reward practices and governance process to be made by stakeholders; and
- Give consideration as to whether directors' fees should comprise a base fee and thereafter recommending the level of non-executive directors' fees, including the chairman's fee, to the board after receiving inputs from executive directors, for ultimate approval by shareholders.

Monitoring the implementation of such policies

- Ensure that reward structures do not drive excessive risk taking;
- Review the design and management of salary structures and policies, incentive schemes and share schemes;

Board committees (continued)

- Ensure the adequacy of retirement funding and healthcare benefits; and
- Ensure compliance with applicable laws and codes.

Report through its chairman or one of its members to the shareholders at the company's annual general meeting on the matters within its mandate.

Remuneration philosophy

Further information on remuneration is provided in the section entitled Remuneration of Liberty's people on pages 72 to 86. This section contains the remuneration philosophy which will be put to shareholders for a non-binding vote at the annual general meeting scheduled for 23 May 2014.

Meetings and attendance

Three meetings were held during 2013. The chief executive as well as the group executive – group strategic services attend the remuneration committee meetings but recuse themselves when any conflicts of interest are discussed.

Group social, ethics and transformation committee

at 31 December 2013

Saki Macozoma *(Chairman)*	Non-executive chairman
Angus Band	Lead independent director
Bruce Hemphill	Chief executive
Monhla Hlahla	Independent director

Mr JH Maree resigned from this committee on 7 March 2013 following his resignation from the board and Ms MW Hlahla was appointed to this committee on 16 May 2013.

Responsibilities

Transformation

- Develop and maintain appropriate policies and guide transformation initiatives within the group for approval by the board;
- Monitor the implementation of transformation policies, practices and procedures, to ensure compliance with current and evolving legislation and related regulations in South Africa, with particular reference to the aligned Financial Sector Charter (the Charter) and the Broad-Based Black Economic Empowerment Act of 2003 (B-BBEE Act) and the Employment Equity Act, and to report thereon to the board;
- Ensure that the group meets the requirements of the Charter and B-BBEE Act and that any related issues, including adequate gender transformation and diversity, are addressed; and
- Monitor and review the extent of transformation, at board, executive and senior management levels.

Social and Economic Development

- Monitor the social and economic development of the company including the company's standing in terms of the goals and purposes of the ten principles set out in the United Nations Global Compact Principles and the Organisation for Economic Co-operation and Development recommendations regarding corruption.

Ethical conduct

- Review and approve on a periodic basis any policies and proposals for ethical codes and codes of conduct for the group and ensure that they are widely distributed throughout the group.

Good corporate citizenship

- Monitor the company's promotion of equality, prevention of unfair discrimination and reduction of corruption;
- Consider the company's contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
- Consider the company's sponsorship, donations and charitable giving.

Sustainability

- Consider the environment, health and public safety, including the impact of the company's activities and of its products and services;
- Recommend to the board whether or not to engage an external service provider on material sustainability issues;
- Ensure that sustainability reporting and disclosure are independently assured in consultation with the chairman of the group audit and actuarial committee;
- Consider the top sustainability issues of the company as determined by management and recommend the approval of same to the board;

- Consider the company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions;
- Monitor the company's employment relationships and its contribution towards the educational development of its employees; and
- Review workplace health and safety issues in accordance with the Health and Safety Act 85 of 1993.

Stakeholder management

- Monitor the activities regarding consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws;
- Consider stakeholder management in terms of chapter 8 of the King III report which addresses the concept of a "stakeholder-inclusive approach" to corporate governance and recognises effective stakeholder engagement as essential to good corporate governance; and
- Report, through its chairman or one of its members to the shareholders at the company's annual general meeting on the matters within its mandate.

Meetings and attendance

Four meetings were held during 2013. Meetings are attended by the group executive – group strategic services and appropriate members of the senior management team.

Group directors' affairs committee

at 31 December 2013

Saki Macozoma *(Chairman)*	Non-executive chairman
Angus Band	Lead independent director
Tim Ross	Independent director
Sim Tshabalala	Non-executive director
Swazi Tshabalala	Independent director

In line with the recommendations of King III that there should be a greater number of independent directors compared to non-independent directors on this committee, Mr TDA Ross was appointed on 16 May 2013. Mr SK Tshabalala was also appointed to this committee on the same date.

Responsibilities

Composition of board and committees

- Assist the board in discharging its responsibility for ensuring that the composition and structure of the board and its committees enable the board to fulfil its obligations in terms of the board mandate;
- Identify, evaluate and recommend nominees to the board of directors, board committees, pension and provident funds of the group;
- Review and evaluate candidates for the chief executive, other executive director and executive management appointments and make recommendations to the board for approval;
- Review succession plans for the board members and key executives;
- Consider and advise on any proposal to terminate the employment of an executive director or a member of executive management made by the chief executive; and
- Review and make recommendations on the re-election of directors retiring by rotation, and the continuation of service of a director who has reached retirement age. Where a director has served a nine-year period his or her re-election has to be reviewed based on his or her performance and whether his or her independence will be affected.

Review of board and committee effectiveness

- Evaluate the performance of the chairman, the board and each board member and report on the outcome of these evaluations to the board;
- Assist the board in determining whether the appointment of any director should be terminated. This will involve an evaluation of the performance of directors to determine whether directors have made the necessary contribution;
- Annually review the structure, size and composition of the board taking into account the requirements of board committees and ensuring that the members of board committees have the requisite skills to perform their duties, and make recommendations to the board regarding any changes required;
- Ensure that an appropriate induction course is in place for all new directors and ensure that there is ongoing development and exposure for directors to enable them to remain up-to-date on relevant business and statutory developments; and
- Assist the board in designing methodologies for the board to use in its assessment of the effectiveness of board, committees and individual director performance.

Review of governance and ownership

- If required to do so by the board, provide a forum for non-executive directors and heads of control functions to meet without the presence of executives;
- Determine and evaluate the adequacy, efficiency and appropriateness of the group's corporate governance structure, practices and process in line with regulatory requirements;
- Approve a corporate governance framework for agreement and adoption by subsidiary boards which shall set out the basic and minimum governance standards to be adopted by the subsidiaries which align to group practice;
- Assess the extent of compliance with all relevant governance legislation and codes;
- Address any other corporate governance issues that are not dealt with by the board or board committees; and
- Consider any matters relating to the black ownership initiative.

Meetings and attendance

Four meetings were held during 2013. The chief executive attends these committee meetings.

Board and standing committee meeting attendance summary

The number of meetings and attendance by each of the directors of Liberty Holdings Limited and Liberty Group Limited during 2013 are as set out below. Attendance of directors at STANLIB Limited board meetings is also reflected.

	LHL and LGL						
Director	Board meetings[1]	GAAC[2]	GRC	Remco	SET	DAC	STANLIB board meetings
SJ Macozoma	5/5			3/3	4/4	4/4	
AWB Band	5/5	4/4		3/3	3/4	4/4	
JB Hemphill	5/5				4/4		4/4
SL Botha (appointed 19 August 2013)	2/2						
SIM Braudo (appointed 4 November 2013)	1/1						
AP Cunningham	5/5	4/4	4/4				4/4
T Dloti (appointed 4 November 2013)	1/1						
MW Hlahla[3]	5/5				1/2		2/2
MP Moyo	5/5	4/4	4/4	3/3			
TDA Ross	5/5	4/4	4/4			2/2	
SP Sibisi	5/5		4/4				
JH Sutcliffe	5/5	4/4	4/4	3/3			4/4
CG Troskie	5/5						4/4
BS Tshabalala	5/5		4/4			4/4	4/4
SK Tshabalala (appointed 2 April 2013)	4/4			2/2		2/2	
JH Maree (resigned 7 March 2013)	1/1				1/1	1/1	
PG Wharton-Hood (resigned 14 August 2013)	1/2			1/1			

1 *Including the strategy session.*

2 *The group audit and actuarial committee met on two other occasions to note the final assumptions used in the preparation of year end results and to review the draft integrated annual report. These meetings are run as working committee sessions and are not formally constituted meetings.*

3 *Appointed as a director of STANLIB Limited on 16 May 2013.*

Remuneration of directors and prescribed officers

The non-executive and executive directors have different responsibilities and remuneration policies are structured according to these roles. 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 2014 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 current non-executives' exemplary 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.

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 act and obtained legal opinion. The committees' view is to assess annually the prescribed officer definition from a specific company rather than group perspective with effect from 1 January 2013. Messrs JB Hemphill, CG Troskie, T Dloti and SM Braudo meet the definition from a management perspective in respect of the Liberty Holdings Limited company (2012: Messrs JB Hemphill and CG Troskie). Their remuneration details along with those of other members of the board are detailed on the following pages.

The group's remuneration committee determines the policy for executive directors' remuneration. The guaranteed benefits and variable remuneration for executive directors are awarded on the same basis and using the same qualifying criteria as for other group executive members, as outlined within the Remuneration of Liberty's people section.

Remuneration of directors and prescribed officers (continued)

Non-executive directors' remuneration

Non-executive directors (R'000)	Directors of LHL and LGL	Committee fees (6)	Directors of STANLIB Limited	Other Standard Bank Group(1)	Total
2013					
AWB Band (Lead independent director)	**300**	**713**			**1 013**
SL Botha (appointed 19 August 2013)	**104**	**19**			**123**
AP Cunningham(2)	**1 736**	**57**			**1 793**
MW Hlahla	**250**	**37**	**68**		**355**
SJ Macozoma (Chairman)(4)	**2 200**			**1 092**	**3 292**
JH Maree(5) (resigned 7 March 2013)				**2 842**	**2 842**
MP Moyo	**250**	**499**			**749**
TDA Ross	**250**	**790**			**1 040**
SP Sibisi	**250**	**156**			**406**
JH Sutcliffe(3)	**1 961**	**76**			**2 037**
BS Tshabalala	**250**	**234**	**137**		**621**
SK Tshabalala(5) (appointed 2 April 2013)				**28 682**	**28 682**
PG Wharton-Hood(5) (resigned 14 August 2013)				**6 101**	**6 101**
Total	**7 551**	**2 581**	**205**	**38 717**	**49 054**
2012					
AWB Band (Lead independent director)	280	443			723
AP Cunningham(2)	1 008		130		1 138
MW Hlahla (appointed 1 August 2012)	84				84
SJ Macozoma (Chairman)(4)	2 080			976	3 056
JH Maree(5)				18 012	18 012
MP Moyo	202	384			586
L Patel	101	35			136
TDA Ross	202	552			754
SP Sibisi	202	148			350
JH Sutcliffe(3)	1 207		130		1 337
BS Tshabalala	202	186	130		518
PG Wharton-Hood(5)				23 865	23 865
Total	5 568	1 748	390	42 853	50 559

(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 £100 000 (2012: £73 500) as a member of the board, committees and subsidiary boards. 2013 rand equivalent is R1 736 000. In addition ad hoc committee and board, attendance fees of R57 000 were paid. In 2012 a separate fee was paid for membership of the STANLIB board.*

(3) *Mr JH Sutcliffe is an international director and receives a composite fee of £120 000 (2012: £89 000) as a member of the board, committees, subsidiary boards and chairman of a committee. 2013 rand equivalent is R1 961 000. In addition ad hoc committee and board, attendance fees of R76 000 were paid. In 2012 a separate fee was paid for membership of the STANLIB board.*

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

(6) *With effect from 1 January 2013 shareholders approved fees for ad hoc meetings. These fees are included as committee fees and account for most of the increase over 2012.*

Non-executive directors' interests in shares held in the Black Managers' Trust

When the scheme was implemented in 2004, shareholders approved the participation of non-executive black directors in the black ownership initiative through the Black (Katleho) Managers' Trust. Details regarding their interests in shares are as follows:

Option holder	Date awarded	Rights to number of shares	Current effective strike price of rights	Vesting date	Implementation date[1]
SP Sibisi	7 Dec 2004	100 000	R35,75	31 Dec 2010	31 Dec 2014
BS Tshabalala	1 Nov 2006	100 000	R35,75	31 Dec 2010	31 Dec 2014

(1) *These shares were fully vested at 31 December 2010, however they have restrictive trading conditions until 31 December 2014.*

(2) *A past director, Professor L Patel also has rights to 100 000 ordinary shares awarded on 6 December 2004 with an implementation date of 31 December 2014.*

With regard to the strike price, it should be noted that the shares to which the beneficiaries are entitled were acquired by the Black Managers' Trust in 2004 at R48,50 per share. Subsequent capital repayments funded by Liberty's capital and dividend distributions have reduced the effective strike price to R35,75. The acquisition was financed by the trust issuing redeemable preference shares to Liberty Group Limited, with the preference share obligation being serviced by Liberty shareholder distributions in respect of the shares held by the trust. On repayment of the preference share obligation in full by the trust, beneficiaries will receive their share entitlement in terms of the trust as fully paid at no cost to them. The benefits received by the beneficiaries are therefore determined by the number of rights they are awarded and not the "strike price" as the strike price is nil in the hands of the beneficiary. The benefit will be the full market price of the number of surplus shares (after settlement of any outstanding preference share obligation), on the date the shares are delivered to the beneficiary.

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

Direct interests	**Number of shares 2013**	Number of shares 2012
Beneficial		
SL Botha	**5 335**	
SIM Braudo	**86 877**	
JB Hemphill	**10 290**	
MP Moyo	**2 700**	2 700
JH Sutcliffe	**4 000**	4 000
CG Troskie	**2 875**	
PG Wharton-Hood[1]		1 006
SP Sibisi[2]	**100 000**	100 000
BS Tshabalala[2]	**100 000**	100 000
	312 077	207 706

(1) *PG Wharton-Hood resigned in 2013.*

(2) *Via the Black Managers' Trust (refer above).*

Indirect interests

By virtue of either directorships in or material shareholdings held directly or indirectly by Standard Bank Group Limited's 53,62% (2012: 53,62%) in the issued ordinary share capital of Liberty, Messrs SJ Macozoma and SK Tshabalala, being directors of Liberty and Standard Bank Group Limited, had in aggregate an indirect beneficial and non-beneficial interest in 153 461 712 (2012: 153 461 712) ordinary shares in Liberty at 31 December 2013.

By virtue of Mr SJ Macozoma's directorship and 28,40% (2012: 26,63%) shareholding in Safika Holdings Proprietary Limited (Safika) and by virtue of Safika controlling 2,4% (2012: 2,46%) of Liberty, Mr SJ Macozoma had an additional indirect beneficial interest in 1 935 431 (2012: 1 870 845) ordinary shares in Liberty Holdings Limited at 31 December 2013.

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 integrated annual report, namely 10 March 2014.

Remuneration of directors and prescribed officers (continued)

Executive directors and prescribed officers

The executive board members at 31 December 2013 are the chief executive (Mr JB Hemphill), the executive director – finance and risk (Mr CG Troskie), the chief executive of Retail SA (Mr SIM Braudo) and the chief executive of the Institutional and Asset Management business units (Mr T Dloti). These positions qualify as board appointments in line with best practice, succession planning and JSE requirements. All these executive directors qualify as prescribed officers with effect from 1 January 2013.

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 Mr Hemphill and Mr Troskie as Liberty directors, remain unaffected. Liberty, with effect from their dates of appointment, has assumed the future cost in respect of these incentives.

During 2013, Messrs Hemphill, Troskie, Dloti and Braudo were eligible for both short- and long-term incentive awards in line with the remco 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 (KPI) 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 2013 financial year. 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 shareholder investment portfolio against benchmark. The reference scale set by remco was based on the principle that the full achievement of the pre approved target would equate to the "on target" financial award (refer below).

				2013 Performance			2012 Performance		
Prescribed officer	KPI %	On target financial %	Reference amount	**KPI %**	**Financial %**	**Total %**	KPI %	Financial %	Total %
JB Hemphill	20	120	Annual CTC	**17,5**	**225,3**	**242,8**	18,3	216,8	235,1
CG Troskie	20	100	Annual CTC	**18,6**	**170,5**	**189,1**	17,6	180,6	198,2
T Dloti	20	100	Double annual CTC	**17,4**	**121,7**	**139,1**			
SIM Braudo	20	120	Annual CTC	**18,6**	**222,6**	**241,2**			

CTC: Cost to company

Chief executive (CE) – Mr JB Hemphill

The CE was appointed by the board, ensuring that the role and function of the CE is formalised. His performance is evaluated against specified criteria, in line with King III recommended practice.

Mr Hemphill is subject to a three-month notice period. His key performance indicators for 2013 included:

- Effectively lead the management team and enable collaborative and working relationships with senior executives required to drive the group's business strategy;
- Enhance the group's processes, systems and technology by establishing a business process optimisation strategy aligned to the group's strategy;
- Ensure that the group operates within the board approved risk appetite;
- Strengthen the commercial partnership with Standard Bank;
- Implementation of the group's emerging consumer market strategy;
- Investigate opportunities in African countries and obtain approval for the defined future expansion strategy and plans;
- Establish an illiquid investment capability for the group;
- Drive collaboration across the business, whilst enhancing the effectiveness of the operating model;
- Increase the business's focus on transformation and deliver an integrated transformation strategy that incorporates the group's transformation principles into the strategic objectives of the business;
- Ensure that the skills and talent pool is retained by maintaining a staff turnover for the group of less than 11% with more than 90% of critical skills being retained;
- Manage overall capital structures to ensure that the group capital structures are streamlined and that capital is effectively deployed in the group;
- Integrate and manage new regulatory and legislative requirements into business operations, such as, TCF, SAM and PoPI; and
- Achieve the group's EE targets, in particular at senior and professionally qualified levels.

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

The FD's performance, appropriateness 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 2013 included:

- Ensure that the group operates within the board approved risk appetite;
- Optimise overall capital structures to ensure the efficient deployment of capital across the group;
- Ensure that the skills and talent pool is retained by maintaining a staff turnover for group finance and risk of less than 11% with more than 90% of critical skills being retained;
- Integrate regulatory requirements such as TCF, SAM and PoPI, into the group's processes and practices;
- Meet reporting obligations during the year, whilst developing and implementing plans to improve risk and financial management across the group;
- Enhancing the group's risk capabilities through relevant governance processes and appropriate structures;
- Ensure the successful implementation of the procurement strategy; and
- Contribute to achieving the group's EE targets, in particular at senior and professionally qualified levels.

Remuneration of directors and prescribed officers (continued)

Chief executive of Institutional and Asset Management business units – Mr T Dloti

Mr Dloti was appointed to the board on 4 November 2013 as part of succession planning and subsequently was appointed as chief executive with effect from 1 March 2014.

Mr Dloti is subject to a three month notice period. His key performance indicators for 2013 included:

- Ensure that the group operates within the board approved risk appetite;
- Enable collaborative and working relationship with senior executives required to drive the group's business strategy;
- Integrate STANLIB Africa operations into STANLIB South Africa;
- Ensure that the skills and talent pool is retained by maintaining the core investment team;
- Strengthen the commercial partnership with Standard Bank;
- Deliver competitive investment returns in the asset management business;
- Integrate regulatory requirements such as TCF, SAM and PoPI, into the group's processes and practices;
- Increase the group's asset management presence in Africa, as well as establishing a private equity capability;
- Establish a STANLIB unlisted investment capability;
- Develop an emerging markets strategy for the asset management business;
- Implement business enhancement processes in the Corporate pillar of the group;
- Develop and implement a revised strategy for the Liberty Properties development and management businesses;
- Contribute to achieving the group's EE targets, in particular at senior and professionally qualified levels; and
- Review, revise and drive the strategy process in order to clarify and define the strategy for 2020.

Chief executive of Retail SA – Mr SIM Braudo

Mr Braudo was appointed to the board on 4 November 2013 as part of succession planning and subsequently he was appointed as deputy chief executive with effect from 1 March 2014.

Mr Braudo is subject to a three month notice period. His key performance indicators for 2013 included:

- Enable collaborative and working relationship with senior executives required to drive the group's business strategy;
- Continue to increase operational efficiencies within the group;
- Leverage the Retail SA sales and distribution capability with Liberty Health and STANLIB;
- Ensure that the skills and talent pool is retained by maintaining a staff turnover in Retail SA of less than 11% with more than 90% of critical skills being retained;
- Effectively lead the senior management team responsible for implementing the group's emerging consumer market strategy;
- Ensure that the three year average South African policyholder fund performance is greater than the set benchmark;
- Deliver new retail investment product for the South African market;
- Develop a group business process optimisation plan aligned with the group strategy;
- Implement a risk optimisation process for the investment business;
- Integrate regulatory requirements such as TCF, SAM and PoPI, into the group's processes and practices; 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 have taken the leadership changes into consideration.

Executive directors' and prescribed officers' remuneration

	2013				2012			
R'000	**Fixed**	**Variable**	**Long-term**	**Total**	Fixed	Variable	Long-term	Total
JB Hemphill	**5 112**	**12 500**	**9 400**	**27 012**	4 943	11 750	7 000	23 693
CG Troskie	**3 185**	**6 083**	**8 000**	**17 268**	3 120	6 189	4 500	13 809
T Dloti	**3 792**	**10 679**	**18 500**	**32 971**				
SIM Braudo	**3 839**	**9 261**	**17 400**	**30 500**				
Total	**15 928**	**38 523**	**53 300**	**107 751**	8 063	17 939	11 500	37 502
Reference	A.1	A.2	A.3		A.1	A.2	A.3	

A.1 Fixed remuneration analysis

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.

	2013				2012			
R'000	**Cash portion of package**	**Other benefits**	**Retirement contributions**	**Total**	Cash portion of package	Other benefits	Retirement contributions	Total
JB Hemphill	**4 657**	**160**	**295**	**5 112**	4 424	387	132	4 943
CG Troskie	**2 798**	**81**	**306**	**3 185**	2 801	76	243	3 120
T Dloti	**3 366**	**127**	**299**	**3 792**				
SIM Braudo	**3 449**	**90**	**300**	**3 839**				
Total	**14 270**	**458**	**1 200**	**15 928**	7 225	463	375	8 063

A.2 Variable remuneration analysis

In order to align reporting of incentive awards to the relevant performance, the amounts granted, as reported below, relate to the respective periods reviewed.

R'000	**Applicable guaranteed package**	**Award KPI**	**Award financial**	**Total award**	**Deferred**	**Cash**
2013						
JB Hemphill	**5 150**	**899**	**11 601**	**12 500**	**4 150**	**8 350**
CG Troskie	**3 216**	**598**	**5 485**	**6 083**	**1 583**	**4 500**
T Dloti	**7 678**	**1 336**	**9 343**	**10 679**	**3 422**	**7 257**
SIM Braudo	**3 839**	**714**	**8 547**	**9 261**	**2 854**	**6 407**
Total	**19 883**	**3 547**	**34 976**	**38 523**	**12 009**	**26 514**
2012						
JB Hemphill	5 000	913	10 837	11 750	3 850	7 900
CG Troskie	3 122	549	5 640	6 189	1 626	4 563
Total	8 122	1 462	16 477	17 939	5 476	12 483

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.

Remuneration of directors and prescribed officers (continued)

A.3 Long-term awards

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).

A.4 Summary of past long-term awards not exercised

A.4.1 Summary of executive directors' interests in share unit rights plan at 31 December 2013

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
2013								
JB Hemphill	**23 Feb 2010**	**23 Feb 2013**	**50 725**	**(50 725)**			**5 884**	
CG Troskie	**26 Oct 2011**	**26 Oct 2014**	**33 313**		**33 313**	**2 700**		**4 051**

A.4.2 Summary of executive directors' interests in 2010 deferred bonus scheme at 31 December 2013

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
JB Hemphill	24 Feb 2011	24 Feb 2014	15 395			1 150		1 872

Participants in the deferred bonus scheme may elect to extend the vesting date 2014 by one year and if elected, receive an additional 20% of the original award amount to the final deferred value.

A.4.3 Summary of executive directors' interests in Liberty rights under option at 31 December 2013

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
JB Hemphill				720 000		**720 000**
	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		**240 000**
	24 Feb 2011	R74,70	24 Feb 2016	80 000		**80 000**
CG Troskie				122 106		**122 106**
	24 Feb 2011	R74,70	24 Feb 2016	100 000		**100 000**
	1 Mar 2012	R87,90	1 Mar 2017	22 106		**22 106**
T Dloti				210 000		**210 000**
	1 Mar 2010	R 70,26	1 Mar 2015	160 000		**160 000**
	24 Feb 2011	R 74,70	24 Feb 2016	50 000		**50 000**
SIM Braudo				375 000	**(195 000)**	**180 000**
	2 Jul 2008	R 61,50	2 Jul 2013	175 000	**(112 500)**	**62 500**
	18 Feb 2009	R 65,15	18 Feb 2014	30 000	**(22 500)**	**7 500**
	23 Feb 2010	R 69,00	23 Feb 2015	120 000	**(60 000)**	**60 000**
	24 Feb 2011	R 74,70	24 Feb 2016	50 000		**50 000**

A.4.4 Summary of executive directors' interests in the restricted share plan (long-term plan) at 31 December 2013

Name	Date granted	Allotted price per unit	Date fully vested	Shares at beginning of the year	Shares granted during the year	Shares at end of the year	Current value at end of year R'000
JB Hemphill	1 Mar 2012	R 87,90	1 Mar 2016	68 260		68 260	8 300
	1 Mar 2013	**R 121,02**	**1 Mar 2018**		**57 842**	**57 842**	**7 034**
CG Troskie	1 Mar 2012	R 87,90	1 Mar 2016	22 754		22 754	2 767
	1 Mar 2013	**R 121,02**	**1 Mar 2018**		**37 184**	**37 184**	**4 522**
T Dloti	1 Mar 2012	R 87,90	1 Mar 2016	64 847		64 847	7 885
	1 Mar 2013	**R 121,02**	**1 Mar 2018**		**41 316**	**41 316**	**5 024**
SIM Braudo	1 Mar 2012	R 87,90	1 Mar 2016	51 195		51 195	6 225
	1 Mar 2013	**R 121,02**	**1 Mar 2018**		**42 969**	**42 969**	**5 225**

A.4.5 Summary of executive directors' interests in restricted share plan (deferred plan) at 31 December 2013

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
JB Hemphill	1 Mar 2012	R 87,90	1 Sep 2015	30 874		(10 290)	20 584	2 503
	1 Mar 2013	**R 121,02**	**1 Sep 2016**		**31 813**		**31 813**	**3 868**
CG Troskie	1 Mar 2012	R 87,90	1 Sep 2015	14 376		(4 792)	9 584	1 165
	1 Mar 2013	**R 121,02**	**1 Sep 2016**		**13 433**		**13 433**	**1 633**
T Dloti	1 Mar 2012	R 87,90	1 Sep 2015	20 727		(6 908)	13 819	1 680
	1 Mar 2013	**R 121,02**	**1 Sep 2016**		**24 843**		**24 843**	**3 021**
SIM Braudo	1 Mar 2012	R 87,90	1 Sep 2015	26 635		(8 877)	17 758	2 159
	1 Mar 2013	**R 121,02**	**1 Sep 2016**		**26 274**		**26 274**	**3 195**

A.4.6 Summary of executive directors' interests in the Standard Bank rights under option at 31 December 2013

Name	Date granted	Price payable per share	Date fully vested	Rights under option at beginning of year	Rights exercised during year	Rights under option at end of year
JB Hemphill				250 000		**250 000**
	21 Apr 2005[(1)]	R60,35	21 Apr 2010	5 000		**5 000**
	21 Apr 2005[(1)]	R60,35	21 Apr 2012	20 000		**20 000**
	6 Mar 2009	R62,39	6 Mar 2014	25 000		**25 000**
	6 Mar 2009	R62,39	6 Mar 2016	25 000		**25 000**
	5 Mar 2010	R111,94	5 Mar 2015	75 000		**75 000**
	5 Mar 2010	R111,94	5 Mar 2017	75 000		**75 000**
	4 Mar 2011	R98,80	4 Mar 2016	12 500		**12 500**
	4 Mar 2011	R98,80	4 Mar 2018	12 500		**12 500**
CG Troskie				105 000	(28 125)	**76 875**
	2 Jan 2009[(1)]	R83,00	2 Jan 2014	37 500	(28 125)	**9 375**
	2 Jan 2009[(1)]	R83,00	2 Jan 2016	37 500		**37 500**
	5 Mar 2010[(1)]	R111,94	5 Mar 2015	15 000		**15 000**
	5 Mar 2010[(1)]	R111,94	5 Mar 2017	15 000		**15 000**

[(1)] *Awards prior to the respective appointments to the Liberty board.*

Group executive committee
at 31 December 2013

Refer to note below

1. Bruce Hemphill (50)

Chief Executive – Liberty

(BA (UCT), CPE, Solicitor))

Joined Standard Bank Group: 1993
Joined Liberty: 2006 as Chief Executive

Prior to joining Liberty, Bruce was chief executive at STANLIB, and previously held senior management positions in commercial, merchant and investment banking.

Refer to note below

2. Steven Braudo (42)

Chief Executive – Retail SA

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

Joined Liberty: 2008

Life assurance, employee benefits and asset management. Prior to joining Liberty, Steven was the managing director of Investment Solutions with responsibilities spanning across South Africa and the UK.

Refer to note below

3. Thabo Dloti (44)

Chief Executive – Institutional and Asset Management and Group Strategy

(B Bus Sc (UCT), AMP (Harvard))

Joined Liberty: 2010

Prior to joining Liberty, Thabo was the chief executive officer of Old Mutual Investment Group SA and an executive committee member of Old Mutual South Africa.

4. Casper Troskie (50)

Group Executive Director – Finance and Risk

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

Joined Standard Bank Group: 2009

Joined Liberty: 2010

Casper was previously the chief financial officer of the Standard Bank group and before that a partner at Deloitte with responsibility for leading the national Deloitte Financial Services Team, including the insurance and actuarial practices.

5. Leon Deist (44)

Group Executive – Process and Technology

(MSc Engineering (Stellenbosch), BSc Engineering (Stellenbosch))

Joined Liberty: 2009

Prior to joining Liberty, Leon was enablement director at Virgin Money and previously held executive management positions in outsourcing and IT.

6. Seelan Gobalsamy (37)

Chief Executive – Liberty Corporate

(BCom (Rhodes), CA (SA), AMP (Harvard))

Joined Liberty: 2010

Seelan spent 10 years at Old Mutual where he held a number of senior management and executive positions in the group. Most recently Seelan was the MD of Old Mutual Corporate.

Refer to note below

Note: With effect from 1 March 2014 Bruce Hemphill resigned as chief executive and Thabo Dloti and Steven Braudo were appointed as chief executive and deputy chief executive respectively. Seelan Gobalsamy was appointed as chief executive STANLIB also with effect from 1 March 2014.

7. Giles Heeger (41)

Chief Executive – Liberty Financial Solutions (LibFin)

(B Bus Sc (Hons) (UCT), MSc (City, London), CA (SA))

Joined Standard Bank Group: 2000
Joined Liberty: 2008

Structured debt finance, market risk, derivatives and global markets. Giles joined Liberty from Standard Bank, where he was the director of Sales and Structuring in the Global Markets Division of the Corporate and Investment Banking unit.

8. John Maxwell (52)

Group Executive – Retail SA

(BCom (Natal), Dip Acc (Natal), CA (SA))

Joined Liberty: 2008

Extensive financial services experience including various executive, managing director and chief operating officer roles at NBS, BoE, Nedbank (Peoples Bank) and Virgin.

9. Mukesh Mittal (43)

Chief Executive – Business Development

(BSc (Hons) (Imperial London), FIA)

Joined Liberty: 2011

Mukesh has significant international insurance experience including being Group Chief Actuary of Old Mutual plc (London) and leading Old Mutual's strategy and business development for the Asia Pacific region, Deputy Group Chief Actuary of Allianz (SE) and a director of PricewaterhouseCoopers UK. Mukesh also served on the board for Actuarial Standards in the UK.

10. Ivan Mzimela (52)

Group Executive – Group Strategic Services

(BA (Social Science) (University of the North), BA (Hons) (University of the North), MA (Regina Canada), Certificate in Strategic Management (Ashridge London))

Joined Liberty: 2011

Ivan has significant industry experience in strategy and HR and has wide stakeholder relationships. He was the executive chairman of Hollard Risk Capital. Ivan was an integral part of the team that drafted the Financial Sector Charter and has also held senior and executive positions at Nedbank and Eskom.

11. Samuel Ogbu (51)

Group Executive – West Africa

(BA (Hons) (Southbank London), ACA, MBA (Wits))

Joined Liberty: 2007

Samuel has a strong track record in general and commercial management in both South Africa and the United Kingdom, and previously held executive management positions with Old Mutual South Africa and Sage Life.

12. Thiru Pillay (43)

Chief Risk Officer

(BCompt (Hons) (Unisa), CA (SA), CIA)

Joined Liberty: 2007

Thiru was the senior executive partner responsible for risk management and internal audit services at Ernst & Young for their African practice (including South Africa). Thiru has also previously held executive positions at South African Airways and Transnet. He also chaired the audit committee and served as a non-executive director on the board of the Central Energy Fund.

Group executive committee (continued)

Group executive committee

Years service associated with the financial services industry

Executive	
1. Bruce Hemphill	21
2. Steven Braudo	21
3. Thabo Dloti	22
4. Casper Troskie	25
5. Leon Deist	8
6. Seelan Gobalsamy	17
7. Giles Heeger	17
8. John Maxwell	24
9. Mukesh Mittal	22
10. Ivan Mzimela	15
11. Samuel Ogbu	18
12. Thiru Pillay	13

Membership, role and function

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

The purpose of the committee is to assist the chief executive or any executive director for the time being of the company to manage, direct, control and co-ordinate the business activities and affairs of the company from time to time, 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.

The committee assists the chief executive in guiding and controlling the overall governance and 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 group executive committee are approved by the directors' affairs committee.

For the full mandate of the exco, refer to
www.libertyholdings.co.za

Meetings and attendance

The committee generally meets 10 times during the year. 13 meetings were held during the year, of which five were ad hoc meetings convened to discuss specific items.

Executive	
Bruce Hemphill	12/13
Steven Braudo	11/13
Thabo Dloti	13/13
Casper Troskie	13/13
Leon Deist (appointed 26 July 2013)	7/7
Seelan Gobalsamy	10/13
Giles Heeger	13/13
John Maxwell	10/13
Mukesh Mittal	13/13
Ivan Mzimela	13/13
Samuel Ogbu[1]	7/13
Thiru Pillay	13/13
Lindi Dlamini (resigned 31 May 2013)	3/4
Frik van der Merwe (resigned 26 July 2013)	5/6

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

Oversight and management committees

The key oversight and management committees and their main purposes are set out below:

Management committees	Main purpose
Strategic committee	Supports exco by focusing on resolving contentious high-stake issues and addressing opportunities and threats outside the ordinary course of business.
Group control and risk oversight committee (GCROC)	Approves, implements and exercises oversight of internal control and risk management strategies, governance standards and policies for the group. Responsibilities are executed through the following sub-committees: • The actuarial control sub-committee performs an independent technical advisory and internal governance role in the review of the group's actuarial assumptions, methodologies and models. • The compliance management committee provides oversight and management of compliance risk and implementation of compliance projects. • The group business risk committee sets group insurance risk strategy and oversees management of insurance risk. • The group investment risk committee exercises oversight in respect of business unit risk taking activities relating to investment risks. • The group operational risk committee ensures implementation and monitoring of, as well as reporting on, the operational risk framework.
Group balance sheet management committee (GBSMC)	Manages and monitors the balance sheets of Liberty Holdings Limited and its subsidiaries, the group's financial position, capital management structure, dividend payments, material capital flows as a result of strategic investments and disinvestments as well as capital market activities. This committee is supported by the following sub-committees: • The asset/liability committee develops and implements strategies for the optimisation of the balance sheet and the management of market and liquidity risk. • The LibFin credit committee manages and approves all debt instruments within the designated delegation of authority, in-house generated credit risk generated through the business units and reviews and approves the credit component of asset manager mandates. • The property investment executive committee manages the group's South African on-balance sheet direct property investment strategies in relation to the purchase, development and sale of direct property assets.
Group process and technology committee (GPTC)	Maximises the opportunities for the group to benefit from commonly architected solutions and infrastructure. This committee is supported by the group information security steering committee which implements policy, monitors and manages information security activity across the group.
People, social and ethics committee (PSEC)	Manages people related risks in respect of transformation, retention, talent management, remuneration, ethics and culture.
Fund control committee (FCC)	Manages and monitors policyholder funds and portfolios including the appointment of asset managers.

Risk management at Liberty

Continues to be the centrepiece of the richest square mile in Africa, and the powerhouse of its economy. It truly is a representation of what happens when knowledge rolls up its sleeves and gets to work. It's the Liberty advantage.

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

Risk overview from the chairman of the group risk committee

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.

The group risk committee operates with a mandate which divides our work into four areas: (a) Understanding the risks your company faces and is taking on, and ensuring management understands those risks; (b) Setting policies that provide both outer limits and targets for the amounts of risk taken on; (c) Scrutinising management actions, and understanding whether these actions are effectively producing good risk adjusted rewards; and (d) Overseeing compliance with those policies. Certain members of the group risk committee are also members of the group remuneration committee, so that we ensure that relevant finance and risk matters are considered in the determination of remuneration and that incentives for risky behaviour are removed.

The committee sees the most important risks facing your company as falling into six categories, being insurance, market, liquidity, credit, operational and concentration risk. The first four are relatively easily quantified, and we believe our systems have performed well under the stresses we have seen recently (for example unexpected changes in the repo rate). The last two are less easy to measure, but we now have a leader in our business addressing the operational risk who has joined the leaders in the first four risks. Concentration risk is included and addressed in the other risk categories. Details for each risk are shown in the body of this report.

Risks can crystalise as immediate financial losses, and as tidal waves that break over longer periods, and also as damage to our reputation with our customers, regulators or shareholders. The committee receives a report each quarter for each type of risk which identifies the management's understanding of that risk, and any changes that are occurring or expected either externally or internally.

We regularly review stress and scenario tests which predict how the company would fare if things were to go wrong. The scenarios are often chosen in conjunction with Standard Bank and the regulator, and we make sure we consider extreme events as well as more plausible circumstances. Happily, those considered in 2013 showed an ability to withstand a wide array of problems. In consultation with management and the oversight functions, the committee during the year re-assessed and identified the current top business risk challenges and management action to mitigate these risks. These have been disclosed in the risk management summary that follows.

Our risk management policy framework is based on the three lines of defence model. This requires our operating management (first line) to operate with risk in mind, has risk professionals overseeing all risk types and providing risk input from the corporate centre (second line) and has internal and external audit as the third line checking effectiveness.

The committee's primary policy framework, known as our risk appetite lays out maximum and target effects that might result, under predefined negative circumstances, to our earnings, our embedded value, our statutory capital (CAR) coverage and to our so called economic capital which is an internal measure we use to provide insight into our risks. The committee recommends to the board risk limits and targets annually and the board accepted the committee recommendations in 2013. Your company was within the limits set throughout the year, and in fact was carrying risks lower than the target for most of the year. The committee therefore asked management whether this was going to provide appropriate returns for shareholders.

Other policies cover product design principles, reinsurance limits, SIP allocation rules, amongst other things and are supplemented by an array of operational guidelines that are dealt with by management. The committee gets a report each quarter on any breaches, which have been few and minor in 2013, and assurance from the second line risk officers that remediation is happening on a timely basis.

It is a crucial part of our risk management systems that risks accepted by the company are limited by application of the product design policy – once risks have been accepted, they can rarely be removed, and mitigation can be expensive. As a result, all new products and enhancements are presented to the committee by management. Associated risks and mitigating factors are discussed prior to the approval of new products. There were a number of new products issued in 2013, and the committee was taken through the design processes and key features and received reports that confirmed that our policies had been applied properly.

The committee receives reports showing levels of capital, and at all times during the year we held capital well in excess of that required by law and regulation.

An updated liquidity risk policy framework was presented to the committee during the year which was approved and work is progressing in the implementation of more rigorous liquidity management for the main life licence entity, Liberty Group Limited. We are satisfied that the group has sufficient liquidity to meet foreseeable future commitments.

One of our strategic enablers, and thus one of our operational risks, is appropriate investment in information technology (IT), with alignment of IT to business priorities. A full review of IT issues was performed during the year. We believe that residual IT risk is low and that we continue to operate within risk appetite in this regard. Following extensive investigation and discussion, the group has adopted CoBIT 5 as the overarching IT and process governance framework. CoBIT 5 is a globally accepted framework of governance and processes through which enterprise level synergies can be established, risks minimised and IT efficiency enhanced.

The chief risk officer (currently the executive director – finance and risk, but a separate officer for most of the year), and the various heads of risk functions, all of whom are independent of the business units, reported back to the committee at each meeting on the status of any new, heightened or unusual risks that were identified and the adequacy of management's monitoring and response in this regard. Significant issues raised were resolved in a timely manner to the satisfaction of the committee.

The committee has kept abreast of regulatory and legislative developments and their potential impact on the group's business, in particular Solvency Assessment and Management, Treating Customers Fairly and Protection of Personal Interest. We believe that Liberty is well prepared to meet these regulatory requirements.

Progress was made during 2013 to address the market risks and to improve governance with respect to our operations within sub-Saharan Africa.

In summary, the group risk committee is satisfied that your company's risk profile is suitable for its strategy, and that the results of 2013 are a good return on the capital required for that risk profile. We are cognisant that in a changing environment, continuous improvements can and must be made. We therefore continue to focus on the identification and management of risks as a top priority.

Jim Sutcliffe 10 March 2014

Enterprise-wide value and risk management (EVRM) at a glance

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

Risk Categories

- Insurance
- Market
- Liquidity
- Credit
- Operational
- Concentration

Risk Governance

Three Lines of Defence

First

business unit management

Second

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

Third

independent assurance providers eg internal and external audit

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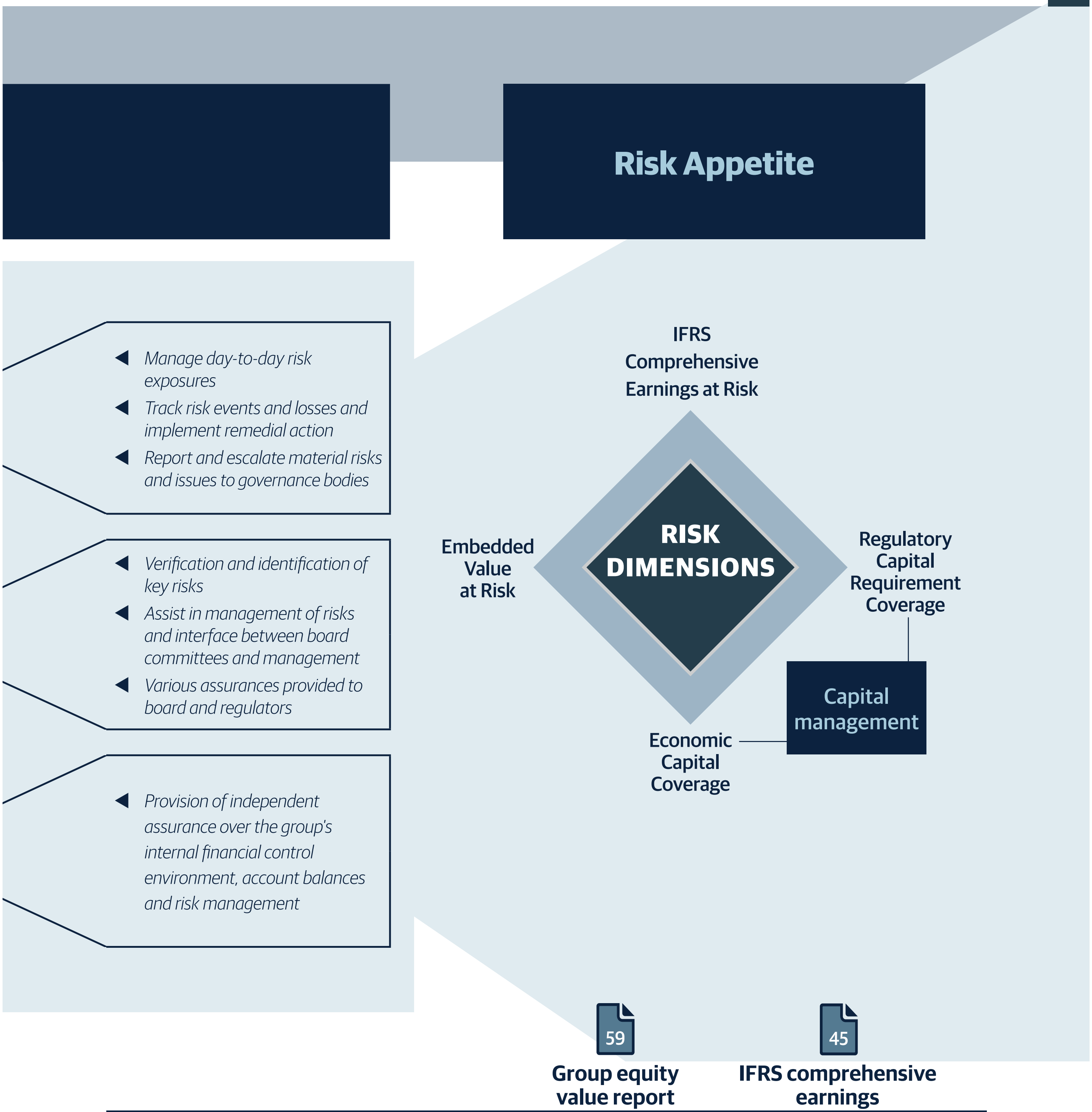
Governance section

The EVRM framework

Liberty's EVRM framework is substantially based on the risk management principles embodied in the Solvency Assessment and Management (SAM) framework. The group is continuously enhancing its risk management capabilities, particularly in line with SAM developments in anticipation of its pending implementation in 2016. A 'three lines of defence' model for managing risk has been adopted. The group's strategic plans are subject to careful consideration of the trade-off between risk and reward, taking into account the risk appetite and risk target statements approved by the board. The group is committed to holding sufficient capital to withstand a wide range of possible circumstances.



Risk management summary

The full version of Risk management at Liberty is available either at www.libertyholdings.co.za or in the separate printed volume: Liberty Holdings Limited 2013 Annual financial statements and supporting information.

In 2013 the group continued to embed tools and methodologies as well as improve processes and governance frameworks in order to enhance the management and monitoring of risk and creation of value. Progress is driven by the group's vision to improve risk management practices and the appropriate behaviours to underpin them.

This section contains a summary of the key risks faced by the group and how these are managed in terms of the adopted risk management framework. The group's comprehensive risk management disclosures, including those required by IFRS, are in the Annual Financial Statements and Supporting Information.

Enterprise-wide value and risk management (EVRM)

The group's strategic plans are subject to careful consideration of the trade-off between risk and reward. They take into account the risk appetite approved by the board, ensuring that sufficient capital is held to withstand a wide range of possible circumstances.

In order to reduce the likelihood of undesirable significant adverse events, the board has invested in an effective risk management capability and has adopted an EVRM framework.

Business and other risks deemed to be outside of the group's risk appetite are escalated to the board. Formal processes have been established to understand current trends and business risks, which are supplemented with specific reviews and research, related to key issues in the industry. This allows executive and business unit management to appropriately monitor the external business environment.

EVRM framework

The EVRM framework is closely aligned to the principles embodied in the proposed South African Solvency Assessment and Management regulations (SAM). SAM is based on the principles of the International Association of Insurance Supervisors and European Solvency II developments, but adapted to South African specific circumstances where necessary. As outlined in the governance section of the integrated annual report, the group has adopted a 'three lines of defence' model for managing risk.

Ultimate responsibility for risk management resides with the board, with the primary responsibility delegated to the CE. The group's chief risk officer (CRO) is responsible for developing and communicating the EVRM framework, overseeing the development and implementation of risk management strategies and the implementation of the EVRM framework. Business unit executives are accountable for risk management within their businesses, supported by risk type experts. The governance structures described in the integrated annual report illustrate these roles and responsibilities with specific emphasis on establishing independence and adequate segregation of duties.

Risk management policies

To support the effective communication, implementation and governance of the EVRM framework, processes and operational requirements have been translated into a comprehensive series of risk management policies, procedures, standards and guidelines (PPSGs).

Risk PPSGs reflect the overall commitment to risk management by the group, stipulating the required direction and the parties responsible for implementation.

The board holds the CRO accountable for assurance on the group's compliance with risk policies and with the overall risk profile of Liberty. The CRO informs the board of any significant breaches that occur and provides progress updates on the effect of remedial actions taken.

Throughout this section the chief risk officer (CRO) refers to the appointed heads of risk categories who all report to the executive director – finance and risk.

Understanding our risks

Risk identification

In the context of the global and domestic economic, political and regulatory outlook, key risks facing the group are identified through the enterprise-wide risk management process. This involves using a common approach to identifying both current and emerging risks threatening the achievement of the business strategy and objectives. Within Liberty, risk identification is a qualitative process used to discover the group's exposure to uncertainty. Business unit management has front-line accountability for identifying the risks facing their business and is assisted in the process by business unit heads of risk.

Liberty has identified six major risk categories that are significant from a group perspective namely insurance, market, liquidity, credit, operational and concentration risk. These risk categories form the group's risk taxonomy and cover a range of risks that are managed by centres of excellence at a group level. Concentration risk is covered within the individual risk types where relevant.

The possible risk to reputation is not distinguished as a unique risk type in the taxonomy. Risk to reputation is considered a consequence that could arise due to the occurrence of one or more of the other risk types.

Risks often exhibit some correlation, as they do not typically occur in isolation. These correlations are considered in the management of risk and are allowed for in required capital calculations.

Risk assessment and measurement

Business units are supported by the group centres of excellence in the assessment of identified risks. These assessments are quantitative in order for the group and business unit risks to be rated and ranked for escalation and management attention. This ensures appropriate focus on critical risks facing the business and ensures that they are managed within the board approved risk appetite. This also assists senior management in knowing where to focus their time and attention and ensures that critical risks are managed rigorously.

Risks identified and assessed within the business units are aggregated and ranked at group level to ensure that the group has sight of its portfolio of risks and understands where business units are focusing their time and attention. The aggregated risk profile is reviewed by the GCROC and revisions are made at a group level. Management present their key risk assessments to the group risk committee (GRC) and board at least annually. The CRO monitors the risk identification and assessment process and reports on risk status and management's response each quarter to the GRC.

A detailed bottom-up calculation of the group's risk profile in relation to risk appetite is conducted semi-annually and an analysis of the principle risk drivers is performed. The group's risk exposure is calculated across the four risk dimensions described in the risk appetite section which follows.

Separate but related models are run for each of the four dimensions that allows for insurance, market, liquidity, credit and operational risk exposure measurement.

Stress testing

The group deploys a comprehensive approach to stress testing which includes sensitivity analysis and scenario stress testing. A range of scenarios, covering different levels of severity and plausibility, are considered as part of the stress testing system. Scenarios are forward-looking over the same period as the business-planning horizon and focus on both macroeconomic and insurance-driven events.

Risk response, monitoring and reporting

Corrective action is taken if the group is outside of risk appetite. If risk exposure is within risk target, risk-taking opportunities that could enhance risk adjusted shareholder value can be identified and implemented. Risk response decisions are developed as part of the enterprise risk management process and formal accountability is assigned to provide a greater level of assurance to the board, GRC and group audit and actuarial committee, as well as to inspire a greater level of confidence in the group's governance framework.

The monitoring of risk exposures and key controls is inherently part of this process, as is the reporting of emerging and significant risks for each business unit and the group as a whole. Where significant breaches are reported, progress made against action plans is monitored continuously.

Risk information is reported quarterly to the GCROC and the GRC to ensure that decision making is based on an understanding of the potential impacts. The group's risk exposure relative to risk appetite and risk target on each risk measure is reported to the group balance sheet management committee (GBSMC), GCROC and GRC. GCROC reviews significant risks facing the group for onward presentation to the GRC, together with proposed management action to mitigate and manage these risks.

Risk management summary (continued)

Top business risks

The group manages its actual risk profile against its tolerance for risk. To achieve this, a risk register is maintained that includes identification and prioritisation of risks, the risk controls for each risk and the mitigating actions deployed in managing the risks. A wide range of mitigating actions and strategies are deployed.

At the date of approval of this report, the group risk committee in consultation with management and the oversight functions has identified the following top business risk challenges:

Risk event
Sub-optimal leveraging of the businesses due to inefficient business processes and inappropriate IT architecture
Ability to sustain innovative product development and delivery capabilities
Maintaining an appropriate cost base
Adequate business change management capabilities
Sustainable positive investment performance by STANLIB
Response to regulatory and environmental change
South African transformation and overall talent management initiatives
Realisation of growth initiatives and supporting business plans
Optimal leveraging of the Liberty brand

The board and GRC have ensured that these risks are being addressed or mitigated through the group's strategy and appropriate strengthening of risk management practices.

Risk appetite

Risk appetite is defined as the maximum amount of risk that the group is prepared to accept in pursuit of its business objectives. As such, risk appetite defines the group's willingness and capacity to accept high or low levels of exposure to specific risks or groups of risks. Liberty's risk management system also includes the setting of risk target, defined as the amount of risk the group aims to take within which to optimise returns. Risk target is set at a level within group risk appetite that allows for the achievement of long-term target returns and target enterprise value while keeping the possibility of risk appetite breaches at an acceptable level.

The setting of the level of risk appetite is fundamentally driven by the dual and at times conflicting objectives of creating shareholder value through risk taking, while providing financial security for customers through appropriate maintenance of the group's ongoing solvency. Consideration is also given to the regulatory, strategic and working capital requirements of the group in the short, medium and long-term.

Risk appetite is measured across the following four risk dimensions:

- Comprehensive earnings at risk;
- Embedded value at risk;
- Regulatory capital requirement coverage; and
- Economic capital coverage.

The group's risk appetite statement is continually reviewed to ensure its appropriateness. Revisions of the risk appetite statement are approved by the board. Once approved, these revisions are immediately adopted for any future assessment of the group's risk appetite position. Management is tasked with conducting Liberty's business at the targeted risk levels to ensure that the planned optimisation of returns is achieved. Insufficient risk taken is considered to be as undesirable as breaches of risk limits where value enhancing opportunities exist.

Capital management

Objective

Efficient capital management is a key contributor to shareholder value. The group's capital management strategy ensures that for each legal entity, available capital exceeds the statutory capital requirement. In addition, at a group level, the capital management strategy is set in line with the board's risk appetite requirements. This translates to a requirement that the available capital exceeds the statutory capital requirement by an amount referred to as the capital buffer.

Available capital is the amount by which the value of the assets exceeds the value of liabilities on a statutory basis. This is determined at a legal entity and at a group level. The group ensures that available capital is of suitable quality and is accessible when required.

Statutory capital requirement is the amount by which the regulators require the statutory basis assets to exceed the statutory basis liabilities. This is currently determined at a legal entity level.

Capital buffer is the amount by which available capital exceeds the statutory capital requirement for the group.

The buffer is managed to support management risk target levels (set within board risk appetite), strategic initiative requirements and the dividend policy of the group.

Management of capital

Due to advances in the regulatory regime, the group now manages capital on two different bases viz. the statutory basis and an economic basis aligned to SAM which will prescribe the statutory requirements for life insurers and insurance groups with effect from 2016.

There were no breaches of the statutory capital requirements during 2013. As regards the economic basis aligned to SAM, Liberty has participated in the second FSB quantitative impact study which confirmed that the group's capital position is adequate. Liberty is currently completing the third quantitative impact study and will participate in the "light parallel run" required by the FSB in 2014.

Capital position of Liberty Group Limited at 31 December 2013

Liberty Group Limited (LGL) houses the vast majority of the long-term insurance operations of the group. With effect from 1 September 2013, under the approved life licence entity rationalisation, the business of Capital Alliance Life Limited, Liberty Active Limited and Liberty Growth Limited was transferred to LGL.

The table below summarises the assets, liabilities and excess assets for LGL on a statutory basis.

Liberty Group Limited	**2013 (1) Rm**	2012 Rm
Total assets	**270 892**	199 008
Less liabilities	**259 197**	191 450
Policyholder liabilities	**243 861**	179 655
Other liabilities	**15 336**	11 795
Excess of assets over liabilities	**11 695**	7 558
Statutory capital adequacy requirement	**4 564 (2)**	2 791 (3)
Actual CAR coverage ratio (times)	**2,6**	2,7
Target CAR coverage ratio (times)	**1,5**	1,7

(1) *2013 includes business transferred into LGL from Capital Alliance Life Limited, Liberty Active Limited and Liberty Growth Limited.*
(2) *Based on OCAR.*
(3) *Based on TCAR.*

Note issuances

LGL has three subordinated debt instruments in issue to fund its working capital and to lower the weighted average cost of capital for the group. The details of the note issuances are provided in the table below:

	Amount issued	Coupon rate	Tenor	Date issued	Coupon type
LGL02	R1 000 000 000	7,670%	5 years	2012/08/13	Fixed
LGL03	R1 000 000 000	7,640%	5 years, 6 months	2012/10/03	Fixed
LGL04	R1 000 000 000	9,165%	7 years	2013/08/14	Fixed

On 2 December 2013, Fitch Ratings affirmed LGL's National Insurer Financial Strength rating at 'AA(zaf)' and LGL's National Long-term rating at 'AA-(zaf)' with a stable outlook. The affirmations reflect Liberty's well established franchise, enhanced risk management, sound capital position and its solid operating performance with strong earnings in 2012 and the first half of 2013. Fitch considers the strength and diversity of Liberty's distribution network and its success in bancassurance with the Standard Bank group as key positive rating drivers. Offsetting these key rating drivers is some earnings volatility stemming from the group's exposure to investment markets, which is in line with its peers, and the continued challenging South African economic environment.

Fitch simultaneously affirmed LGL's subordinated debt issue at 'A+(zaf)'.

Risk management summary (continued)

Insurance risk

Definition

Insurance risk is the risk that actual future demographic and related expense cashflows will differ from that expected and hence that used in measuring policyholder liabilities and in pricing products. This could be due to variations in mortality, morbidity, policyholder behaviour or expense experience in the case of life products, and claims incidence, claim severity or expense experience in the case of short-term insurance products.

Management of insurance risk

Risk management takes place before the acceptance of risks through the product development and pricing processes and at the point of sale. Measurement, monitoring and treatment of these risks continues once the risks are contracted.

Risk management through product development, pricing and at the point of sale

The product development and pricing process defines the terms and conditions on which the group is willing to accept risks. Once a policy has been sold, the group is placed on risk for the duration of the contract and cannot unilaterally change the terms and conditions of the policy except where the policy allows for rate reviews. It is for this reason that risks need to be carefully assessed and treated before a product is launched and before new policies are accepted onto the group's balance sheet. In order to manage these risks, new products need to comply with the group-wide product development risk policy.

The product development process ensures that:

- Risks inherent in new products are identified and quantified;
- Sensitivity tests are performed to enhance understanding of the risks and appropriateness of mitigating actions;
- Pricing is adequate for the risk undertaken;
- Product design takes account of various factors including size and timing of fees and charges, appropriate levels of minimum premiums, commission structures and policy terms and conditions;
- The group makes use of reinsurance to reduce exposures to some business risks; and
- Post implementation reviews are performed to ensure that intended outcomes are realised and to determine if any further action is required.

Risk management post-implementation of products and of in-force policies

The ongoing management of insurance risk, once the risk has been contracted, is effectively the measurement and monitoring of deviations of actual experience from the assumed best estimate of future experience and ongoing claims underwriting.

Experience investigations are conducted at least annually on all significant insurance risks to ascertain the extent of deviations from assumptions and their financial impacts. If the investigations indicate that these deviations are likely to persist in future, the assumptions will be adjusted accordingly for the subsequent measurement of policyholder liabilities. Furthermore, any deviations that are likely to persist are also used to inform the product development and pricing of new and existing products.

The statutory actuaries provide oversight of the long-term insurance risks undertaken by the group in that they are required to:

- Report at least annually on the financial soundness of the life licence entities within the group;
- Oversee the setting of assumptions used to provide best estimate liabilities plus compulsory and discretionary margins (as described in the accounting policies) in accordance with the assumption setting policy; and
- Report on the actuarial soundness of premium rates in use for new business, and on the profitability of the business, taking into consideration the reasonable benefit expectations of policyholders and the associated insurance and market risks.

Variations in mortality, morbidity and longevity

Mortality risk is the risk of adverse financial impact due to actual mortality (death) claims being higher than anticipated. Morbidity risk is the risk of adverse financial impact due to policyholder health related (disablement and dread disease) claims being higher than expected.

The group has the following processes and procedures in place to manage mortality and morbidity risk:

- Premium rates are differentiated by factors which historical experience has shown are significant determinants of mortality and morbidity claim experience;

- Prior to taking on individual risk policies, appropriate underwriting processes are conducted, such as blood tests, which influence pricing on the policy prior to acceptance;
- The actual claims experience is monitored on a monthly basis so that deteriorating experience can be timeously identified. Product pricing and the measurement of the liabilities is changed if the deteriorating experience is expected to continue and cannot be mitigated;
- Detailed mortality and morbidity investigations are conducted on a bi-annual basis for key products;
- Reinsurance arrangements are put in place to reduce the mortality and morbidity exposure per individual and provide cover in catastrophic events; and
- In the case of disability annuitants, claim management ensures the continued eligibility for monthly income and includes interventions that may result in the full or partial medical recovery of the claimant.

Longevity risk is the risk of adverse financial impact due to actual annuitant mortality being lower than anticipated, i.e. annuitants living longer than expected. For life annuities, the loss arises as a result of the group having undertaken to make regular payments to policyholders for their remaining lives, and possibly to the policyholders' spouses for their remaining lives. The most significant risks on these liabilities are continued medical advances and improvements in social conditions that lead to longevity improvements being better than expected.

The group manages the longevity risk by:

- Annually monitoring the actual longevity experience and identifying trends over time; and
- Making allowance for future mortality rates falling in the pricing of new business and the measurement of policyholder liabilities. This allowance will be based on the trends identified in experience investigations and external data.

Sums assured and annuity exposure

The table below summarises the profiles of the sums assured at risk per life in terms of mortality benefits before and after reinsurance for retail and corporate risk business.

	Before reinsurance		After reinsurance	
Sums assured at risk (R)	**Rm**	**%**	**Rm**	**%**
2013				
0 – 1 499 999	**552 690**	**46**	**535 661**	**51**
1 500 000 – 2 999 999	**238 771**	**20**	**218 018**	**21**
3 000 000 – 7 499 999	**263 565**	**22**	**223 097**	**21**
7 500 000 and above	**141 282**	**12**	**66 987**	**7**
Total	**1 196 308**	**100**	**1 043 763**	**100**
2012				
0 – 1 499 999	515 109	47	497 987	52
1 500 000 – 2 999 999	221 552	20	201 146	21
3 000 000 – 7 499 999	236 770	22	200 945	21
7 500 000 and above	120 177	11	56 316	6
Total	1 093 608	100	956 394	100
Percentage increase	**9,4%**		**9,1%**	

Summary by market segment after reinsurance	**2013 Rm**	2012 Rm
Retail	**768 490**	698 424
Corporate	**275 273**	257 970
Total	**1 043 763**	956 394

Risk management summary (continued)

Sums assured and annuity exposure (continued)

The profile of annuity amounts payable per life net of reinsurance in respect of life and disability income annuities is as follows:

Annuity amount per annum (R)	Number of life and disability annuities in payment 2013	Annual annuity amount exposure 2013 Rm	Number of life and disability annuities in payment 2012	Annual annuity amount exposure 2012 Rm
0 – 239 999	**87 046**	**1 798**	89 260	1 768
240 000 – 479 999	**740**	**231**	651	204
480 000 – 719 999	**101**	**59**	93	54
720 000 and above	**41**	**41**	36	36
Total	**87 928**	**2 129**	90 040	2 062

Market risk

Definition

Market risk is the risk of adverse financial impacts due to changes in fair values or future cash flows of financial instruments from fluctuations in equity prices, interest rates and foreign currency exchange rates (as well as their associated volatilities). In addition, in light of the group's significant investment in investment properties, there is risk exposure to fluctuations in property values.

The key components of market risk are as follows:

- **Equity risk** is the risk arising from a change in the value and/or future cash flows of an asset or liability, as a result of equity price and/or dividend changes;
- **Interest rate risk** is the risk arising from a change in the value and/or future cash flows of an asset or liability, as a result of interest rate changes;
- **Currency risk** is the risk arising from a change in the value and/or future cash flows of an asset or liability because of changes in exchange rates. This risk can be in the form of a mismatch between currencies of assets and liabilities, on assets supporting capital, or the functional currency of the local entity being different to the reporting currency of the group;
- **Credit spread risk** is the risk arising from changes in the credit spread on listed traded liquid debt instruments as a result of shifts in markets and or deterioration in credit quality of the issuers;
- **Property market risk** is the risk arising from a change in the value and/or future cash flows of an asset or liability, as a result of changes in property market prices and/or rental income; and
- **Volatility risk** is the risk of adverse financial impact arising from fluctuations in the implied volatility of equity, currency, property and interest rates.

Management of market risk

The maximum amount of market risk assumed within the group is defined by the group risk appetite. Group risk targets are set within risk appetite. These targets guide the setting of market risk limits for asset/liability matching taking into account unmanaged market risks and the needs of the core business. The strategic asset allocation in the shareholder investment portfolio aims to optimise the utilisation of the residual risk appetite while retaining a conservative investment mandate and return objectives. At 31 December 2013, the group was within market risk limits.

The market risk associated with policyholder investment funds and with-profit funds pooling investment performance is ultimately borne by the policyholders. Poor performance on policyholder funds can lead to reputational damage and subsequently to increased policyholder withdrawals and a reduction in new business volumes. This performance risk is managed by the fund control committee through the monitoring of asset managers and through the setting of appropriate policyholder fund mandates.

The group recognises the importance of investing its capital base, namely the shareholder funds, in a diversified portfolio of financial assets. The market risk arising from this shareholder fund exposure is modelled and managed together with the 90:10 fee exposure that exposes shareholders to 10% of the returns on a defined portion of assets backing unit-linked liabilities. This consolidated portfolio is referred to as the shareholder investment portfolio. The board approves the long-term asset mix of this investment portfolio assuming a strategic asset allocation methodology with a long-term investment horizon. LibFin Investments is responsible for the implementation of the investment strategy and monitors its performance with oversight from group risk functions and ultimately the board.

The group has a number of market risk exposures arising from asset/liability mismatches to which it does not wish to be exposed on a long-term strategic basis. As a result, it has chosen to mitigate these risks through a dedicated ongoing hedging programme. The net market risk impact of these exposures is managed by LibFin Markets utilising hedge instruments available in the market.

Summary of market exposures

The table below summarises the group's exposure to financial property and insurance assets. This exposure has been split into the relevant market risk categories and then attributed to the effective holders of the risk.

		Attributable to				
Risk category (Rm)	**Total financial, property and insurance assets**	**Policyholder market-related liabilities**	**Other policyholder liabilities[(2)]**	**Ordinary shareholders assets**	**Non-controlling interests**	**Third party financial liabilities on mutual funds**
2013						
Equity price	**135 972**	**120 401**	**(6 126)**	**3 602**		**18 095**
Interest rate	**121 623**	**61 022**	**24 112**	**30 206**	**199**	**6 084**
Property price	**31 771**	**24 379**	**(1 100)**	**1 982**	**3 503**	**3 007**
Mixed portfolios[(1)]	**56 512**	**42 827**	**(2 732)**	**3 620**		**12 797**
Reinsurance assets[(3)]	**1 609**		**1 161**	**448**		
Total	**347 487**	**248 629**	**15 315**	**39 858**	**3 702**	**39 983**
Percentage (%)		**71,6**	**4,4**	**11,5**	**1,0**	**11,5**

(1) *Mixed portfolios are subject to a combination of equity price, interest rate and property price risks depending on each portfolio's construction. A substantial portion of the mixed portfolios will be subject to equity price and interest rate risk. The exact proportion is practically difficult to calculate accurately given the number of mutual funds and hedge funds contained in the group portfolios.*

(2) *Negative exposure to the various risk categories can occur in 'Other policyholder liabilities' since the present value of future charges can exceed the present value of future benefits and expenses resulting in a negative liability. The group offsets these negative liabilities against policyholder market-related liabilities. The policyholder market risk exposure, however, remains unchanged. Hence, shareholders bear all the risks of shorting assets backing the policyholder market-related liabilities by the amount of these negative liabilities.*

(3) *Reinsurance assets are claims against reinsurers outstanding at the reporting date. They are not subject to market risk other than time value of money (interest rate) for the periods to settlement.*

Risk management summary (continued)

Risk category (Rm)	Total financial, property and insurance assets	Attributable to Policyholder market-related liabilities	Other policyholder liabilities[2]	Ordinary shareholders assets	Non-controlling interests	Third-party financial liabilities on mutual funds
Restated 2012						
Equity price	117 367	110 489	(6 219)	1 316		11 781
Interest rate	119 413	47 957	28 838	28 715	149	13 754
Property price	29 113	22 147	(1 016)	1 198	2 952	3 832
Mixed portfolios[1]	38 212	36 142	(2 632)	4 054		648
Reinsurance assets[3]	1 170		978	192		
Total	305 275	216 735	19 949	35 475	3 101	30 015
Percentage (%)		71,0	6,6	11,6	1,0	9,8

(1) *Mixed portfolios are subject to a combination of equity price, interest rate and property price risks depending on each portfolio's construction. A substantial portion of the mixed portfolios will be subject to equity price and interest rate risk. The exact proportion is practically difficult to calculate accurately given the number of mutual funds and hedge funds contained in the group portfolios.*

(2) *Negative exposure to the various risk categories can occur in 'Other policyholder liabilities' since the present value of future charges can exceed the present value of future benefits and expenses resulting in a negative liability. The group offsets these negative liabilities against policyholder market-related liabilities. The policyholder market risk exposure, however, remains unchanged. Hence, shareholders bear all the risks of shorting assets backing the policyholder market-related liabilities by the amount of these negative liabilities.*

(3) *Reinsurance assets are claims against reinsurers outstanding at the reporting date. They are not subject to market risk other than time value of money (interest rate) for the periods to settlement.*

Liquidity risk

Definition

Liquidity risk is the risk that the group, although solvent, is not able to meet its payment obligations as they fall due (funding liquidity risk), or is only able to do so at materially disadvantageous terms (market liquidity risk). Liquidity risk is most likely to arise because of the group's exposure to heightened benefit withdrawals and risk claims where the backing assets cannot be readily monetised, as well as through liquidity calls related to derivative transactions used to hedge ALM risks.

Management of liquidity risk

The likelihood and severity of outflows associated with these exposures are assessed individually and in combination and are managed by maintaining a suitable liquidity buffer in the form of high-quality liquid assets. Eligible asset types that form part of the liquidity buffer have been chosen based on their proven ability to generate liquidity under both normal and significantly stressed conditions.

Liquidity risk is also managed by matching liabilities with backing assets that are of similar maturity, duration and risk nature. Where the group originates term assets with predictable cash flow profiles which give rise to structural liquidity mismatches between the projected cash inflows and outflows, the liquidity position is actively managed to prevent any undue future liquidity strains.

As a result of the liquidity risk mitigation measures in place, the group's exposure to liquidity risk is expected to be insignificant.

Liquidity profile

As demonstrated in the table below, the group's assets are predominantly liquid.

	2013		Restated 2012	
Financial asset liquidity	**%**	**Rm**	%	Rm
Liquid[1]	**75**	**261 626**	73	221 376
Medium[2]	**16**	**54 224**	18	55 954
Illiquid[3]	**9**	**31 637**	9	27 945
	100	**347 487**	100	305 275

(1) *Liquid assets are those that are considered to be realisable within one month (e.g. cash, listed equities, term deposits, etc.).*
(2) *Medium assets are those that are considered to be realisable within six months (e.g. unlisted equities, certain unlisted term deposits, etc.).*
(3) *Illiquid assets are those that are considered to be realisable in excess of six months (e.g. investment properties).*

Credit risk

Definition

Credit risk refers to the risk of loss or of adverse change in the financial position resulting, directly or indirectly, from fluctuations in the credit standing of counterparties and any debtors to which shareholders and policyholders are exposed. Credit risk arises out of taking risk exposure to third parties (credit default risk), through settlement processes when trading with third parties (settlement risk) and when there is a migration in the quality of the credit risk of third parties, to whom the group is exposed (credit spread risk).

Management of credit risk

Liberty is exposed to credit risk in a number of areas of its business. Through the investment activities of mandated asset managers, Liberty has largely been exposed to listed and more liquid credit instruments. Through the LibFin credit origination business, however, Liberty has consciously moved into illiquid credit assets benefiting from higher returns and diversification. This is in line with the board approved credit strategy and risk appetite for the business.

Overall, the credit risk portfolio at 31 December 2013 remains heavily weighted to South African counterparties including government, state-owned enterprises and top tier South African banks. The continued efforts of the LibFin credit origination business, together with the restructure of existing asset manager mandates in line with core competencies, has resulted in a further level of diversification and improved returns for the credit risks being taken in the portfolio.

Significant shareholder and policyholder credit exposures are reported to GBSMC, GCROC and GRC. Shareholder exposures are subject to individual counterparty limits set by the group. The Long-term Insurance Act of 1998 does limit admissible exposure to individual issuers and counterparties for regulatory purposes. This is taken into consideration when financial assets are procured.

While group risk remains satisfied that the credit portfolio is sound, well positioned and acceptable within risk appetite levels, it is recognised that loss events do occur from time to time in a credit portfolio of this nature.

Risk management summary (continued)

Analysis of financial assets by credit quality

The table below reflects the group's aggregate credit risk exposure at 31 December 2013.

Rm	A- and above	BBB+	BBB	BBB-	BB+	BB	BB- and below	Not rated	Pooled funds	Total carrying value
2013										
Debt instruments	**4 767**	**49 164**	**10 431**	**15 153**	**2 160**	**3 529**	**637**	**2 356**	**14 551**	**102 748**
Investment policies			**25 271**					**1 085**		**26 356**
Derivatives and collateral deposits	**1 004**	**3 756**	**1 450**	**128**				**49**		**6 387**
Cash and cash equivalents	**1 224**	**4 262**	**1 958**	**105**		**1 383**	**90**	**848**		**9 870**
Other		**11**	**59**	**1 156**		**54**	**37**	**4 137**		**5 454**
Total assets bearing credit risk	**6 995**	**57 193**	**39 169**	**16 542**	**2 160**	**4 966**	**764**	**8 475**	**14 551**	**150 815**
Restated 2012										
Debt instruments	21 072	33 131	12 934	441	2 894	4 257	470	3 748	19 403	98 350
Investment policies									23 304	23 304
Derivatives and collateral deposits	1 906	4 344	375			147		138		6 910
Cash and cash equivalents	926	4 677	3 021			469		1 325		10 418
Other	63	17	8	39	954		2	3 719		4 802
Total assets bearing credit risk	23 967	42 169	16 338	480	3 848	4 873	472	8 930	42 707	143 784

	2013		2012	
	%	Rm	%	Rm
Credit exposure allocation estimated attributable to:	**100**	**150 815**	100	143 784
Policyholders	**44**	**66 310**	43	61 939
Shareholders	**42**	**63 218**	41	58 995
Non-controlling interests and third party liabilities on mutual funds	**14**	**21 287**	16	22 850

Normal credit processes are followed before any asset exposure is entered into with the group's holding company, Standard Bank. Of the group's asset exposure subject to credit risk of R216 427 million (2012: R188 035 million), R16 190 million or 7,5% (2012: R18 291 million or 9,7%) represented exposure to Standard Bank.

Operational risk

Definition

Operational risk is the risk of loss caused by inadequate or failed internal processes, people and systems, or from external events and is pervasive across the business.

Management of operational risk

The group's operational risk framework is embedded within the business to promote sound risk management practices that are cost effective and fit for purpose to suit the organisational maturity and the particular business environment.

Group internal audit services, as part of the group's third line of defence, performs an independent review of operational risk management practices to ensure that they are implemented consistently across the group.

Sources of operational risk in respect of which activities to reduce exposure take place include but are not limited to:

- Information technology;
- Process;
- Regulatory;
- Legal;
- Taxation;
- Investment mandate;
- People;
- Business continuity management;
- Customer complaints;
- Environmental;
- Internal and external fraud;
- Model; and
- Internal controls.

A comprehensive internal control process is embedded in the group, actively managed by strong management review. No material losses were reported in 2013 due to a breakdown of these controls.

Concentration risk

Definition

Concentration risk is the risk that the group is exposed to financial loss which, if incurred, would be significant due to the aggregate (concentration) exposure the group has to a particular asset, counterparty, customer or service provider.

Management of concentration risk

Concentration risk is monitored by the various group risk management practices and has been commented on within the other major risk category sections where relevant.

In addition the group has various asset managers that manage funds on its behalf. The risks associated with the various asset managers are considered and monitored by the FCC and the GBSMC.

By design, a significant portion of the group's assets are managed by the wholly owned group subsidiary STANLIB. Of the R347 487 million (2012: R305 275 million) assets managed by various asset managers engaged by the group, R248 860 million (2012: R212 765 million) or 72% (2012: 70%) was managed by STANLIB.

Sensitivity analysis

The group's earnings and available capital are exposed to insurance and market risks amongst others through its insurance and asset management operations. Assumptions are made in respect of the market and insurance risks in the measurement of policyholder liabilities. This section provides sensitivity analyses to changes in some of these variables.

The sensitivities provided cannot simply be extrapolated to determine prospective earnings forecasts and caution is advised to any user doing this. They do, however, provide insight into the impact that changes in these risks can have on policyholder liabilities and attributable profit after taxation.

Risk management summary (continued)

The table below summarises the impact of the change in the above risk variables on policyholder liabilities and on ordinary shareholders' equity and attributable profit after taxation. The market risk sensitivities are net of risk mitigation activities as described in the market risk section. Consequently the comparability to the previous year is impacted by the level of risk mitigation at the respective financial position dates.

	Change in variable	Impact on policyholder liabilities		Impact on ordinary shareholder equity and attributable profit after taxation	
Assumption description	2013 and 2012 %	**2013 Rm**	2012 Rm	**2013 Rm**	2012 Rm
Insurance assumptions [1]					
Mortality					
Assured lives	+2	**227**	320	**(164)**	(230)
	-2	**(228)**	(321)	**164**	231
Annuitant longevity	+4 [2]	**226**	233	**(162)**	(162)
	-4 [3]	**(217)**	(223)	**156**	154
Morbidity	+5	**361**	419	**(260)**	(294)
	-5	**(360)**	(419)	**259**	295
Withdrawals [4]	+8	**471**	229	**(339)**	(166)
	-8	**(533)**	(238)	**384**	172
Expense per policy	+5	**260**	273	**(187)**	(196)
	-5	**(260)**	(273)	**187**	196
Market assumptions					
Interest rate yield curve	+12	**(3 022)**	(2 892)	**(213)**	(194)
	-12	**3 558**	3 430	**135**	106
Option price volatilities	+20	**106**	241	**(55)**	(149)
	-20	**(74)**	(198)	**33**	119
Equity prices	+15	**18 470**	15 545	**1 258**	1 144
	-15	**(18 460)**	(15 451)	**(1 256)**	(1 170)
Rand exchange rates	+12 [5]	**(3 862)**	(3 061)	**(627)**	(621)
	-12 [6]	**3 873**	3 079	**624**	629

(1) On certain classes of business management action is being taken to mitigate the impact of changes in assumptions on those classes of business. This action has been taken into account in these sensitivities for 2013.

(2) Annuitant life expectancy increases i.e. annuitant mortality reduces.

(3) Annuitant life expectancy reduces i.e. annuitant mortality increases.

(4) The impact from a major class of business, where withdrawals would reduce the overall impact of the stress, has been removed in line with management action being taken for that class for 2013.

(5) Strengthening of the rand.

(6) Weakening of the rand.

Abbreviations and definitions

including key performance measures

Abbreviations

ALBI	All Bond Index
ALM	Asset/liability matching
APN	Advisory Practice Note
ASISA	Association for Savings and Investment SA
BEE	Black Economic Empowerment
B-BBEE	Broad-based Black Economic Empowerment
BESA	Bond Exchange of South Africa
Board	Liberty Holdings Limited board of directors
BU	Business unit
CAR	Capital adequacy requirement
CE	Chief executive
CfC	Liberty Kenya Holdings Limited (previously CfC Insurance Holdings Limited) and its subsidiaries
CFO	Chief financial officer
CGT	Capital Gains Taxation
CPA	Consumer Protection Act
CRO	Chief risk officer
DAC	Deferred acquisition costs
DPF	Discretionary participation features
DRL	Deferred revenue liability
dti	Department of Trade and Industry
ECM	Emerging consumer market
EVRM	Enterprise-wide value and risk management
Exco	Group executive committee
FAIS	Financial Advisory and Intermediary Services
FCC	Fund control committee
FCTR	Foreign Currency Translation Reserve
FSB	Financial Services Board
FSV	Financial soundness valuation
GAAC	Group audit and actuarial committee
GAO	Guaranteed annuity options
GBSMC	Group balance sheet management committee
GCROC	Group control and risk oversight committee
GIAS	Group internal audit services
GRC	Group risk committee
IAIS	International Association of Insurance Supervisors
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Incurred but not reported
IFA	Independent financial adviser
IFRS	International Financial Reporting Standards
ISDA	International swap and derivative agreement
JSE	Johannesburg Stock Exchange
LGL	Liberty Group Limited
LHL	Liberty Holdings Limited
Liberty	Liberty Holdings Limited and its subsidiaries.
MCAR	Minimum capital adequacy requirement
NACC	Nominal annual compounded continuously
NACM	Nominal annual compounded monthly
NAV	Net asset value
NHI	National Health Insurance
OCAR	Ordinary capital adequacy requirement
OTC	Over-the-counter
PoPI	Protection of Personal Information Act
PVIF/VIF	Present value of contracts in-force
RPO	Risk policy and oversight
SAM	Solvency Assessment and Management
SAP	Standard of Actuarial Practice
SARS	South African Revenue Services
SBG	Standard Bank Group
STC	Secondary Tax on Companies
TCAR	Termination capital adequacy requirement
TCF	Treating Customers Fairly

Abbreviations and definitions
including key performance measures (continued)

Definitions

Advisory practice notes	These notes are issued by the Actuarial Society of South Africa and provide guidance to members in their relevant areas of practice.
Assets under management	The market value of assets that an investment company manages on behalf of investors.
Bancassurance	An arrangement whereby banks sell life, pension and investment products to their customers on behalf of a registered insurer.
BEE normalised: headline earnings per share, return on equity, group equity value per share and return on group equity value	These measures reflect the economic reality of the Black Economic Empowerment (BEE) transaction as opposed to the required technical accounting treatment that reflects the BEE transaction as a share buy-back. Dividends received on the group's BEE preference shares (which are recognised as an asset for this purpose) are included in income. Shares in issue relating to the transaction are reinstated.
Capital adequacy cover	The amount of capital, calculated on a basis prescribed by the Financial Services Board (FSB), the insurer has as a multiple of the capital adequacy requirement (CAR).
Capital adequacy requirement	The capital adequacy requirement is the minimum amount by which the FSB requires an insurer's assets to exceed its liabilities. The assets, liabilities and capital adequacy requirement must all be calculated using a method that meets the Financial Services Board's requirements. This amount is required to be held to protect the ongoing solvency of the insurer against the possibility of experience being worse than that assumed.
Claims loss ratios	This is a measure of underwriting risk for short-term insurance business and is measured as a ratio of net claims incurred divided by the net premiums earned.
Combined ratio	The sum of net claims incurred, acquisition or operating costs divided by net premiums received.
Cost of required capital	Measures the opportunity cost incurred by a company for holding the level of required capital.
Cost to income ratio	Operating expenses as a percentage of total income.
Covered business	Business regulated by the FSB as long-term insurance business.
Credit life	Insurance provided to customers who borrow from banking institutions to assist meeting their remaining obligations in the event of death.
Death and disability claims	The amount paid and accrued as benefit obligations on death or disability in the long-term insurance business.
Dividend cover	Normally represented as the referenced earnings total divided by the dividend declared in relation to the period.
Financial Services Board (FSB)	The FSB is an independent government endorsed institution that oversees the South African non-banking financial services industry in the public interest.
Financial soundness valuation	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.

Group equity value	Reflects the combined value of the various components of Liberty's businesses. It is calculated as the sum of the embedded value of South African covered business, and the valuation of other businesses in the group using a combination of recognised valuation techniques.
Headline earnings	Determined, in terms of the circular issued by the South Africa Institute of Chartered Accountants at the request of the JSE, by excluding from reported earnings specific separately identifiable remeasurements net of related tax and non-controlling interests.
Headline earnings per ordinary share	Headline earnings divided by the weighted average number of ordinary shares in issue.
In-force	In-force business refers to policies that are active, i.e. where the benefits are still payable or potentially payable to the policyholder at some future date. An insurance policy is "in-force" from its commencement date until the date it is derecognised.
Indexed new business (long-term insurance operations)	This is a measure of long-term insurance new business that is calculated as the sum of twelve months' premiums on new recurring premium policies and one tenth of single premium sales.
Life licence	Licence to write business regulated in terms of the South African Long-term Insurance Act (1998), or similar acts in other jurisdictions.
Maintenance cost per policy	Normal operating expenses incurred to maintain and service retail long-term insurance business divided by the average weighted in-force policy count.
Net customer cash flows	Net customer cash flows are the gross inflows received from customers (such as premiums and customer investments) less the cash outflows representing items such as claims paid, surrenders or withdrawals of investment balances.
Operating earnings	Headline earnings of the group's business operations excluding returns on the Shareholder Investment Portfolio.
Persistency	Persistency measures the proportion of policies that are not surrendered, transferred or lapsed. It is an important measure of an insurer's retention of its business.
Policyholder liabilities	Measured liabilities on contracts that are in-force.
Profit attributable to ordinary shareholders	Profit for the year attributable to ordinary shareholders, calculated as profit for the year less dividends on non-redeemable, non-cumulative, non-participating preference shares declared before year end, less non-controlling interests.
Return on group embedded/ equity value	This is the ratio of group embedded value/equity value profits to the group embedded value/ equity value at the beginning of the year.
Return on equity	Headline earnings as a percentage of the average ordinary shareholders' funds.
Service fee margin	The service fees charged expressed as a percentage of average assets under management.
Shares in issue	Number of ordinary shares in issue as listed on the exchange operated by the JSE.
South African voluntary staff turnover	The number of employees that leave the group of their own volition expressed as a percentage of the opening staff complement.
Standards of Actuarial Practice	These are standards issued by the Actuarial Society of South Africa with which all its members must comply in carrying out their professional responsibilities.
Value of in-force covered business	The present value of the projected stream of after tax profits for all policies in-force at the reporting date. The present value is calculated using a risk adjusted discount rate.
Value of new business and margin long-term insurance operations	The value of new business is the present value, at point of sale, of the projected stream of after tax profits for long-term insurance new business issued, net of the cost of required capital. The present value is calculated using a risk adjusted discount rate. Margin is calculated using the value of new business divided by the present value of future modelled premiums.

About our report

Primary reporting frameworks

In preparing our report, we have considered the International Integrated Reporting Framework (IIRF) and the guiding principles contained therein. The board fully embraces integrated reporting and the journey of developing international best practice. The SET committee has considered the six capitals (financial, manufactured, intellectual, human, social and relationship, and natural) identified in the IIRF and all are material and relevant to Liberty. They are effectively embodied in Liberty's identified five material issues reported on throughout this report.

Where applicable, the information in this report complies with International Financial Reporting Standards, the South African Companies Act No. 71 of 2008, the JSE Listings Requirements and the King Code of Governance Principles for South Africa 2009. In addition, the group is guided by the Global Reporting Initiative's G3 Guidelines (GRI), the Department of Trade and Industry's Codes for Broad-Based Black Economic Empowerment, the JSE Limited's Socially Responsible Investment Index and AccountAbility's AA1000 Principles.

Frameworks adopted

Logo	Framework
CODE OF GOVERNANCE PRINCIPLES	King Code of Governance Principles for South Africa 2009
Global Reporting Initiative	Global Reporting Initiative G3 Guidelines
JSE JOHANNESBURG STOCK EXCHANGE	JSE Socially Responsible Investment Index
CRISA CODE FOR RESPONSIBLE INVESTING IN SOUTH AFRICA	Code for Responsible Investing in South Africa
PRI United Nations Principles for Responsible Investment	United Nations Principles of Responsible Investment
Financial Sector Charter Council	Financial Sector Charter

Logo	Framework
the dti Department: Trade and Industry REPUBLIC OF SOUTH AFRICA	South African Department of Trade and Industry B-BBEE Codes of Good Practice
ASISA	Association for Savings & Investment SA codes, standards and guidelines
CARBON DISCLOSURE PROJECT	South African Carbon Disclosure Project
GREEN BUILDING COUNCIL OF SOUTH AFRICA	Green Building Council of South Africa guidelines
AccountAbility	AA1000 AccountAbility Principles
IFRS	International Financial Reporting Standards

Scope and reporting boundary

This integrated annual report covers the 2013 performance of the Liberty Holdings Limited group with relevant comparison to prior periods. Materiality considerations are applied which results in more emphasis being placed on the group's South African operations.

This report includes those entities which are consolidated in terms of IFRS as well as any material risks, opportunities or events beyond the financial reporting boundary that may have a material impact on the group.

Determining materiality

As we strive to provide a report that is increasingly concise, we must balance this against providing stakeholders with material information. Senior management identifies relevant matters, based on their expertise and engagements with stakeholders. Management will then assess the potential or actual impact of these matters to determine whether these items are material and should be disclosed. Both the group audit and actuarial committee and the board review the content of the integrated report to ensure that all material matters are disclosed.

Forward-looking information

Our integrated annual report contains certain forward-looking statements with respect to the group's plans and expectations relating to their financial condition, performance and results. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond Liberty's control. in addition, regulations of the JSE prohibit making price sensitive forecasts without considerable independent review and process. Readers are therefore advised to use caution regarding interpreting any forward-looking statements contained in this report.

Capital dependencies

We acknowledge the dependency on various capital forms for Liberty to create sustainable value and remain relevant in the ever changing business, socio political and natural environments. This report is not styled specifically around each of the IIRF described capitals but covers them throughout the various sections.

We consider our material capitals to be:

- Financial – being a group of regulated entities, set minimum capital levels are a requisite to operate. However, in order to maximise the use of capital to sustain an attractive dividend flow and fund our growth ambitions, significant capital buffers above this minimum level are required. Capital is provided primarily through earnings retention and bond issues.
- Intellectual – the balance sheet management capability is an important differentiator for the group. Information technology systems and the on-going development thereof are vital to our ability to compete.
- Human – our financial services business is complex and requires considerable people skills in financial, actuarial and legal disciplines. The ability to provide competitive investment performance and innovative products is essential to attract and retain customers. Alignment of management to good governance and comprehensive risk management, guided by the board approved risk appetite, are reinforced by linking variable remuneration to compliance therewith.
- Brand – trust in the Liberty brand has been built up over fifty years of existence. The reputation of being a responsible corporate citizen is the core to all stakeholder partnerships. Ethical behaviour of company representatives, in line with the group values, compliance to all laws and regulations and treating all stakeholders fairly are encouraged embedded cultures rather than an attitude of minimum compliance.

Liberty is not a significant consumer of natural resources, however is committed through its investment criteria to assessing responsible natural resource utilisation when investing both shareholder and customers' capital.

Assurance

The board has approved the issue of this report on 10 March 2014 and mandated the SET to take responsibility for the reporting on the key sustainability issues with the preparation of the entire report being overseen by the GAAC. The board has confirmed compliance with AA1000 Principles and declared a GRI B+ application level. Liberty's external auditors, PricewaterhouseCoopers Inc., have expressed an unmodified opinion on the summary financial information derived from the annual financial statements (page 43). They have provided an unmodified assurance opinion on the group's equity value report (page 58) as well as providing limited assurance on selected sustainability information contained in this report (pages 4 and 5).

For further detail of the various assurances provided, refer to the unmodified opinion on the fair presentation of the annual financial statements and the assurance report on selected sustainability information both contained in the 2013 online integrated annual report.

Material sustainability issues

The board is committed to ensuring Liberty is a sustainable business and a respected corporate citizen. Following an extensive engagement with stakeholders and management, the board approved five material sustainability issues as follows:

Deliver sustainable financial results

The primary objective of the group is to deliver a sustainable attractive return on investment to shareholders. Whilst short-term profitability is important it should not detract from the longer term objective.

Focus on our customers

As the source of revenue, customers are essential to the success of the business and significant investment is made to continue delivering innovative products supported by appropriate high quality service that meet customer needs. Increasing access to products and educating consumers on the benefits of sound financial planning is a top priority.

Continue the transformation journey

The Liberty board has chosen to embrace transformation as best practice and not adopt a minimum compliance approach. Substantial progress has been made against set regulatory frameworks in respect of transforming South African society.

Provide compliant and responsible financial services

Liberty strives to deliver products and services with integrity, including complying with required regulation, upholding high ethical standards and minimising the environmental impact.

Attract and retain quality employees

Employees are integral to delivering the group's strategies. Consequently, remuneration structures are designed to create a high performance culture with the necessary balance between short- and long-term objectives. Skills development, engagement processes and wellness support are designed to assist retention and maximise productivity.

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Left to right – standing: Sharon Steyn, Paul Lancaster, Jill Parratt; seated: Jeff Hubbard, Casper Troskie

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