LIFE INVESTMENTS HEALTH CORPORATE PROPERTIES ADVICE

LIBERTY

Liberty Holdings Limited

Integrated report

For the year ended 31 December

2015

Directors' approval

The board acknowledges its responsibility to ensure the integrity of Liberty's 2015 integrated report and has applied its collective mind throughout the preparation of this report. The board believes that the integrated report is presented in compliance with the International Integrated Reporting <IR> Framework.

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

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

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

The board unanimously approved this report and authorised its release on 16 March 2016.

Signed on behalf of the board:

JH Maree
Chairman

T Dloti
Group chief executive

Assurance

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

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

We have chosen to indicate the various levels of assurance received on reporting information in the **Performance review** section only. This is indicated by:

- (A) **Full assurance** provided by PwC
- (L) **Limited assurance** expressed over selected key performance indicators provided by PwC
- (V) **Broad-Based Black Empowerment** information verified by Empowerdex Economic Empowerment Rating Agency (Empowerdex) *(South African operations only)*

Liberty is not just our name.

It's what we do.

LIBERTY

Financial highlights

Group equity value **R42 billion**	
Group equity value up 4% to **R146 per share**	Return on BEE normalised group equity value **10,5%**
BEE normalised operating earnings up **7%**	BEE normalised headline earnings up **4%**
BEE normalised return on IFRS equity **19,5%**	Long-term insurance customer net cash inflows **R5 billion**
STANLIB customer net cash inflows **R8 billion**	Final dividend up **9%**
Liberty Group Limited CAR cover **3 times**	Assets under management **R668 billion**

CONTENTS

Web content

NAVIGATION

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

IR 22 48 — Directs readers to the page in the integrated report with supplementary information

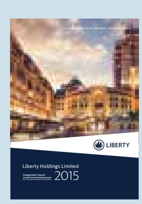
AFS 52 54 — Refers to the page where further detail is contained within the annual financial statements

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

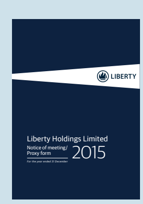
Throughout this report

Liberty Holdings Limited and its subsidiaries is referred to as '**Liberty**' or the '**group**'
Liberty Holdings Limited is referred to as the 'company'
Standard Bank Group Limited and any subsidiary (excluding Liberty) is referred to as '**Standard Bank**'

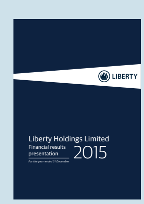
AVAILABLE IN PRINT AND ONLINE AS A PDF



2015 Integrated report*



Notice of annual general meeting and proxy form



Financial results presentation

* *Online version links directly to additional information contained in either the annual financial statements and supporting information for the year ended 31 December 2015, or to other supplementary information which supports the 2015 integrated report.*

Our vision

To be the trusted leader in insurance and investment in Africa

Our purpose

We make a difference in people's lives by making their financial freedom possible
This is our passion

Our values

Involvement	Our humanity and empathy
Innovation	Our ingenuity and curiosity to find a better way
Integrity	Our fairness and honouring our promises
Insight	Our knowledge and understanding
Action	We roll up our sleeves and find a way to make things happen

Making a difference to our customers and communities

We are committed to supporting the efforts of government and the private sector to provide bulk infrastructure for social and economic development.

R3,1 billion
invested in renewable energy projects*

R2,6 billion
invested in national infrastructure projects

R1,7 billion
invested in Eskom bonds

We seek to improve the lives of our customers, communities and contribute to the economic growth of the countries in which we operate.

>15 000
adults assisted through financial literacy programmes in 2015

New hospital
in Richards Bay – 100 beds

20 000m²
shopping mall in Botshabelo, Free State

Africa property developments
STANLIB Africa Direct Property Development Fund focused on real estate developments in Ghana, Kenya and Uganda

Fahari I-REIT
Launched the first income real estate investment trust in East Africa**

* *This investment, directed towards projects in solar and wind energy, places the group as the fourth largest debt provider among non-bank institutions in the Renewable Energy Independent Power Producer Procurement programme.*

** *The Fahari I-REIT, listed in Kenya, will give investors an opportunity to invest in Kenya's growing property sector.*

About our report

Our integrated report is addressed to you, our shareholders, as the providers of financial capital

Boundary and scope

Our integrated report covers the performance of Liberty Holdings Limited and its subsidiaries for the year ended 31 December 2015.

The report also identifies any risks, opportunities or events between 31 December 2015 and the date of this report that may have a material impact on the group.

Reporting frameworks

This report is prepared under the guidance of the International **Integrated Reporting <IR>** Framework which has been adopted by the board. In addition, it conforms to other international and local statutory and reporting frameworks, including the Companies Act No. 71 of 2008, the Johannesburg Stock Exchange (JSE) Listings Requirements and the Global Reporting Initiative (GRI) G4.

Our management reporting processes and our suite of reporting publications are aligned with the integrated reporting requirements of the King Code of Governance Principles for South Africa 2009 (King III Code).

Materiality

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

Material aspects are defined as our material issues and any significant developments that would influence an assessment of Liberty's performance or opportunities.

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

Liberty is a South African company with a strategic intent to increase its presence in sub-Saharan Africa. Currently due to the larger presence and scale of operations, most emphasis is placed on South Africa.

This report informs you about our business, the 2015 performance compared to our previously stated ambitions and our plans for the future

We are fully committed to generating competitive sustainable value for our shareholders

We appreciate that this requires mutually beneficial partnerships with key stakeholders

We acknowledge that our duty is to prioritise Liberty's ongoing sustainability above short-term maximisation of profits

Stakeholder partnerships and capitals

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

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

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

Our material issues are:	Our key partnerships are with:
Deliver sustainable financial results	**Investors** – who provide financial capital
Focus on our customers	**Customers** – who purchase our products and services (after obtaining appropriate advice on their financial needs) to achieve their financial goals and manage life's uncertainties
Attract and retain quality employees	**Employees** – who supply the necessary skills and expertise to deliver on our promises to stakeholders
Provide compliant and responsible financial services	**Regulators** – who govern financial stability and market conduct for our industry (includes government agencies and industry associations)
Build social and relationship capital	**Communities** – who provide us with our social relevance, future customers and employees

Chairman's review

Liberty is part of the fabric of South Africa's financial services industry and is gradually expanding its reach across sub-Saharan Africa. Our core business, life insurance, is rooted in a mature and highly competitive industry, which is being subjected to multiple changes.

Our customers are demanding simpler and more transparent solutions with greater emphasis on receiving sound financial advice rather than being sold complex off-the-shelf products.

The overhaul of financial services regulation, aimed at improving the sustainability of financial services providers, is reshaping the industry. The Twin Peaks supervisory model will focus on transparency, market integrity and consumer protection.

To remain relevant, Liberty is having to adapt its business model to help customers build and protect their wealth and lifestyles, while at the same time, producing acceptable returns for shareholders within clearly defined risk parameters.

Moving towards 2020

We commenced the journey towards our 2020 strategic targets during 2015. Liberty's performance and actions during 2015 demonstrate our continued commitment to creating value for our customers, shareholders and other stakeholders, by focusing on our chosen markets, managing risk appropriately, deploying capital effectively and pursuing profitable growth over the long term.

I welcome the customer centric approach which Liberty has adopted, developing competitive value propositions for our customers based on their needs. The renewed focus on customers and customer service will make Liberty a better organisation for all stakeholders.

Governance structures have been enhanced to support this approach and ensure that the customer fairness principles to which the group holds itself accountable are continually reviewed and evaluated.

Due to the importance of information technology in enabling an enhanced customer value proposition and improved customer engagement as well facilitating compliance, a board IT committee was constituted to oversee all aspects of information and digital technology development at Liberty.

Effective capital management remains a key focus and element of our strategy. Maintaining strong capital and liquidity positions provides us with the financial strength and flexibility to pursue new opportunities and helps insulate us from market volatility.

Liberty is prepared for the implementation of Solvency Assessment and Management, the new long-term insurance solvency regime, which will become effective from 2017.

Board developments

Tim Ross retired from the board on 22 May 2015 after seven and a half years of loyal and dedicated service. During this time, he chaired the group audit and actuarial committee and served on the directors' affairs, significant transactions and group risk committees. On behalf of the board and management, I extend our sincerest thanks to Tim for his outstanding contribution.

Swazi Tshabalala resigned from the board on 31 January 2016. I also extend our thanks to Swazi for her significant contribution on the board as well as the directors' affairs and group risk committees over the past nine years.

We welcomed Yunus Suleman to the board on 6 August 2015. Yunus brings a wealth of business and financial services experience gained in sub-Saharan Africa which will add to the board's deliberations.

Appreciation

I would like to express my sincerest thanks to our intermediaries for their ongoing support. My thanks also go to our employees for their hard work and commitment to Liberty. Our intermediaries and employees are the source of our customers' trust, whether in new and growing relationships or those established over many years, as well as being the force behind making our strategy a reality.

To my fellow board members, thank you for your support, commitment and the robust engagement that has taken place throughout the year.

Although the economic environment is challenging, the board is convinced that the strategic journey we have embarked on is the right one. We will support and hold Thabo Dloti and his executive team to account as they strive to deliver Liberty's 2020 vision.

We thank you, our shareholders, for your continued support and look forward to sharing news of our achievements with you.

Jacko Maree

JH Maree
Chairman

16 March 2016

Group chief executive's review

The group produced a solid set of operating results supported by strong earnings growth, good cash generation in core insurance businesses and positive net customer cash flows.

Financial overview

The Liberty group delivered a solid operating earnings growth of 7% driven by better experience variances and underwriting profits in the covered businesses which supported good cash generation in 2015. Despite a challenging operating environment, these results have once more demonstrated the quality of our book and our ability to manage the insurance business to model.

The net customer cash inflows at R15,2 billion showed substantial improvement over the prior year (2014: R4,2 billion) driven by good external flows into STANLIB (R8,4 billion versus outflows of R7,3 billion in 2014) and good long-term insurance flows of R5,4 billion.

Indexed new business at R7,5 billion, moderately down on prior year, was driven by continued good sales of Evolve and linked-life annuities, however there was reduced bulk annuity business in Liberty Corporate. We have seen the benefits of a wider footprint and diversified distribution channels contributed positively towards new business sales across the entire group.

Liberty's financial performance in 2015 should be seen against the background of a challenging operating environment. The slowdown in economic growth, financial markets correction, increase in interest rates and depreciation of currencies in the markets where we operate have had a direct impact on the operational results of the group.

Strategy 2020

In 2015 we made significant progress in transforming the business in response to our Strategy 2020 objectives launched in 2014. Great strides were made in improving the understanding of our customers, focusing the Customer Facing Units around creating value for customers in each of the segments that we serve.

The current and expected extensive regulatory change, government's social and tax reform programmes as well as the changing behaviour patterns of our customers, in part brought on by the digital era, have driven the transformation of our operating model to focus on our customers.

We freed up management bandwidth by transferring our property management into our new joint venture with JHI thereby increasing our capacity to service the growing needs of our property portfolio in South Africa and the rest of the continent.

We concluded several insurance and asset management acquisitions across the continent as part of the Africa growth strategy. These acquisitions have increased Liberty's footprint and diversified our offerings in new markets.

We launched a number of new products that have enabled Liberty to compete and build a foundation for future growth. Industry firsts such as Agile have continued the Liberty tradition of being an innovative player in the South African market.

We expanded our capabilities in the Asset Management business with the launch of the first listed property income fund in East Africa and the establishment of an African direct property development fund. We remain positive in respect of the future growth prospects for this region and are focused on growing our footprint in West Africa.

We continue to strengthen our relationship with Standard Bank and are focused on maximising opportunities under the bancassurance agreement across the African continent.

Going forward into 2016, our strategy remains unchanged as we focus on delivering key initiatives in order to bring our strategic goals to fruition while at all times working to improve the value we provide to our customers.

Appreciation

I would like to thank my fellow board members and the Liberty executive committee for their support and collaboration during the year. Thank you to our intermediaries and committed employees as the 2015 results would not have been achieved without their hard work and dedication. I would also like to thank our chairman, Jacko Maree, for his strong support and mentorship to me and the group executives.

Thabo Dloti

T Dloti

Group chief executive 16 March 2016

About us

Why invest in Liberty

Our proud history

For nearly 60 years, Liberty has created value for investors by meeting customers' financial needs through developing and delivering appropriate insurance and investment products and services. During this period, Liberty has produced attractive returns for its shareholders.

Our core competencies

Distribution capacity is a key strength and is being enhanced by our investment in digital and direct channels	Innovative product development makes us the market leader in our chosen markets	LibFin provides world-class balance sheet management and facilitates differentiating features in product offerings
Our relationship and bancassurance partnership with Standard Bank is a competitive advantage on the African continent	We serve customers in multiple geographies – represented in 18 African countries	STANLIB provides asset management expertise, especially in managing fixed income and property asset classes

Our strategy

Capitalise on the strong market position of our Individual Arrangements business	Grow Group Arrangements by building capabilities using new solutions	Accelerate Asset Management growth strategy into alternative asset classes

- Maintain dominance in SA's mass-affluent consumer segment
- Accelerate growth and market share in the SA corporate market
- Seamless transfer of core capabilities to wherever there are opportunities
- Establish and grow significant presence in Nigeria and Kenya
- Preferred Asset Manager for asset flows in Africa
- Standard Bank preferred partner in all geographies

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

Our targets

Sustainable return on group equity value of long bond rate plus a margin within a range of	**4 – 5%**	Sustainable dividend growth of between	**8 – 10%**	Return on IFRS equity of	**19%**

The advantage of **knowing**

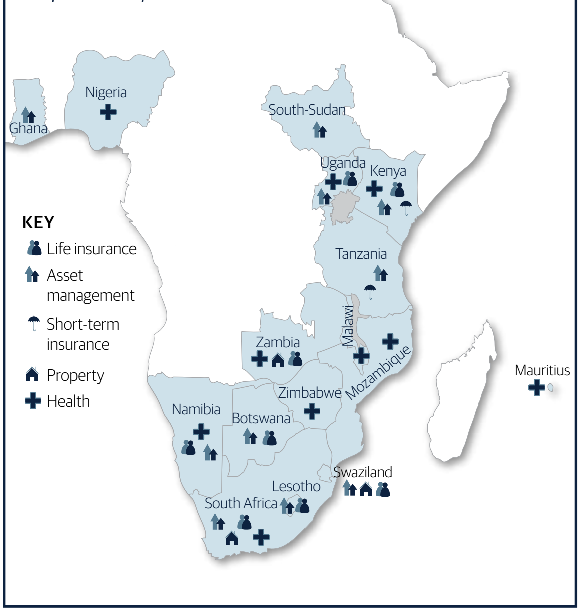
LIBERTY

Who we are

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

Liberty is listed on the JSE and is part of the Standard Bank group, which owns 53,6% of the issued ordinary share capital.

Our presence in Africa



Our brands

	OUR BRAND ESSENCE	OUR PURPOSE	OUR BELIEF
LIBERTY	*Your pioneering guide to financial freedom*	We make a difference in people's lives by making their financial freedom possible *This is our passion*	*We believe that our customers should have the opportunity to grow their wealth and leave a legacy for their family. We understand the value of knowledge and its power to change realities when set in action*
Focused Investing STANLIB	*Intellectual Curiosity Applied*	Creating financial freedom for our clients	*We embrace diversity and encourage individual focus. We believe diversity and individual focus, together, create sustainable growth and excellence … this is our promise to ourselves, our clients and society at large*

Our organisational structure

To optimise our ability to achieve Liberty's 2020 strategic goals, a new operating model was implemented to maximise our focus on our chosen customer segments, and more effectively leverage group shared capabilities.

CUSTOMER FACING UNITS

Individual Arrangements

Provides insurance and investment solutions to individual mass-affluent and affluent consumers, mainly in South Africa.

Group Arrangements

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

Asset Management

Provides asset management capabilities to manage investment assets invested in Africa.

STANDARD BANK BANCASSURANCE PARTNERSHIP

Supported and enabled by:

STRATEGIC COMPETENCY UNITS

LibFin

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

Investment platform

A single investment platform to service investment products sold by the group is under development.

GROUP ENABLEMENT

Delivers common services to the group businesses, the key objective of which is to create efficiency through economies of scale while freeing up management bandwidth in the customer facing and strategic competency units. Group Enablement operates through six areas, being technology services, technology solutions, shared operations, customer services, real estate services and professional services.

GROUP GOVERNANCE AND EXECUTION

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

Our strategy delivery

Significant progress was made in transforming the business during 2015 in response to Strategy 2020. Key achievements in 2015 include:

- The organisation was restructured and the Individual Arrangements, Group Arrangements and Asset Management customer facing units (CFUs), as well as the Group Enablement and Group Governance and Execution functions were established. Leadership teams were put in place. This structure provides focus on customer segments, frees up management bandwidth to enable focus on customer value propositions and allows efficient leveraging of the whole by identifying unique capabilities required across the group.
- Competitive strategies and customer value propositions are being developed by each CFU to unlock identified market opportunities in selected target markets based on our growing understanding of customer needs.
- The customer fairness committee was established as a sub-committee of the group executive committee (exco) and has developed customer fairness principles which provide a common approach to how Liberty treats its customers.
- Operating principles to guide the group as it transitions from being product-driven to customer-focused have been developed. Notably, the concept of Liberty Citizenship has been introduced, which sets out the standards of how Liberty employees relate to our customers and other stakeholders and, importantly, how they relate to each other as they focus on making financial freedom possible for our customers.
- We have continued to grow our presence across the continent entrenching our position in the East Africa region through acquiring a short-term insurance business in Uganda and launching the first income real estate investment trust, the Fahari I-REIT, through STANLIB Kenya, as well as continued investment in distribution in our insurance business in Kenya. We also obtained a licence in Lesotho to operate a life and health business, which will allow us to strengthen our strategic partnership with Standard Bank in that country.
- In line with freeing up management bandwidth by outsourcing non-core parts of our operations, strategic partnerships have been entered into in respect of our property management service capabilities and asset management operations.

Liberty today

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

One of the **largest in the retail unit trust market** including money market

Largest bancassurance partnership in SA by value of new business

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

We have unique capabilities to unlock identified opportunities

INDIVIDUAL ARRANGEMENTS	GROUP ARRANGEMENTS	ASSET MANAGEMENT
• Strong relevant brand to the affluent market • Strong distribution capability in our chosen market segment • Attractive product set and product development capability (e.g. Evolve and Agile)	• Strong track record in the SME market in South Africa • Extensive African footprint with presence in 17 countries • Capability to serve companies in multiple geographies (e.g. healthcare) • Insurance model easily replicated in new geographies	• Unique and strong investment propositions (property and fixed interest capabilities) • Shared services platform leveraged across 10 geographies • Strong offshore partner (e.g. Columbia Threadneedle)

GROUP WIDE

- Relationship with Standard Bank
- Balance sheet management
- Group enablement functions facilitate efficient operations

Our Strategy 2020 at a glance

Liberty in 2020

Be the No. 1 provider in South Africa to the mass-affluent consumer segment	**Be in Top 10 in Nigeria and Top 3 in Kenya,** gaining insurance market share and achieving **significant growth** in sub-Saharan Africa	**Accelerate growth and market share** in the SA corporate market to become a **Top 3** player
Be the preferred manager for **asset flows destined for Africa**	Be the preferred partner for **Standard Bank in all its African geographies**	**Leverage and ensure seamless transfer of core capabilities** of the group to wherever there are opportunities

Our vision: To be the trusted leader in insurance and investment in Africa

Our chosen geography

Liberty is focused on sub-Saharan Africa

The African continent has a population in excess of 1,1 billion. A number of African countries have sustained economic growth in excess of 5% for the past decade.

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 rising incomes and retirement reforms.

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

Consumer segments we will serve

Liberty is focused on the following selected customer segments

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

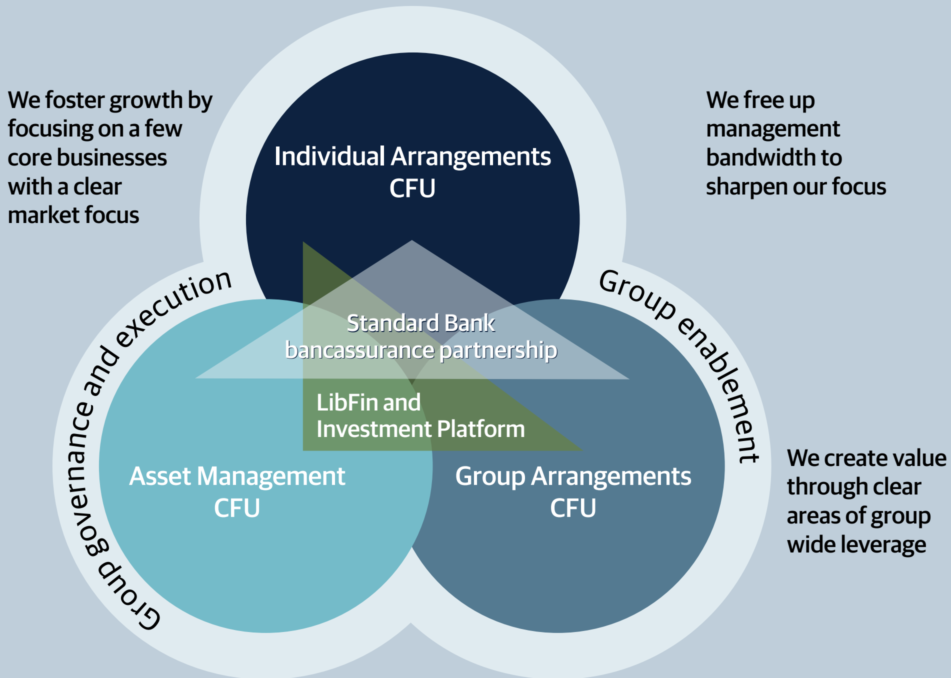
Mass-affluent segment – Customers in this segment are individuals in South Africa and other territories with sufficient demographic numbers that have investable assets of R250 000 or investable monthly income of at least R750 or a tertiary education which provides the ability to move up the income scale.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

Employees, members of group schemes and affinity groups – This segment includes customers who can be targeted through group arrangements. These individuals are targeted through multinationals, large corporates, SMEs, global insurers and affinity groups.

How we organise ourselves to differentiate

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

This necessitates that we make a cultural shift and adopt a more customer centric approach to doing business. We will also need to leverage the entire group by transporting and investing in capabilities which can maximise opportunities – as a group and not as individual business areas – so that we become more agile and can transform rapidly in the face of a changing environment.



Sustainable value creation for our shareholders is a key priority

We will create sustainable value for our shareholders by maintaining meaningful relationships with our customers, our employees, our partners and our communities

- We place the customer at the centre of everything we do.
- We leverage group synergy and business unit focus to maximise value for our customers, our people, our partners, our communities and our shareholders.
- Fair play underpins all our business activities and our relationships – with our customers, our people, our partners, our communities and our shareholders.
- We believe in investing in our people to realise their full potential, to achieve our goals.
- We believe that we create more value together than we could on our own, and we strive at all times to leverage our synergies.
- We believe in going out of our way to ensure that the customer comes before the organisation, the organisation before the team, and the team before the individual.

Ultimately, Liberty's Strategy 2020 aims to generate sustainable and progressive operating earnings growth and cash generation supporting dividends and capital creation, leading to significantly increased group equity value.

Our business model

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

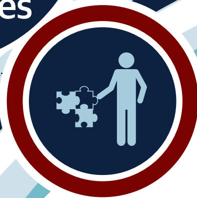
In return we either charge an appropriate fee or derive underwriting profits through pooling similar insurable risks, enhanced by optimising offsetting risks. We maximise our ability to generate revenue through identifying customer needs and producing innovative product solutions and effective distribution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

We have extensive product development experience and skill

Our asset management expertise, particularly in managing fixed income and property asset classes, is highly respected

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

Design and develop innovative products and services



Entity value creation

VALUE IS CREATED FROM THREE MAIN ACTIVITIES

INSURANCE UNDERWRITING PROFIT

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

+

INVESTMENT INCOME

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

+

ASSET MANAGEMENT PROFIT

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

Our operating model includes three separate customer facing units to target chosen customer segments and to address evolving regulations

This allows us to focus on our customers and enhance our brand capital

Understanding our customers' financial needs

Key strategic differentiators which drive our value creation

A pioneering guide to financial freedom

Market and distribute to chosen markets

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

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

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

Fulfil our promises to customers

Liberty is a trusted brand for nearly 60 years

Substantial investment in building on technology advances to differentiate our service delivery

This further builds our brand capital

Leverage our balance sheet

Our LibFin capability provides world-class balance sheet management capability

This allows us to optimise the use of our financial capital within the board approved risk appetite

Risk management

Liberty 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. The board is mindful of achieving this objective in the interests of all stakeholders in a sustainable manner.

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

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

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

Governance at Liberty

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

During 2015

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

The *related party committee* was established to oversee transactions between Liberty and Standard Bank and to assist the board in discharging its governance obligations in respect of material related party transactions. The related party committee will specifically focus on governance, best practice and the rights of minority shareholders.

The *group IT committee* was established to assist the board in fulfilling its governance responsibilities with respect to IT and to provide guidance on technology and digitalisation matters inherent in the group's strategy, operations, policies and controls.

A comprehensive independent *evaluation of the board* was undertaken to ensure that the board is in a position to add value to the business through strong alignment of composition and skills to strategy. This entailed an evaluation of the board and its committees, individual director performance and an evaluation of governance arrangements.

** Refer to the Risk management section in the AFS*

Board responsibility

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

"The Liberty board is a strong board, comprising members with appropriate skills and experience and the ability to provide insights on international trends. There is solid industry and functional knowledge within the membership of the board committees. The board has a culture of robust debate, where issues are aired quickly and discussed openly."

Key findings from an independent evaluation of the board undertaken by Heidrick & Struggles during 2015.

The chairman and lead independent director

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

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

However, Mr JH Maree is not classified as independent in terms of governance best practice criteria given his previous role at Standard Bank, and thus, as recommended by King III, and in compliance with the JSE Listings Requirements Regulation 3.84(c), Mr AWB Band continues in the role of 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 and standing committees

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

The board operates in terms of a detailed mandate, key features of which include effective leadership based on an ethical foundation, the sustainability of the group, approving the group's objectives and strategies, ethics and transformation, ensuring an effective governance framework, ensuring compliance with regulatory obligations and effective risk management.

- Audit and actuarial
- Directors' affairs
- Remuneration
- Social, ethics and transformation
- Significant transactions
- Related party
- Risk
- IT

The company secretarial function provides the directors with guidance on their duties, responsibilities and powers. The company secretary maintains an arms length relationship with the directors and is not a director of the company.

As at 31 December 2015

Male	12
Female	3
Black	47%
Executive	2
Independent	9
Non-executive	4
Length of service (years)	
0 - 3	8
3 - 6	4
6 - 9	1
>9	2

- The roles of non-executive chairman and chief executive are separate
- Non-executive board members are re-elected every three years
- A strong code of ethics is in place
- Register of directors' interest is tabled at every meeting. Directors are obliged to disclose any potential conflict of interest

Complying with all applicable legislation, regulations, standards and codes is integral to the group's culture and imperative to achieving its strategy. The board delegates responsibility for compliance to management and monitors this through the compliance control function.

Four board meetings in 2015

+ *one three-day strategy session*

+ *two directors' information sessions*

All AGM resolutions passed with majority votes > 91%

Independence assessments are undertaken by the directors' affairs committee for directors who have served more than nine years

Closed board sessions (without the executive directors) take place after every board meeting

For further detail on governance at Liberty refer to

Governance at Liberty (continued)

Board of directors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Full CVs and other significant subsidiary directorships
(**) denotes age as at 31 December 2015

1 Jacko Maree(60)

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

NON-EXECUTIVE CHAIRMAN
Appointed 19 January 2015

Areas of expertise and contribution:
Banking,insurance, governance, HR and remuneration, sub-Saharan Africa.

2 Angus Band(63)

BA, BAcc (Wits), CA (SA)

LEAD INDEPENDENT DIRECTOR
Appointed November 2008

Areas of expertise and contribution:
General management, governance, insurance, finance and remuneration.

Other directorships of listed entities:
Aveng Limited(1).

3 Santie Botha(51)

BEcon (Hons) (Stellenbosch)

INDEPENDENT DIRECTOR
Appointed August 2013

Areas of expertise and contribution:
Marketing, sales, strategy, business intelligence, governance.

Other directorships of listed entities:
Curro Holdings Limited (Chairman)(1), Famous Brands Limited (Chairman)(1), Tiger Brands Limited(1), Telkom Limited(1).

4 Steven Braudo(44)

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

NON-EXECUTIVE DIRECTOR
Appointed November 2013*

Areas of expertise and contribution:
Actuarial science, asset management, short and long term insurance, IT architecture.

* *Previously an executive director, became a non-executive on 1 July 2015*

5 Tony Cunningham(60)

MA (Cambridge)

INDEPENDENT DIRECTOR
Appointed February 2009

Areas of expertise and contribution:
Actuarial science, international liability management, strategic and liability driven investment, transaction liability management, property investing.

6 Thabo Dloti(46)

B Bus Sc (UCT), AMP (Harvard)

GROUP CHIEF EXECUTIVE
Appointed November 2013*

Areas of expertise and contribution:
Insurance, asset management, risk, business transformation, strategy.

* *Appointed as group chief executive on 1 March 2014*

7 Monhla Hlahla(52)

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

INDEPENDENT DIRECTOR
Appointed August 2012

Areas of expertise and contribution:
General business, HR and remuneration, governance.

8 Mike Ilsley(54)

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

INDEPENDENT DIRECTOR
Appointed November 2014

Areas of expertise and contribution:
Insurance, financial services, auditing and accounting, JSE listings, governance.

9 Peter Moyo(53)

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

INDEPENDENT DIRECTOR
Appointed February 2009

Areas of expertise and contribution:
Insurance, financial services, accounting, general business, governance.

Other directorships of listed entities:
Vodacom Group Limited (Chairman)(1).

10 Sibusiso Sibisi(60)

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

INDEPENDENT DIRECTOR
Appointed November 2008

Areas of expertise and contribution:
General business, insurance, mathematical and computational modelling.

11 Yunus Suleman(58)

BCom (Atg) UDW, BCompt (Hons) (Unisa), CA (SA).

INDEPENDENT DIRECTOR
Appointed 6 August 2015

Areas of expertise and contribution:
Accounting, banking, fast moving consumer goods and telecoms in Africa.

Other directorships of listed entities:
Tiger Brands Limited(1).

12 Jim Sutcliffe(59)

BSc (UCT), FIA

INDEPENDENT DIRECTOR
Appointed September 2009

Areas of expertise and contribution:
Actuarial science, asset management, insurance, HR and remuneration, governance.

Other directorships of listed entities:
Sun Life Financial Inc (Chairman)(2), Sun Life Assurance Company of Canada (Chairman)(2), Lonmin PLC(3).

13 Casper Troskie(52)

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

FINANCIAL DIRECTOR
Appointed October 2010

Areas of expertise and contribution:
Insurance, banking, governance, financial reporting.

14 Sim Tshabalala(48)

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

NON-EXECUTIVE DIRECTOR
Appointed April 2013

Areas of expertise and contribution:
Insurance, banking, law, HR and remuneration, governance, sub-Saharan Africa.

Other directorships of listed entities:
Standard Bank Group Limited(1).

15 Swazi Tshabalala(50)

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

NON-EXECUTIVE DIRECTOR
Appointed November 2008

Areas of expertise and contribution:
General business, banking, insurance, financial risk management.

Other directorships of listed entities:
Standard Bank Group Limited(1).
Resigned 31 January 2016

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

Governance at Liberty (continued)

Governance structures and processes

BOARD OF DIRECTORS

STANLIB board

BOARD COMMITTEES	Group remuneration committee (remco)	Group audit and actuarial committee (GAAC)	Group actuarial committee (GAC)	Group risk committee (GRC)
MEMBERS AND 2015 MEETING ATTENDANCE	*Independent directors* Angus Band (Chairman) 4/4 Peter Moyo 4/4 Jim Sutcliffe 4/4 *Non-executive directors* Jacko Maree 4/4 *(appointed 19 January 2015)* Sim Tshabalala 4/4	*Independent directors* Mike Ilsley (Chairman) 6/6 Angus Band 6/6 Tony Cunningham 6/6 Peter Moyo 5/6 Jim Sutcliffe 6/6 Yunus Suleman 2/2 *(appointed 5 October 2015)* Tim Ross 3/3 *(retired 22 May 2015)*	*Independent directors* Tony Cunningham (Chairman) 5/5 Mike Ilsley 5/5 Jim Sutcliffe 5/5 The GAC is a sub-committee of the GAAC	*Independent directors* Jim Sutcliffe (Chairman) 4/4 Tony Cunningham 4/4 Mike Ilsley 2/2 *(appointed 22 May 2015)* Peter Moyo 4/4 Tim Ross 2/2 *(retired 22 May 2015)* Yunus Suleman 1/1 *(appointed 5 October 2015)* Sibusiso Sibisi 4/4 *Non-executive director* Swazi Tshabalala 4/4 *(resigned 31 January 2016)* *Executive director* Casper Troskie 3/3 *(appointed 25 February 2015)*
RESPONSIBILITIES	• Formulating remuneration strategy and policies • Monitoring the implementation and effectiveness of such policies • Engaging where necessary with stakeholders on remuneration issues	• Interaction with assurance providers • Governance and regulatory compliance • Oversee integrated reporting • Control functions • Consideration of actuarial matters delegated to the GAC	• Consideration of actuarial matters • Capital adequacy • Product design • Principles and Practices of Financial Management (PPFM) • Treating customers fairly	• Understanding risk • Setting policy and recommending risk appetite • Scrutinising management actions • Compliance with policy • Sufficiency of capital

- Other subsidiary boards
- Risk and audit committees (where appointed)

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

Group directors' affairs committee (DAC)	Group social, ethics and transformation committee (SET)	Group IT committee (GITC)	Significant transactions committee (STC)	Related party committee (RPC)
Independent directors Angus Band (Chairman)[(1)] 4/4 Peter Moyo 4/4 Tim Ross 2/2 *(retired 22 May 2015)* Sibusiso Sibisi 2/2 *(appointed 22 May 2015)* *Non-executive directors* Jacko Maree 3/3 *(appointed 1 March 2015)* Sim Tshabalala 4/4	*Non-executive director* Jacko Maree (Chairman)[(2)] 3/3 *Independent directors* Angus Band[(1)(2)] 3/3 Santie Botha 2/3 Monhla Hlahla 3/3 *Executive director* Thabo Dloti 3/3	*Independent directors* Peter Moyo (Chairman) Santie Botha Mike Ilsley Sibusiso Sibisi *Non-executive director* Steven Braudo *Executive director* Thabo Dloti *Constituted with effect from 1 January 2016. The GAAC fulfilled this function in 2015.*	*Non-executive director* Jacko Maree (Chairman)[(2)] Sim Tshabalala *Independent directors* Angus Band[(2)] Mike Ilsley Peter Moyo Yunus Suleman *(appointed 5 October 2015)* *Other directors, as determined by the chairman, invited from time to time depending on subject matter under discussion.* *Due to the committee meeting as and when required, attendance is not reflected.*	*Independent directors* Angus Band (Chairman) Peter Moyo Jim Sutcliffe *Other directors, as determined by the chairman, invited from time to time depending on subject matter under discussion.* *Due to the committee meeting as and when required, attendance is not reflected.*
• Composition of board and committees • Review of board and committee effectiveness • Review of governance and ownership	• Transformation • Social and economic development • Ethical conduct • Good corporate citizenship • Sustainability • Stakeholder management	• Governance with respect to the group IT function • Guidance on technology and digitalisation	• Evaluation of significant acquisitions, disposals, investments, credit arrangements and related party transactions	• Oversees transactions between Liberty and Standard Bank • Ensure rights of minority shareholders are considered and protected

(1) *Angus Band took over as chairman of the group directors' affairs committee and group social, ethics and transformation committee effective 1 January 2015 following the resignation of Saki Macozoma on 31 December 2014.*

(2) *Jacko Maree took over as chairman of the group social, ethics and transformation committee and the significant transactions committee from Angus Band on 19 January 2015 and 25 February 2015 respectively.*

Governance at Liberty (continued)

Governance structures and processes (continued)

Risk management

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

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

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

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

RISK MITIGATION, MONITORING AND ASSURANCE

1st line of defence	Customer facing staff, operational units and their management	• Manage day-to-day risk origination and management • Track risk events and losses and implement remedial actions • Report and escalate material risks and issues to governance bodies
2nd line of defence	Chief risk officer, statutory actuaries, risk and compliance officers in customer facing units and operational units and their staff	• Provide oversight of and challenge to the first line of defence • Propose risk policy and strategy • Identify and verify key risks • Provide assurance to board and regulators
3rd line of defence	Internal auditors, external auditors, and other independent assurance providers	• Provide assurance over effective functioning of the first and second lines of defence functions including independent assessment of the adequacy and effectiveness of the EVRM

COMBINED ASSURANCE

Regular communication between internal audit and external audit as well as other assurance providers serve to optimise the areas of reliance and enhance value delivery to all parties. Combined assurance will continue to evolve and further enhance alignment between the key role players from an EVRM perspective. The GAAC approved combined assurance model, plan and the approved internal control framework will further enhance the basis of implementing the combined assurance principles for the group.

Principal strategic risks

The process by which the group identifies, assesses and prioritises risks to its strategy was enhanced in 2015, with risks placed on a "Strategic versus Execution" framework, to identify more clearly the risks that arise from external forces, and those which are related to the execution of existing strategies. Risks related to people and the prioritisation of resources are viewed as common risks across all the different risk types. The most recent top strategic risks are summarised below.

Cross-cutting risk	Cross-cutting risk	Risk type	RISK THEME	SPECIFIC RISKS WE FACE
People and organisational change – failure in people management and human capital practices, including dealing with key man risks.	**Prioritisation** – failure to prioritise appropriately in the allocation of limited resources	**Strategic (external)**	Weak outlook for the SA economy	Failure to achieve growth objectives due to insufficiently adjusting Liberty's strategy to take account of the weak outlook for the SA economy.
			New and emerging regulation	Failure to strategically respond to regulation in terms of: 1) Capital, solvency and reserves; 2) Impact on governance structures; or 3) Product set, business objectives and strategy.
				Failure to proactively manage market conduct risk (increasing focus on customer fairness and customer centricity).
			Increased competition	Failure to compete effectively due to new-age competitors with different operating models (including cost competitiveness) that are able to offer cheaper products and a better customer experience via alternative distribution.
			Cyber-security and resilience	Failure to protect or defend Liberty from cyber-attacks.
		Execution (internal)	Customer value proposition	Failure to appropriately identify and understand targeted customer segments, and adequately deliver on Liberty's proposition to customers in terms of brand, platforms and technology, data management, and product; including the failure to respond to changing customer needs.
			Risk selection strategy	Failure to develop an effective risk selection strategy in the face of competition, technology and competitive advances.
			Investment	Failure in investment management processes which could affect customer returns.
			Sales and distribution	Failure to transform the sales and distribution capability in the face of rapidly changing customer behaviour and regulation.
			Growth in rest of Africa	Failure to meet growth expectations created, as a result of not identifying and concluding transactions at the right price, and not building operations of value in-country.
			Relationship with Standard Bank group	Failure to deliver a compelling value proposition for Standard Bank group in respect of its wealth strategy.
			Cost management	Failure to establish an appropriate business model and offer cost-effective products and services within the current operating environment.
			Legacy management	Failure to reduce complexity in the existing business, resulting in the inability to free up management bandwidth and mitigate risks.

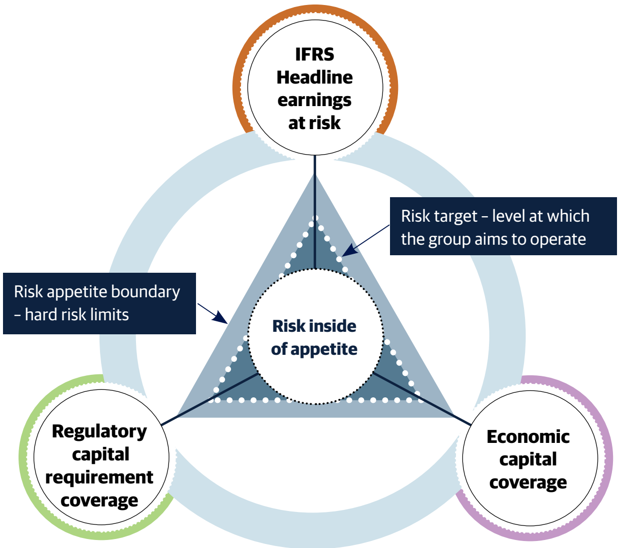
The board and group risk committee monitor and ensure that these and other significant risks that emerge are addressed or mitigated through the group's strategy and risk management practices. Appropriate strengthening of risk management practices takes place as necessary.

Governance at Liberty (continued)

Governance structures and processes (continued)

Risk appetite

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



Boards of directors of subsidiary companies

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

Refer to the legal entity structure.

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, lead independent director, non-executive and executive directors. The board meetings of these companies are combined meetings, resulting in improved efficiency and information sharing.

STANLIB Limited

In recognition of the importance of STANLIB, the group's wholly owned asset manager, to the group and to acknowledge the increasing importance of governance of investors' funds managed and administered by the group, the board of STANLIB includes four non-executive directors.

Company secretarial function

The company secretary, currently Ms JM Parratt, is required to provide the directors of the company, collectively and individually, with guidance on their duties, responsibilities and powers. She is also required to ensure that all directors are aware of legislation relevant to, or affecting, the company and to report at any meetings of the shareholders of the company or of the company's directors any failure to comply with such legislation, including the JSE Listings Requirements.

In compliance with section 3.84(j) of the JSE Listings Requirements the board of directors has considered and has satisfied itself that the company secretary is competent, appropriately qualified and experienced to fulfil her role as company secretary of the company.

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

External auditors

For 2015, PricewaterhouseCoopers Inc. (PwC) was the lead independent firm of external auditors to Liberty Holdings Limited and the appointed auditors to the majority of the group's subsidiaries. Certain of the group's subsidiaries are audited by either SizweNtsaluba Gobodo Inc. or KPMG Inc.

The board and the GAAC, having satisfied themselves as to the continued independence of the firm and the audit partner, will be recommending to shareholders at the May 2016 annual general meeting the re-appointment of PwC as the lead external audit firm for 2016.

Board meetings and attendance

The number of meetings and attendance at board meetings by each of the directors of Liberty Holdings Limited (LHL) and Liberty Group Limited (LGL) during 2015 are set out below. Attendance of directors at STANLIB Limited board meetings is also reflected.

	LHL/LGL board meetings[1]	STANLIB board meetings
Jacko Maree *(appointed 19 January 2015)*	**5/5**	
Angus Band	**5/5**	
Santie Botha	**5/5**	
Steven Braudo[2]	**5/5**	**4/5**
Tony Cunningham	**5/5**	**5/5**
Thabo Dloti	**5/5**	**4/5**
Bruce Hemphill *(resigned 15 April 2015)*	**1/1**	
Monhla Hlahla	**5/5**	**5/5**
Mike Ilsley	**5/5**	
Peter Moyo	**5/5**	
Tim Ross *(retired 22 May 2015)*	**2/2**	
Sibusiso Sibisi	**5/5**	
Yunus Suleman *(appointed 6 August 2015)*	**2/2**	
Jim Sutcliffe	**5/5**	**4/5**
Casper Troskie	**5/5**	**5/5**
Sim Tshabalala	**5/5**	
Swazi Tshabalala *(resigned 31 January 2016)*	**5/5**	
Seelan Gobalsamy	**n/a**	**5/5**

[1] *One of the five board meetings was the strategy session.*

[2] *Resigned as deputy chief executive on 1 July 2015 but remains on the boards as a non-executive director.*

Group executive committee

The group executive committee (exco) is made up of the chief executives and other selected executives heading significant business units and functions. The group chief executive is the chairman of the group executive committee. The committee's role is both strategic and operational in nature, being the custodian of the group strategy as approved by the board. The committee monitors the implementation of strategy and adherence to the group governance and policy framework.

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

Exco generally meets 10 times during a year. 20 meetings were held during 2015, nine of which were dedicated to the strategy development.

	Years of financial services experience
Thabo Dloti *Group chief executive*	**24**
Steven Braudo *(resigned from exco 1 July 2015)*	**23**
Leon Deist *Group executive – Group Enablement*	**10**
Seelan Gobalsamy *Chief executive – STANLIB*	**19**
Sandile Hlophe *Chief executive – Group Arrangements (appointed 1 March 2015)*	**12**
Giles Heeger *Chief executive – Liberty Financial Solutions (LibFin)*	**19**
David Jewell *Chief risk officer (appointed 1 January 2015)*	**22**
John Maxwell *Chief executive – Individual Arrangements*	**26**
Johan Minnie *Group executive – Sales and distribution (appointed 1 July 2015)*	**20**
Mukesh Mittal *(resigned 31 December 2015)*	**24**
Berlina Moroole *Group executive – Group internal audit services (appointed 1 July 2015)*	**2**
Ivan Mzimela *Group executive – Strategic services*	**17**
Thiru Pillay *Group executive – Group professional services (appointed 1 July 2015)*	**15**
Casper Troskie *Financial director*	**27**

Governance at Liberty (continued)

Statement of compliance

The board subscribes to full compliance with applicable laws and regulations in those jurisdictions in which it operates.

During 2015, Liberty was fully compliant with the requirements of the Companies Act No. 71 of 2008, the Companies Act Regulations and the Listings Requirements of the JSE Limited. The FSB board notice 158 of 2014 entitled "Governance and Risk Management Framework for Insurers" came into effect on 1 April 2015 and Liberty was compliant with applicable requirements.

The board has unanimously embraced the King Code of Governance Principles (King III). The board has applied this code, with only two recommended practices that have not been fully adopted. These are detailed below together with Liberty's response.

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 considered an alternative dispute resolution process.

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

During 2015, no material breaches have been identified that require separate disclosure.

Total penalties applied by the various regulators for non-compliance were less than R300 000 for both 2015 and 2014.

Statement of going concern

The board, as expressed in their director's responsibility statement and authorisation of the 2015 annual financial statements, concluded that the group is a going concern and both the 2015 interim and annual financial statements were prepared on that basis.

Remuneration of directors and prescribed officers

Non-executive directors

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

Non-executive directors do not receive short-term incentives and, with the exception of the directors who qualified for the 2004 black ownership transaction, do not participate in any long-term incentive schemes. Proposed fees for the 2016 directorships of Liberty Holdings Limited, Liberty Group Limited and STANLIB Limited, as well as members of board standing committees, as set out in the notice to members, are based on a carefully considered assessment of the responsibility placed on non-executive directors arising from increased requirements for regulatory oversight. Fees are annually benchmarked to equivalent responsibilities in the financial services sector. In light of the non-executives' attendance record in recent years, it has been decided not to change the current policy of a set annual fee to an attendance fee basis. This policy will be reviewed annually with due consideration to attendance records.

Indirect interests

By virtue of either directorships in or material shareholdings held directly or indirectly by Standard Bank Group Limited's 53,6% (2014: 53,6%) in the issued ordinary share capital of Liberty, Mr SK Tshabalala and Ms BS Tshabalala, being directors of both Liberty and Standard Bank Group Limited, had in aggregate an indirect beneficial and non-beneficial interest of 153 461 712 (2014: 153 461 712) ordinary shares in Liberty at 31 December 2015.

Ms BS Tshabalala resigned as a director on 31 January 2016. There have been no other changes to the interests of directors, including their families, in the share capital as disclosed to the date of the approval of the integrated report, namely 16 March 2016.

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

Direct interests	Number of shares 2015	Number of shares 2014
Beneficial		
Executive directors		
T Dloti[(1)]	**231 726**	287 800
SIM Braudo[(2)]		145 475
CG Troskie	**35 136**	27 728
	266 862	461 003
Non-executive directors		
SL Botha	**5 335**	5 335
SIM Braudo	**183 712**	
JB Hemphill[(3)]		266 837
MP Moyo	**4 858**	4 858
SP Sibisi[(1)]	**5 559**	100 000
JH Sutcliffe	**4 000**	4 000
BS Tshabalala[(1)]	**35 612**	100 000
	239 076	481 030
	505 938	942 033

(1) Mr T Dloti includes 123 823 shares, Mr SP Sibisi 5 559 shares and Ms BS Tshabalala 35 612 shares via the Black Managers' Trust under the 2004 BEE ownership scheme.

(2) Mr SIM Braudo resigned as deputy chief executive on 1 July 2015 but remains on the board as a non-executive director.

(3) Mr JB Hemphill resigned as a non-executive director on 15 April 2015.

Governance at Liberty (continued)

Remuneration of directors and prescribed officers (continued)

Non-executive directors' remuneration

Non-executive directors (R'000)	Directors of LHL and LGL	Committee fees	Directors of STANLIB Limited	Total Liberty group	Other Standard Bank Group[1]	Total remuneration
2015						
AWB Band (lead independent director)	**795**	**600**		**1 395**		**1 395**
SL Botha	**295**	**84**		**379**		**379**
SIM Braudo[2][3]					**12 380**	**12 380**
AP Cunningham[4]	**2 606**			**2 606**		**2 606**
JB Hemphill[2][5]					**5 786**	**5 786**
MW Hlahla	**295**	**168**	**154**	**617**		**617**
MG Ilsley	**295**	**558**		**853**		**853**
JH Maree[6] (appointed as chairman 19 January 2015)	**2 472**			**2 472**		**2 472**
MP Moyo	**295**	**644**		**939**		**939**
TDA Ross (retired 22 May 2015)	**148**	**445**		**593**		**593**
SP Sibisi	**295**	**219**		**514**		**514**
YGH Suleman (appointed 6 August 2015)	**123**	**89**		**212**		**212**
JH Sutcliffe[7]	**2 543**	**45**		**2 588**		**2 588**
BS Tshabalala (resigned 31 January 2016)	**295**	**177**		**472**	**927**	**1 399**
SK Tshabalala[2]					**31 339**	**31 339**
Total	**10 457**	**3 029**	**154**	**13 640**	**50 432**	**64 072**
2014						
AWB Band (lead independent director)	750	644		1 394		1 394
SL Botha	275	79		354		354
AP Cunningham[4]	1 698			1 698		1 698
JB Hemphill[2][5]					21 573	21 573
MW Hlahla	275	79	145	499		499
MG Ilsley (appointed 1 November 2014)	69	42		111		111
SJ Macozoma[6] (resigned as chairman 31 December 2014)	2 332			2 332	1 282	3 614
MP Moyo	275	567		842		842
TDA Ross	275	823		1 098		1 098
SP Sibisi	275	166		441		441
JH Sutcliffe[7]	2 317	63		2 380		2 380
BS Tshabalala	275	225	145	645	505	1 150
SK Tshabalala[2]					24 761	24 761
Total	8 816	2 688	290	11 794	48 121	59 915

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

(2) *Messrs SIM Braudo, JB Hemphill and SK Tshabalala, whilst non-executive directors of Liberty, were full time employees of the Standard Bank group and therefore did not receive directors' fees or other remuneration from Liberty.*

(3) *Mr SIM Braudo was the deputy chief executive and an executive director until 1 July 2015, where after he resigned and transferred to Standard Bank Group. He remains a director of Liberty in a non-executive capacity.*

(4) *Mr AP Cunningham is an international director and receives a composite fee of £130 000 (2014: £106 000) as a member of the board, committees and subsidiary boards. 2015 rand equivalent of directors' foreign currency fees paid is R2 606 000 (2014: R1 698 000).*

(5) *Mr JB Hemphill was chief executive and an executive director until 28 February 2014, where after he transferred to Standard Bank Group. He remained a director of Liberty in a non-executive capacity until 15 April 2015, at which date he resigned from Standard Bank Group.*

(6) *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.*

(7) *Mr JH Sutcliffe is an international director and receives a composite fee of £140 000 (2014: £127 000) as a member of the board, committees, subsidiary boards and chairman of a committee. 2015 rand equivalent is R2 543 000 (2014: 2 317 000). In addition ad hoc committee and board attendance fees of R45 000 (2014: R63 000) were paid.*

Executive directors and prescribed officers

The Companies Act No. 71 of 2008 and associated regulations introduced the concept of prescribed officers and related remuneration disclosure. The group's directors' affairs and remuneration committees considered the Act and obtained legal opinion. The committees' view is to assess annually the prescribed officer definition from a specific company rather than a group perspective. During 2014 and 2015 Messrs CG Troskie, T Dloti and SIM Braudo (became a non-executive director on 1 July 2015), met the definition from a management perspective in respect of the Liberty Holdings Limited company. Their remuneration details along with those of other members of the board are detailed in this section.

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

The executive board members at 31 December 2015 are the group chief executive (Mr T Dloti) and the financial director (Mr CG Troskie). These positions qualify as board appointments in line with best practice, succession planning and JSE requirements. Mr SIM Braudo was deputy chief executive (and an executive director) of Liberty up to 1 July 2015, whereafter he transferred to the Standard Bank Group. He has, however, remained as a director of Liberty in a non-executive capacity.

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

In line with policy, share incentive awards in Standard Bank awarded prior to the appointment of Mr CG Troskie as Liberty director, remain unaffected. Liberty, with effect from his date of appointment, has assumed the service cost in respect of these incentives while he is serving Liberty in an executive capacity.

During 2015, Messrs T Dloti, CG Troskie and SIM Braudo were eligible for both short- and long-term incentive awards in line with the remuneration committee approved remuneration philosophy and group executives' incentive schemes as described in the remuneration of Liberty's people section of this report.

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

			2015 Performance				2014 Performance			
Prescribed officer	KPI %	On target financial %	Applicable package R'000	KPI %	Financial %	Total %	Applicable package R'000	KPI %	Financial %	Total %
T Dloti	20	120	**5 750**	**17,0**	**132,1**	**149,1**	5 464	18,0	161,9	179,9
SIM Braudo	20	120	**2 600**[(1)]	**17,0**	**132,1**	**149,1**	4 957	18,0	172,9	190,9
CG Troskie	20	100	**3 650**	**17,0**	**110,1**	**127,1**	3 409	17,2	134,9	152,1

[(1)] *Mr SIM Braudo received a pro rata share of his variable remuneration for the year based on the assessment of achieved KPIs as at the date of his resignation (1 July 2015) from Liberty in recognition of his services rendered as an executive director at Liberty.*

Governance at Liberty (continued)

Remuneration of directors and prescribed officers (continued)

Group chief executive (CE) – Mr T Dloti

Mr Dloti was appointed to the board on 4 November 2013 and subsequently as group chief executive with effect from 1 March 2014. His performance is evaluated against specified criteria, in line with King III recommended practice. Mr Dloti is subject to a three-month notice period. His key performance indicators for 2015 included:

- Implement the operating model to support Strategy 2020;
- Implement on expansion in long- and short-term insurance and asset management businesses in the rest of Africa;
- Ensure that the business adequately prepares for the regulatory and legislative changes;
- Ensure that group has sufficient capital and capital structures are streamlined to fund the growth aspiration and meet regulatory requirements;
- Ensure that the group operates within the board approved risk appetite;
- Strengthen the commercial partnership with Standard Bank;
- Ensure that the skills and talent pool is retained; and
- Contribute to achieving the group's employment equity targets, in particular at senior and professionally qualified levels.

Financial director (FD) – Mr CG Troskie

Mr Troskie was appointed to the board as the financial director on 12 October 2010. The FD's performance and expertise were confirmed suitable in terms of the JSE Listings Requirements. Mr Troskie is subject to a three-month notice period. His key performance indicators for 2015 included:

- Ensure that appropriate financial governance and internal controls are in place throughout the group;
- Meet regulatory and financial reporting obligations during the year;
- Execute the planning cycle and budgets in terms of the new operating model and ensure transition managed;
- Develop new cost methodology to create a more appropriate cost management framework;
- Ensure optimal holding structure developed for rest of Africa businesses;
- Develop performance metrics and performance targets which support the new business strategy;
- Optimise balance sheet and capital structures in preparation for SAM;
- Ensure that the skills and talent pool is retained; and
- Contribute to achieving the group's employment equity targets, in particular at senior and professionally qualified levels.

Messrs Dloti's and Troskie's performance against the above KPIs was assessed and their achievement is reflected in the table on page 25.

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.

	2015			2014			
R'000	**T Dloti**	**SIM Braudo[(1)]**	**CG Troskie**	T Dloti	SIM Braudo	CG Troskie	JB Hemphill[(6)]
Fixed remuneration[(2)]	**5 716**	**2 562**	**3 626**	5 223	4 814	3 395	859
Cash portion of package	**5 156**	**2 311**	**3 181**	4 698	4 338	2 974	781
Other benefits	**113**	**51**	**82**	116	100	81	28
Retirement contributions	**447**	**200**	**363**	409	376	340	50
Variable remuneration awards[(3)]	**8 574**	**3 877**	**4 639**	9 829	9 461	5 185	
KPI	**978**	**442**	**620**	984	892	586	
Financial	**7 596**	**3 435**	**4 019**	8 845	8 569	4 599	
Long-term awards[(4)]	**10 000**		**6 000**	9 000	8 000	6 000	
Total	**24 290**	**6 439**	**14 265**	24 052	22 275	14 580	859
Accrued and settled	**11 710**	**5 313**	**7 173**	11 970	11 341	7 356	859
Deferred in terms of short-term incentives policy[(5)]	**2 580**	**1 126**	**1 092**	3 082	2 934	1 224	
Deferred in terms of long-term incentives policy[(4)]	**10 000**		**6 000**	9 000	8 000	6 000	

(1) *Mr SIM Braudo was the deputy chief executive until 1 July 2015, where after he resigned and transferred to Standard Bank Group. He remains a director of Liberty in a non-executive capacity. In recognition of his services rendered while an executive director at Liberty, he received a pro rata share of his variable remuneration for the year based on the assessment of achieved KPIs as at the date of his resignation from Liberty.*

(2) *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.*

(3) *In order to align reporting of incentive awards to the relevant performance, the amounts granted, as reported above, relate to the respective periods reviewed.*

(4) *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).*

(5) *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.*

(6) *Mr JB Hemphill resigned as chief executive on 28 February 2014.*

Governance at Liberty (continued)

Remuneration of directors and prescribed officers (continued)

Summary of past long-term awards not exercised

Equity-settled schemes

Liberty rights under option

Name	Date granted	Price payable per share	Date fully vested	Rights under option at beginning of year	Rights granted/ (exercised) during year	**Rights under option at end of year**
Non-executive director						
SIM Braudo[(1)]				55 000	(42 500)	**12 500**
	02 Jul 2008	R61,50	02 Jul 2013			
	18 Feb 2009	R65,15	18 Feb 2014			
	23 Feb 2010	R69,00	23 Feb 2015	30 000	(30 000)	
	24 Feb 2011	R74,70	24 Feb 2016	25 000	(12 500)	**12 500**
Executive directors						
T Dloti				65 000		**65 000**
	01 Mar 2010	R70,26	01 Mar 2015	40 000		**40 000**
	24 Feb 2011	R74,70	24 Feb 2016	25 000		**25 000**
CG Troskie				94 763	(13 665)	**81 098**
	24 Feb 2011	R74,70	24 Feb 2016	50 000	(25 000)	**25 000**
	01 Mar 2012	R87,90	01 Mar 2017	22 106	(11 053)	**11 053**
	01 Mar 2014	R123,39	01 Mar 2019	22 657		**22 657**
	01 Mar 2015	**R160,40**	**01 Mar 2020**		**22 388**	**22 388**
Executive directors' interests in the Standard Bank rights under option						
CG Troskie[(2)]				37 500	(20 625)	**16 875**
	2 Jan 2009	R83,00	02 Jan 2016	18 750	(9 375)	**9 375**
	5 Mar 2010	R111,94	05 Mar 2015	3 750	(3 750)	
	5 Mar 2010	R111,94	05 Mar 2017	15 000	(7 500)	**7 500**

(1) *Mr SIM Braudo resigned as an executive director on 1 July 2015 but remained on the board in a non-executive capacity.*

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

Name	Date granted	Price payable per share	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
Restricted share plan (long-term plan)								
Non-executive director								
SIM Braudo[(1)]				218 116	49 875	(17 065)	250 926	**28 902**
	01 Mar 2012	R87,90	01 Mar 2016	34 130		(17 065)	17 065	**1 966**
	01 Mar 2013	R121,02	01 Mar 2018	42 969			42 969	**4 949**
	01 Mar 2014	R123,39	01 Mar 2019	141 017			141 017	**16 242**
	01 Mar 2015	**R160,40**	**01 Mar 2020**		**49 875**		**49 875**	**5 745**
Executive directors								
T Dloti				234 480	56 110	(21 616)	268 974	**30 981**
	01 Mar 2012	R87,90	01 Mar 2016	43 232		(21 616)	21 616	**2 490**
	01 Mar 2013	R121,02	01 Mar 2018	41 316			41 316	**4 759**
	01 Mar 2014	R123,39	01 Mar 2019	149 932			149 932	**17 269**
	01 Mar 2015	**R160,40**	**01 Mar 2020**		**56 110**		**56 110**	**6 463**
CG Troskie				110 706	31 172	(7 585)	134 293	**15 468**
	01 Mar 2012	R87,90	01 Mar 2016	15 170		(7 585)	7 585	**874**
	01 Mar 2013	R121,02	01 Mar 2018	37 184			37 184	**4 283**
	01 Mar 2014	R123,39	01 Mar 2019	58 352			58 352	**6 721**
	01 Mar 2015	**R160,40**	**01 Mar 2020**		**31 172**		**31 172**	**3 590**
Restricted share plan (deferred plan)								
Non-executive director								
SIM Braudo[(1)]				49 529	18 294	(25 348)	42 475	**4 892**
	01 Mar 2012	R87,90	01 Sep 2015	8 879		(8 879)		
	01 Mar 2013	R121,02	01 Sep 2016	17 516		(8 758)	8 758	**1 009**
	01 Mar 2014	R123,39	01 Sep 2017	23 134		(7 711)	15 423	**1 776**
	01 Mar 2015	**R160,40**	**01 Sep 2018**		**18 294**		**18 294**	**2 107**
Executive directors								
T Dloti				51 202	19 212	(24 434)	45 980	**5 296**
	01 Mar 2012	R87,90	01 Sep 2015	6 910		(6 910)		
	01 Mar 2013	R121,02	01 Sep 2016	16 562		(8 281)	8 281	**954**
	01 Mar 2014	R123,39	01 Sep 2017	27 730		(9 243)	18 487	**2 129**
	01 Mar 2015	**R160,40**	**01 Sep 2018**		**19 212**		**19 212**	**2 213**
CG Troskie				26 579	7 631	(13 547)	20 663	**2 380**
	01 Mar 2012	R87,90	01 Sep 2015	4 792		(4 792)		
	01 Mar 2013	R121,02	01 Sep 2016	8 956		(4 478)	4 478	**516**
	01 Mar 2014	R123,39	01 Sep 2017	12 831		(4 277)	8 554	**985**
	01 Mar 2015	**R160,40**	**01 Sep 2018**		**7 631**		**7 631**	**879**

(1) *Mr SIM Braudo resigned as an executive director on 1 July 2015 but remained on the board in a non-executive capacity.*

How we create sustainable value

We partner with our key stakeholders who provide resources that enable us to generate competitive sustainable value

LIBERTY

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

To create value over the long term it is essential that mutually beneficial partnerships are maintained with our key stakeholders.

Each key stakeholder group provides a form of capital that contributes to the successful delivery of Liberty's strategy. We understand the limitations to that capital and our ability to either manage, renew or find alternative sources.

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

We identify and partner with key stakeholder groups that provide resources that materially influence the value drivers of the business model. These key stakeholders are actively engaged and managed to ensure that an optimal balance of the respective objectives is achieved.

OUR KEY STAKEHOLDERS THAT MATERIALLY CONTRIBUTE TO OUR VALUE DRIVERS ARE:	
Investors	Provide financial capital for an attractive return on investment
Customers	Purchase our products and services to achieve their financial goals and manage life's uncertainties
Employees	Supply the necessary skills and expertise to deliver on our promises to stakeholders
Regulators *(including government agencies and industry associations)*	Govern financial stability and market conduct for our industry
Communities	Provide us with our social relevance, future customers and employees

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

Stakeholder engagement

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

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

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

Stakeholder sentiment

Our bi-annual stakeholder sentiment survey aims to determine stakeholders' perceptions of Liberty, its products and services and the overall manner in which it conducts its business. The results of the 2014 survey indicated an overall average score of 83% from stakeholders, an increase in positive sentiment from the previous survey. The next survey will take place in 2016.

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Investors – providers of our financial capital

Investors' financial capital is key to support business operations

	IFRS REPORTED VALUE	NUMBER OF INVESTORS	2016 INVESTOR DIARY	INVESTOR VALUE OBJECTIVE
Ordinary shareholders **(equity capital)**	*31 December 2015* **R21,7** billion	**Total number** **9 532** Standard Bank 54% Institutional 40% BEE participants and other empowerment vehicles 4% Individuals 2% *Detailed ownership analysis*	2015 annual financial results: 26 February 2015 final dividend payment: 11 April Annual general meeting: 20 May 2016 half yearly financial results: 29 July 2016 interim dividend payment: 5 September	A sustainable and attractive return on investment, realised over time through dividends and share price growth
Subordinated note holders **(debt capital)**	**R3,6** billion *(includes accrued interest)*	**Total number** **270** Mutual funds 56% Retirement funds and corporations 25% Long and short term insurers 19%	*Interest payment dates by issued note reference* LGL 02: 13 February, 13 August LGL 03: 3 April, 3 October LGL 04: 14 February, 14 August LGL 05: 12 March, 12 June, 12 September, 12 December	A competitive risk adjusted lending return and return of investment at the agreed dates

Significant issues raised by investors and our responses

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This financial capital can be provided in various forms but essentially is split between equity capital and debt capital

Equity capital provided by shareholders

Perpetual in nature, funds key expansion opportunities and provides minimum regulatory capital requirements. The effective cost of this capital is typically high given the associated risks and uncertain returns.

Debt capital

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

KEY PERFORMANCE MEASURES	ENGAGEMENT ACTIVITIES	CAPITAL RAISING OPTIONS	CASH RETURN OPTIONS
• Return on group equity value[(1)] • Return on equity[(1)] • Headline earnings and operating earnings growth[(1)] • Dividend growth and cover • Growth in share price • Capital adequacy cover [(1)] *BEE normalised*	Various engagement activities are planned to meet institutional and individual shareholders, financial media and investment analysts	Higher retention of earnings Issue of ordinary shares	**Dividend policy** The objective of the group's dividend policy is to provide a sustainable dividend for shareholders, and is set with reference to underlying core operating earnings taking cognisance of the need to (i) balance capital and legislative requirements and (ii) retain earnings and cash flows to support future growth. 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.
• Capital adequacy cover • Finance cost coverage ratio	Initial pre-note issuance road shows Post issue engagements with rating agency – formal annual review and rating Supply of relevant financial information on request	New debt issues	**Interest and capital** Five to seven year tenor (capital repayment at end of term) for issued debt instruments. Fixed and floating interest coupon rates between 7.6% – 9.2%, paid either half yearly or quarterly. On 18 February 2016, Standard & Poor's Ratings Services assigned its long-term 'zaAAA' and short-term 'zaA-1' South Africa national scale issuer credit ratings to Liberty Group Limited. Standard & Poor's also assigned long-term 'zaAA+' South Africa national scale issue ratings to Liberty's subordinated notes. *S&P ratings report*

Additional information
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Investors – providers of our financial capital (continued)

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

Value measurement

Various measures of value generation are monitored, including headline earnings per share, return on IFRS shareholder equity and share price. However, the primary basis of value measurement adopted by South African long-term insurers is group equity value supported by the embedded value framework governed by the South African Actuarial Practice Notes.

How we measure group equity value

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

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

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

The group has for the medium term targeted a long-term sustainable return on equity value of the long bond rate plus a margin within a 4 – 5% range.

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

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

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

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

Embedded value framework

Embedded value is a widely utilised financial reporting framework in the long-term insurance industry. Liberty has adopted the guidance (referred to as APN 107) provided by the Actuarial Society of South Africa to determine the value of the existing long-term in-force insurance contracts.

Group equity value and goodwill

While 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 embedded value and the reported group equity value.

Future value measurement

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

Business model value drivers

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

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

To complement the above, the group has an overall capital management strategy as well as a strategic tax plan, which seek to improve efficiency and optimise shareholder value.

Refer to Appendices J (Six year review) and K (Abbreviations and definitions) in the AFS and supporting information.

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Investors – providers of our financial capital (continued)

Investor capital availability

Sources of financial capital

Equity (risk capital)

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

Other considerations to raising equity capital at Liberty are:

- *The support of our holding company Standard Bank* – The capital position and availability of capital at Standard Bank influences our opportunity to raise equity capital.
- *Our dividend policy and related history* – Liberty has a proud record of high ordinary dividend yields in line with its stated dividend policy. Not paying dividends to retain higher levels of financial capital would only be considered in exceptional circumstances.
- *Changes to minimum regulatory requirements* – In South Africa the transition to SAM with effect from earliest 1 January 2017 is changing the current regulatory capital framework. As at 31 December 2015 our simulated surplus capital under this framework is higher than under the existing regime and we do not expect significant changes to our ability to pay dividends or to our perceived financial strength.

Subordinated note holders (debt capital)

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

At the end of 2015, Liberty had R3,5 billion of FSB approved subordinated debt capital in issue with no planned redemptions in the 2016 financial year. Besides the programme limit, constraints include specific FSB approval of debt issuances by Liberty Group Limited (including any roll over extensions).

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

COST OF CAPITAL

The cost of equity is determined using the capital asset pricing model. The cost of debt is determined as the market value of debt in the business multiplied by the current market cost of raising debt. Using the weighted average of capital source, we estimate Liberty's cost of capital for the 2016 financial year at 12,6% (2015: 11,4%).

STRATEGY 2020

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

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FINANCIAL CAPITAL DEPLOYMENT PRIORITIES

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

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

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

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

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

The business of an insurer is often perceived as complicated with confusing and complex terminology and metrics. Therefore it is imperative that we efficiently communicate the insurance business model by explaining our differentiated capabilities and strategy. Refer to *Our Strategy 2020 at a glance* section.

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Due to the complexities of the insurance industry and the lack of consistency in insurance reporting, the provision of detailed analysis of our financial results is critical to aid investors and analysts to compare us with our competitors on a like for like basis.

Our engagement plan

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

Standard Bank – besides owning 53,6% of Liberty Holdings, Standard Bank is our strategic partner through the bancassurance agreement and provides an important differentiator for our expansion into the rest of the African continent. Our engagement activities with Standard Bank can be categorised into those related to its status as our majority shareholder and those which are operationally focused. Standard Bank's representation on our board means that this shareholder is privy to strategic and financial information not readily available to other investors. We strictly control the distribution of information and fully comply with the JSE's requirements regarding the release of price sensitive information. The board ensures that there are sufficient independent non-executive directors to manage the inherent conflict of interests, aided by various governance forums. The related party committee was established in 2015 to oversee transactions between Standard Bank and Liberty and to assist the board in discharging its governance obligations in respect of material related party transactions.

Institutional investors – invest on behalf of others, whether it be individuals, mutual funds, retirement vehicles and medical aid schemes. These investors own approximately 40,2% of Liberty ordinary shares and effectively 100% of all issued subordinated notes. This aggregation of investors is particularly influential in determining our share price and cost of raising debt and is consequently a significant focus of our engagement activities.

Individual shareholders – 7 460 shareholders own approximately 2,3% of Liberty ordinary shares. Our engagement with these shareholders is constructed around using public communication channels (e.g. financial media, SENS announcements and an interactive investor relations website) supported by an active "help" facility to respond to individual queries.

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

BEE scheme shareholders – held 3,9% at 31 December 2015. Trading restrictions on the ordinary shares issued to various BEE entities in Liberty's 2004 Black Economic Empowerment transaction totalling 25,8 million ordinary shares, were lifted on 31 December 2014. Subsequently, 3,9 million shares have been sold. The remaining shareholders are now effectively part of the "free float" and are included in our institutional and individual engagement plans as applicable.

Investors – providers of our financial capital (continued)

Significant issues raised by investors and our responses

Liberty has stated its intention to accelerate the strategy of expanding into the rest of Africa. What progress has been made in this regard?

We deployed staff in the West and East African regions whose focus is to establish business opportunities, build relationships and seek suitable acquisitions at the right price.

During the second half of 2015, we launched the STANLIB Fahari I-REIT, the first income real estate investment trust listed in Kenya.

In Nigeria we acquired the minority interests in our health business, Total Health Trust Limited.

We acquired East African Underwriters Limited, a short-term insurer in Uganda, effective 12 January 2016.

The insurance market in South Africa is becoming increasingly competitive although the product set remains "traditional". How does Liberty differentiate itself and what are its competitive advantages?

Liberty differentiates itself in each of its core business activities.

In the insurance business, we design and develop innovative risk and investment products such as Evolve and Agile that meet the changing needs of a target market. We provide an industry leading financial adviser value proposition that enables us to retain and reward financial advisers on their overall customer service performance, not just on sales volumes. Motivated financial advisers are key to Liberty's marketing, distribution and customer service execution. Our bancassurance relationship with Standard Bank allows us to market to a broader customer base, build on existing infrastructure and simplify our product offerings to our customers.

STANLIB's asset management team has an enviable track record in property and fixed interest investment. Our partnership with Standard Bank allows us to leverage our joint distribution networks and build on the bank's existing infrastructure. The footprint and reputation of Standard Bank attracts cash flows to our asset management platform.

In Africa, we are able to offer a full spectrum of risk and investment products, including health, short-term and life insurance and plan to further expand into the other regions in Africa where Standard Bank is already present.

The industry is facing a multitude of new regulations and oversight. Which of the anticipated changes will be the most significant for Liberty and how have you prepared for it?

The 55 proposed regulations arising from the Retail Distribution Review (RDR) are expected to impact on Liberty's distribution model. This model relies on knowledgeable and experienced financial advisers to promote and sell Liberty products. The proposals will see the elimination of upfront commissions and negatively impact the sale of certain recurring premium products. We anticipate a reduction in independent financial advisers with compensation being for advice rather than sales. Liberty supports the proposals and we continue to develop an advice proposition that customers will be willing to pay for.

There are a number of other regulatory developments which will impact on Liberty – refer to "A regulatory framework for industry value".

South Africa is now in an upward interest rate cycle and has various political and macro-economic challenges. Why should international investors invest in a South African insurance company?

We have a history of regularly delivering returns on equity in excess of those available to developed market investors in their domestic markets.

We have a strong base in South Africa which allows us easy access to sub-Saharan African markets. Projected GDP growth for this region reflects significant growth opportunities with potential to provide high returns. It is estimated that sub-Saharan Africa will be home to 15% of the world's population by 2020.

Creating value for our customers

Liberty provides solutions to customers to meet their financial needs and allow them to prepare for life's uncertainties throughout their stages of life.

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

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

THE PRIMARY NEEDS OF OUR CUSTOMERS ARE:

- Independent and responsible advice regarding financial needs;
- Easily understandable products which empower decision-making;
- The financial soundness of the financial institution whose products they choose; and
- An ongoing and trusting relationship.

Creating value for our customers (continued)

During 2015, Liberty established its three customer facing units (CFUs) to more effectively engage with our customers.

Development of new differentiated customer value propositions for each of the CFUs commenced in 2015. To ensure that customer needs are at the centre of our decision making, a customer fairness committee was established as a sub-committee of the group executive committee, to develop and consistently implement customer fairness principles across the CFUs.

INDIVIDUAL ARRANGEMENTS	GROUP ARRANGEMENTS *(INCORPORATING LIBERTY CORPORATE, LIBERTY AFRICA INSURANCE AND LIBERTY HEALTH)*	ASSET MANAGEMENT *(STANLIB)*
Strategic intent:		
"To be the no. 1 provider of insurance and investment solutions in South Africa to the retail mass-affluent market."	"To be the trusted partner in delivering defined insurance and investment solutions that meet customer needs in a relevant, simple and accessible way."	"To be the preferred manager for asset flows destined for investment in Africa."
Provides insurance and investment solutions to the individual mass-affluent and affluent markets.	**Provides insurance and investment solutions to corporate customers (SMEs, large corporates, multi-nationals and affinity groups) and retirement funds across sub-Saharan Africa.**	**Provides asset management capabilities to manage asset flows, including international flows, invested in Africa focusing on high net worth individuals, institutional and international investors.**
Products and services are distributed by:		
• Liberty's tied intermediaries	• Independent financial advisers	• Bancassurance channels
• Direct channels	• Specialist distribution teams • Corporate consultants	• Relationship managers • Specialist distribution teams • Direct channels

Understanding our customers' needs

Our targeted customer segments are groups of individuals and individuals who either have regular monthly income available to purchase risk and savings products, investable assets above certain levels, or are upwardly mobile. We are utilising our capability to obtain insight into our customers' needs and translate these insights into innovative, effective and cost efficient value solutions, delivered consistently to the applicable members of these groups. Where more bespoke solutions are required, these are supported by one-on-one advice to qualifying individuals.

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

We continue to invest significantly in data analytics to develop profiles of our potential customers, detailing their propensity to require assistance, as well as which sales and delivery channels are best suited to meet their needs. This investment assists us to deliver stronger customer engagement that is relevant, insightful, ongoing and meaningful.

With the rapid advancement of new technologies, particularly the development of online and mobile technology, customer engagement and communication preferences are changing. Customers are increasingly transacting online and seeking tailored engagement. Innovative systems provide a competitive advantage and we actively invest in the development and maintenance of a wide range of systems, applications and interfaces that facilitate our operations and customer service. With the increase in cybercrime and the changing regulatory environment regarding the protection of personal information, we ensure that our customer information and interactions are protected at all times.

At Liberty, the quality of our relationship with customers is directly related to the quality of engagement and communication. We focus on building trust and respect. Ensuring the optimal quality of customer information is imperative to facilitate credible communication. The better the information we have, the better we can service our customers.

Innovative product development and service delivery

During 2015, we launched the Agile Retirement Range.

Agile is South Africa's first and only collection of retirement products that let you know today what your income will be in retirement, regardless of how the markets perform.

Individual Arrangements (split between risk and investment products), Group Arrangements and Asset Management CFUs have dedicated product development teams led by senior executives focusing on specific customer segments and their needs. The group employs in excess of 50 professionals in product design, made up of actuaries, accountants, legal advisers and economists. This focus has led to the launch of products such as Evolve, Agile, Term Life, STANLIB unit trust tax free savings account and the STANLIB Kenya income real estate investment trust (I-REIT), all of which meet specific customer needs and leverage the group's expertise and experience. Liberty's balance sheet management expertise, residing within LibFin, plays a key part in adding value to product development.

Service delivery is as important as product development. Support processes are therefore developed in tandem to ensure that administration and service support processes are in place when products are launched. In addition, prior to the launch of products, the relevant risk officers review the product and support processes to ensure that we can deliver on the marketing promise.

Extensive training, product information and sales support tools are developed and provided in advance of product launches.

Proposals arising from the FSB's RDR will impact on our intermediaries. Financial advisers will be remunerated on the provision of advice. Liberty enables its intermediaries to provide trustworthy and reliable advice through training and technology, adding value while simplifying administrative tasks. As the landscape for insurance distribution changes, Liberty will introduce more digital and technologically driven channels, enabling the mass-affluent customer to choose the correct products based on their specific needs.

***The Liberty way** refers to the culture we create amongst our financial advisers and intermediaries. To create this **culture**, we constantly **recruit, train, develop** and **manage** our sales force. We recruit to a detailed specification, we train to levels above the industry norm and we develop to ensure skills remain high, current and relevant.*

Fulfil our promises

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

In recent years we have invested in simplifying our contracts and improving our technology to enable more extensive and efficient channels for information flows. In addition, we focused on response standards for quick resolution of queries. Our efforts are paying off with significant improvements in customer satisfaction scores, various independent service awards and good 'voice of customer' survey feedback.

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

LIBERTY'S TIED DISTRIBUTION HEADCOUNT

1 353	LIBERTY ENTREPRENEURS *SOUTH AFRICA*
812	LIBERTY@ WORK *SOUTH AFRICA*
892	*REST OF AFRICA*
712	*BANCASSURANCE* Standard Bank Financial Consultants
982	AGENCY *SOUTH AFRICA*

STANLIB manages savings for over 500 000 customers

We administer over 8 000 retirement schemes

We insure more than 6 million contracted lives

EXTENSIVE CALL CENTRE CAPABILITIES

>400	agents dedicated to service customers
>500	direct sales agents

Creating value for our customers (continued)

The value balance between customers and Liberty

HOW OUR CUSTOMERS BENEFIT

Monetary benefits provided in times of need when risk events occur	Competitive investment returns and facilitation of retirement income	Responsible financial advice and efficient, innovative products, accurate and compliant administration	Confidence that contractual obligations will be met

SOURCES OF VALUE

Risk products	Investment products	Financial advice and administration services	Regulation, governance and equity capital
Monetary compensation in the event of: • Death • Disability • Medical expenses • Retrenchment • Damage or loss of physical property *(East Africa only)* Tailored risk solutions	Investment options to meet financial needs: • Collective investment schemes • Segregated investment mandates • Retirement savings • Annuities • Tailored investment solutions	We reach and support our customers through: • Extensive distribution network of tied and non-tied financial advisers • Direct sales platform and call centres for assistance • Product design teams • Insights into customer needs and concerns	Managing and deploying the company's financial capital resources to: • Maintain minimum regulatory requirements • Invest within board approved risk appetite • Support growth strategies

HOW LIBERTY BENEFITS

- Margins included in contracted premiums
- Agreed charges typically linked to the assets invested
- Agreed charges for services provided
- Investment returns on assets backing capital
- Support the company dividend policy

OUR KEY PERFORMANCE MEASURES

- Death and disability claims (mortality variances)
- Long-term insurance indexed new business and margin
- Capital adequacy cover
- Long-term customer contract insurance persistency
- Net customer cash flows
- Assets under management
- Distribution capacity
- Customer satisfaction
- Customer complaint volumes and insurance ombud queries

Our people – our most valuable asset

Our strategy becomes reality through the day-to-day activities of our employees. A high performance culture that drives innovation, implementation, and execution of the group's strategy is essential to enable Liberty to create value for all stakeholders.

THE PRIMARY NEEDS OF OUR EMPLOYEES ARE:

- A non-discriminatory work environment;
- A sense of affiliation, belonging and greater meaning to work;
- Being rewarded for performance and provided with engaging career opportunities; and
- Competitive remuneration, with primary and lifestyle benefits.

OUR EMPLOYEE VALUE PROPOSITION

Liberty's employee value proposition is aimed at attracting, developing and retaining talent – a constrained resource – across the geographies in which we operate.

As a pan-African organisation, we are competing globally for talent and strive to offer employees mobility, flexibility and opportunity. We develop people within the context of group citizenship, who will rotate through functions, customer facing units and geographies.

We strive to create an organisational culture that encompasses our values of Insight, Action, Involvement, Innovation and Integrity and our purpose of 'Making financial freedom possible'

Benefits for full-time employees include: life and disability insurance, medical aid, maternity and paternity leave, wellness support, retirement advice and provision, leave, flexible working hours, canteen, shops and banking facilities.

Employees have access to a variety of development and leadership programmes to further strengthen the group's talent pipeline. To fulfil identified vacancies we first look internally and then, if required, advertise externally. Our priority is to grow existing staff through skills and career development as well as targeted succession planning.

Includes guaranteed pay and incentives. Balance between guaranteed and variable pay structured according to seniority and roles and does not reward risk taking outside of board approved risk mandate.

Diversity dialogues to help entrench a sustainable transformation culture.

Regular engagement and a minimum of two performance assessments per year to assist employees better understand the group's performance expectations and facilitate more accurate performance-related rewards. Performance discussions are a critical part of employee development.

Our people – our most valuable asset (continued)

Having a workforce that reflects the diversity of the populations in which we operate enables the group to better serve our chosen markets. We strive to be the employer of choice for talented people, who are confident to manage in and across African geographies.

Talent management supporting Strategy 2020

We are redesigning career path management and defining clear minimum skills requirements for leadership in our new operating model. We are acquiring and developing core strategic capabilities that support the attainment of current and future business needs and driving skills development across the group. This will ensure the development of the necessary technical and people management skills required in our customer facing units.

Leadership development

The design of our three leadership development programmes, in partnership with Duke Corporate Education, aims to build leadership competence as an enabler of our 2020 vision and strategy. The Insights programme is aimed at junior management and focuses mainly on operations within a South African context. The Navigators programme is aimed at middle management and provides a transition to learning how South Africa interacts with the rest of the continent with a deeper understanding of global trends. The Pioneers programme is aimed at senior leaders and provides international exposure, learning from other key economies, and the changing global landscape. During 2015, we delivered two iterations of the Insights programme, one Navigators programme and one Pioneers programme.

We continue to invest in professional skills and our permanent staff includes:

- **>60** actuaries
- **>110** student actuaries
- **>70** chartered accountants
- **>170** certified financial planners

Custodians of the brand

We need to ensure that the Liberty brand, a trusted brand among customers and employees in South Africa for nearly 60 years, is protected and strengthened through our people practices. Through initiatives such as our Liberty Flame Awards and recognition programme we are able to strengthen our employees' identification with the brand. The programme is designed around concepts from the group's brand strategy and linked to three strategic drivers: innovation, knowledge and involvement in our communities.

PROFILE OF STAFF

Number of staff	2015	2014
SOUTH AFRICAN		
Management	**160**	144
Professionally qualified	**1 394**	1 368
Skilled	**2 583**	2 707
Semi skilled	**1 400**	1 454
Unskilled	**99**	165
Permanent staff	**5 636**	5 838
Tied agents	**3 147**	3 367
Total	**8 783**	9 205
OTHER AFRICAN TERRITORIES		
Permanent staff	**767**	779
Tied agents	**892**	579
Total	**1 659**	1 358
Total work force	**10 442**	10 563

Our management headcount has increased by 11% to 160 at 31 December 2015 as a result of building management capacity to enable our new operating model and Strategy 2020. The decrease in headcount at the skilled, semi-skilled and unskilled levels is due to the outsourcing of property management service capabilities and asset management operations during 2015, in line with the strategic decision to outsource non-core parts of our operations.

SOUTH AFRICAN PERMANENT EMPLOYEES

77% black permanent staff	**59**% female permanent staff	Average age **38** years	Average length of service **7,4** years

The value balance between employees and Liberty

HOW OUR EMPLOYEES BENEFIT

Rewards reflective of performance	Skills and career development	A non-discriminatory work environment that promotes respect and dignity	Comprehensive value-added benefits

SOURCE OF VALUE

Fair pay	Career advancement	Equal opportunity	Fringe benefits
Liberty's remuneration philosophy is to link reward to performance within an agreed risk appetite framework. Senior management who develop and execute strategy have a higher proportion of meaningful variable pay.	Comprehensive programmes identify and nurture scarce human capital. This includes: • Performance and talent management • Bursary programme • Leadership and management development programmes • Internal and external training • Performance objectives linked to strategy	Non-discrimination is at the centre of our culture. We have chosen to embrace and take the lead in this objective. We are actively transforming Liberty to a fully representative work force. We believe this creates a competitive advantage in all our communities that we reach.	Value-added benefits recognise the practical day-to-day employee needs, empathy and professional support. These benefits over time achieve healthier and more productive employees. These are benchmarked as some of the best benefits in the industry.

HOW LIBERTY BENEFITS

- A highly motivated and appropriately skilled work force that is able to implement strategy and provide competitive returns on shareholder capital
- A loyal and productive work force which actively promotes the Liberty and STANLIB brands
- An efficient deployment of human capital, with a diverse and inclusive working culture that maximises opportunities. A fair balance between performance delivery and cost of employment
- Reduced employee turnover. Lower risks of fraud and low productivity

OUR KEY PERFORMANCE MEASURES

- Variable remuneration ratio
- Surveys, including employee attitudinal and preferred employer
- Training spend on skills and development
- Voluntary staff turnover
- Number of CCMA cases and settlements
- Employment equity progress

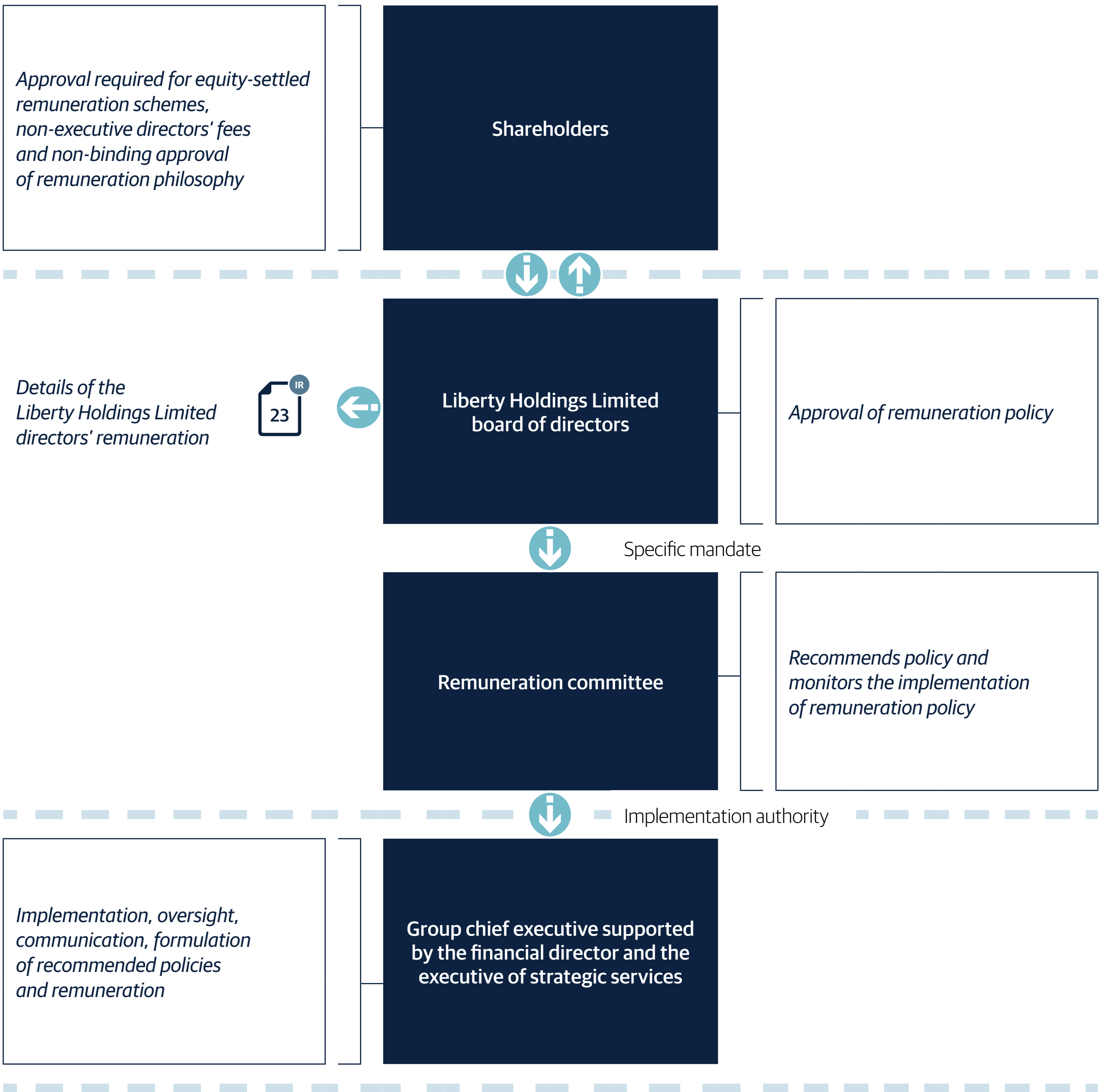
Our people – our most valuable asset (continued)

Remuneration of Liberty's people

At the May 2015 AGM, an overwhelming majority of shareholders endorsed the group's remuneration policy. The core objective of our policy is to ensure that remuneration practices support the delivery of the strategy and that the practices align with shareholders' long-term objectives.

Governance of remuneration

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



Purpose and role of the remuneration committee

The primary purpose of the remuneration committee (remco) is to ensure remuneration practices and policies support the delivery of the business strategy. The remco implements its board mandate through interaction with shareholders (where necessary), 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 with relevant executives to enable them to manage their employees within the approved policies. They are assisted by dedicated human resource experts and sub-committees which focus on specific issues. The key objective is an appropriate link of levels of remuneration to business performance and strategy implementation while operating within the group's approved risk appetite and governance framework.

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

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

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

Minimum shareholding for executive directors

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

Until the required shareholding is met, the full restricted share value of senior executives' deferred remuneration that vests will be retained. This provision only applies to annual deferred awards and long-term incentive awards without performance conditions attached granted from March 2015.

For details of executive directors current shareholding IR 23

Solvency Assessment and Management (SAM)

Liberty's remuneration practices are designed to prevent risk taking outside of risk appetite. Work has commenced to align remuneration practices to the proposed SAM framework developed by the FSB. The remuneration policy is broadly aligned to the requirements of FSB's board notice 158 of 2014 "Governance and Risk Management Framework for Insurers".

Ensuring alignment of remuneration with risk taken

The chief risk officer reports to the remco on any risk taking or issues the committee should be aware of in relation to the remuneration schemes that Liberty utilises.

Remuneration practices of non-South African group subsidiaries

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

Our people – our most valuable asset (continued)

Remuneration of Liberty's people (continued)

Remuneration structure

Remuneration packages are geared to the employee's level of influence and role complexity. The balance between guaranteed and variable pay is appropriately structured and does not reward risk taking outside the board approved risk mandates.

All employees have some level of variable pay. No long-term service agreements are entered into at senior management level and notice periods do not exceed three months.

GUARANTEED REMUNERATION

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

Base salary and benefits

Liberty enhances the value created by 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.

ELEMENT	BUSINESS OBJECTIVE	POLICY DETAIL
Basic salary	To attract and retain employees in line with the scope, nature and skills requirements of the role.	Our standard is to benchmark to the market median for financial services. Reasonable differentiation exists in remuneration for attracting and retaining critical skills, experience, performance and driving transformation. Salary increases are scheduled annually effective 1 April and reflect a market-related adjustment based on inflation, market and financial sector trends. At an individual level, the employee's performance and market comparison per job grade informs the increase.
Compulsory benefits	Enables 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.

VARIABLE REMUNERATION

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

Short- and long-term incentives

The primary role of variable remuneration is to drive performance within risk appetite, retain key employees and ensure alignment between executives and shareholders. 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 salary increases and incentive awards.

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

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 which apply in the event that policies or investment contracts lapse within prescribed periods from sale date. Various customer retention, quality and volume incentives are offered to assist in achieving sales and customer retention targets. Based on performance and grading, certain tied agents in South Africa qualify for either a cash-settled unit scheme linked to Liberty Holdings share price payable after three years, or a deferred STANLIB unit trust forward purchase scheme, with a delivery period of three years. Awards under these schemes are used as retention schemes and are conditional on remaining contracted with the group and minimum performance criteria. Tied agents are also eligible, on a voluntary basis, to join the group's sponsored medical aid scheme and various defined contribution retirement schemes.

Our people – our most valuable asset (continued)

Remuneration of Liberty's people (continued)

Remuneration processes

Benchmarking

Liberty employees are generally benchmarked to the 50th percentile as advised by market survey data, taking cognisance of scarce skills. The group, mainly through historic practices, is currently at an average slightly higher than the 50th percentile on guaranteed remuneration. Proportionately higher guaranteed remuneration increases for lower staff levels have been implemented since 2010 in order to narrow the differentiation between management and general staff. In addition, our minimum entry level salary package is R117 540 per annum.

The group has adopted a portfolio remuneration approach, in terms of which remuneration structures are designed to reward employees appropriately for performance achieved in their respective business areas in addition to the overall group performance. Consideration is given to the market sector, maturity and life cycle of the business area.

Liberty uses various independent providers to ensure that it remunerates employees competitively and care is taken to select appropriate peer groups, ensuring comparison to a similar market and organisations of a comparable size. Factors such as industry, revenue, profits, market capitalisation and number of employees are considered. During 2015, 21st Century Business and Pay Solutions, PwC Remchannel and Mercer Consulting conducted surveys on our behalf on remuneration trends and benchmarking of remuneration packages regarding guaranteed pay.

Employee transfers between the Liberty and Standard Bank group

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

Retention agreements

Retention agreements are only entered into in exceptional circumstances. Retention payments have to be repaid should the individual concerned leave within a stipulated period. At 31 December 2015 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.

Termination payments

Although there are no long-term employment contracts in place in the group, any material service benefits are approved by remco.

There is an appropriate governance process in place to approve all types of payments listed above.

Summary of short-term incentive schemes (STIs)

INCENTIVE SCHEME	REFERENCE	EMPLOYEE APPLICABILITY SOUTH AFRICA	EMPLOYEE APPLICABILITY AFRICA
Senior management and specialists	STI-1	✓	✓
STANLIB short-term	STI-2	✓	✓
LibFin markets	STI-3	✓	
Liberty general staff	STI-4	✓	✓

STI – 1 Senior management and specialists incentive scheme

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

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

There are two performance components of the scheme, the first being personal objectives and the second being financial targets.

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 that the board believes will represent an achievement in line with average realistic shareholder expectations. Amounts awarded are adjusted for achievement above or below this level with a minimum achievement of approximately 80% of "on target" set to qualify for any financial bonus. The remco also imposes a discount adjustment if certain key non-financial objectives are not met which vary from year to year (for example the achievement of employment equity targets).

Annual determination of financial targets

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

Financial targets are set to drive sustainable profitable growth and not be detrimental to the group's long-term interests. Management propose targets to the board that provide appropriate incentivisation, 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 area 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 performance.

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 (SIP) and unhedgeable components of asset/ liability mismatches. This measurement was chosen given its relevance to those earnings that management's performance tends to influence. The 2015 "on target" level was set at R2 857 million.

- *Increase in group equity value (45% weighting)*

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

Remco chose this measure as this reflects the best estimate of value generated by the business during the year and is normally closely correlated to share price performance. The 2015 "on target" level was set at R4 433 million.

- *LibFin SIP Gross return (10% weighting)*

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

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

All participants have a minimum weighting of 20% to group financial targets with the balance apportioned to relevant specific business area 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 (see detail under the long-term incentive scheme section below). The purpose is to ensure a retention component to the STI methodology and to focus management on the longer term financial results. In addition, a clawback provision is in place over the deferral portion until vesting. Unvested deferrals may be forfeited in full or in part at the remco's discretion if in their opinion the particular participant has demonstrated misconduct or has misstated financial performance in the current or prior years.

Our people – our most valuable asset (continued)

Remuneration of Liberty's people (continued)

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

% of annual salary package	Senior management (excluding risk, compliance and technical specialists)	Senior management fulfilling risk and compliance roles	Senior management fulfilling technical specialised roles
Personal key performance indicators	20% (capped)	Maximum of 100%	Maximum of 45%
	+	+	+
Financial targets (split between group and business area, with a minimum weighting of 20% to group targets)	Maximum of 120% for on target[1] measure – scaled for under – or outperformance	Maximum of 20% for on target[1] measure – scaled for under – or outperformance	Maximum of 15% for on target[1] measure – not scaled
Financial scale:	Yes	Yes	No
Below minimum threshold	Nil award	Nil award	Nil award
Above minimum threshold	Bonus increases in line with proportional scale	Bonus increases in line with proportional scale	Capped to set percentage
	–	–	–
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 in the personal key performance indicators component if not met.

STI – 2 STANLIB short-term incentive scheme

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

STI – 3 LibFin markets scheme

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

STI – 4 Liberty general staff incentive scheme

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

Summary of long-term incentive schemes (LTIs)

CURRENT	REFERENCE
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
Share unit rights plan	LTI-6

LEGACY	REFERENCE
2010 Liberty deferred bonus	LTI-7
Phantom share	LTI-8
Liberty Life Equity Growth	LTI-3

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

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

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

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

The third vesting tranche of the 2012 awards and the first vesting tranche of the 2013 awards are subject to financial performance conditions referenced to the results for the vesting period ended 31 December 2015. Supported by independent assurance, the directors are satisfied that these performance conditions have been met.

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

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

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

Our people – our most valuable asset (continued)

Remuneration of Liberty's people (continued)

LTI – 3 The Liberty Equity Growth and Liberty Life Equity Growth schemes

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

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

LTI – 4 The STANLIB deferred bonus scheme

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

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

LTI – 5 Business unit long-term incentive schemes

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

The only active scheme at 31 December 2015 is in respect of Liberty Health.

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. The last vesting date for the remaining unvested share unit rights is March 2017.

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. All uncashed deferrals related to this scheme were automatically settled in November 2015.

LTI – 8 Phantom share scheme

On 12 June 2006, Liberty Group Limited reduced its capital by approximately R1 billion, or R3,60 per share, which was paid out to shareholders from the share premium account. Share option/right holders were not entitled to receive dividends on their share options/rights and therefore each member who had outstanding share options/rights at that date, received a participation right in a phantom share scheme to compensate for the economic opportunity cost applicable to the capital no longer available. The last vesting date for these participation rights is 12 June 2018.

Liberty incentive review conducted at the end of 2015

The Liberty short-term and long-term incentive schemes have been in place since 2012 and a review of the continued relevance of these schemes was undertaken at the end of 2015, especially in light of the change in the Liberty operating model and introduction of Strategy 2020. The review found that the schemes had broadly achieved their objective but a greater emphasis is required on strategic deliverables and long-term sustainability drivers as well as group alignment in terms of the Strategy 2020 growth intent.

The changes to the schemes, as ratified by the Liberty remco, include:

- The introduction of an out-performance capability in the individual KPI component of the short-term incentive scheme;
- Introduction of additional financial targets that are focused on financial outcomes which are found relevant for the performance year in question; and
- The extension of long-term incentive awards to broader talent groupings within the group to encourage longer term retention of key talent segments.

Remuneration disclosures

Accounting for remuneration

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

King III remuneration disclosures

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

Prescribed officers

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

Liberty Holdings Limited executive committee remuneration

	2015 R'000	2014 R'000
Fixed	**44 295**	41 588
Cash portion of package	**39 401**	37 425
Other benefits	**1 115**	967
Retirement contributions	**3 779**	3 196
Variable[1]	**68 575**	66 352
Cash bonus	**50 352**	47 119
Deferred bonus	**18 223**	19 233
Retention	**53 250**	52 000
Value of restricted shares/rights granted[2]	**53 250**	52 000
Total[3]	**166 120**	159 940
Guaranteed pay	**44 295**	41 588
STI awards	**50 352**	47 119
LTI awards (including STI deferral)	**71 473**	71 233
Total	**166 120**	159 940

(1) *In order to align incentive payments with the performance period to which they relate, the above variable remuneration relates to the year under review irrespective of when payment is made.*

(2) *The award value of restricted shares is the number of restricted shares granted times by the share price at award date. Rights granted are valued using option pricing methodology. Both are subject to performance conditions and service duration. The value granted refers to the awards approved by the remuneration committee in February 2016 and 2015 in order to align to the performance periods of 2015 and 2014, respectively.*

(3) *The composition of the executive committee members has changed from the comparative year, so the numbers are not comparable.*

Full details of the remuneration of Messrs Thabo Dloti (CE), and Casper Troskie (financial director) are contained in the Remuneration of directors and prescribed officers section of this report. The top three earners for 2015 were Messrs Thabo Dloti, Giles Heeger (chief executive – LibFin) and Robin Eager (STANLIB franchise head). The next highest individual remuneration of non-disclosed employees is approximately 61% of Mr Dloti's total remuneration. Of the executive committee, the average personal KPI score achieved in 2015 was 87% (2014:88%).

Our people – our most valuable asset (continued)

Remuneration of Liberty's people (continued)

Summary of incentive schemes at 31 December

AFS Notes	Description	Eligible participants	Number of participants[1] 2015	Number of participants[1] 2014	Award amounts[2] 2015 Rm	Award amounts[2] 2014 Rm	IFRS expense (see note below) 2015 Rm	IFRS expense (see note below) 2014 Rm	Number of rights and shares[4] 2015
19.2	**Short-term**				**598**	600	**660**	642	
	Senior management and specialists[5]	Senior management and specialists not included in other specific schemes	**594**	590	**327**	329	**348**	356	
	STANLIB short-term[5]	Investment professionals and senior management employed by STANLIB	**168**	170	**111**	124	**101**	104	
	LibFin markets[5]	Investment professionals	**14**	13	**31**	24	**38**	24	
	Liberty general staff[5]	Staff not included in the above mentioned schemes	**4 548**	4 623	**129**	123	**173**	158	
	Long-term				**327**	296	**228**	203	
35.1	Liberty Holdings group restricted share plan (long-term)[6]	Selected executives	**216**	212	**168**	140	**83**	65	**2 933 112**
35.1	Liberty Holdings group restricted share plan (deferred)[6]	Participants of the senior management scheme that receive awards in excess of thresholds	**252**	222	**64**	64	**54**	48	**846 862**
35.1	Liberty Equity Growth (incorporating the Liberty Life Equity Growth Scheme)[6]	Selected executives	**238**	309	**18**	4	**5**	13	**3 190 505**
19.3	STANLIB deferred bonus[5]	Investment professionals and senior management employed by STANLIB	**137**	150	**77**	79	**80**	62	
	Business unit plans[3] [5]	Selected business unit executives	**9**	21		9	Provided for in 2011		
19.3	Share unit rights plan[5]	Selected executives and senior management	**7**	3			**6**	12	
19.3	2010 deferred bonus[5]	Participants of the senior management scheme that received awards for the 2010 year in excess of thresholds		16				3	
35	Phantom share scheme[5]	Liberty Group Limited share option holders on 12 June 2006	**35**	60					
	Total				**925**	896	**888**	845	

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

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

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

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

[5] *Cash-settled*

[6] *Equity-settled*

IFRS expense:

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

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

Refer to Appendix E in the annual financial statements and supporting information 2015 for full details of rights and restricted share awards.

A regulatory framework for industry value

Regulators govern financial stability and market conduct which promotes the fair, transparent and responsible treatment of customers.

Adapting to regulatory and environmental change is one of the group's principle strategic risks. Our 2020 Strategy has been formulated in the context of the rapidly changing regulatory environment.

We are supportive of government initiatives which promote social reform and provide broader access to pensions and savings. We are optimistic about greater regulatory alignment and clarity throughout the sub-Saharan region. Liberty contributes a significant amount in taxes to the South African Revenue Services (SARS).

THE PRIMARY OBJECTIVES OF THE REGULATORS ARE:

- Fair treatment of financial institution customers;
- Financial soundness of financial institutions;
- Systemic stability of financial services sector;
- Integrity of financial markets and institutions; and
- Financial literacy and capability.

Key themes of regulatory reforms:

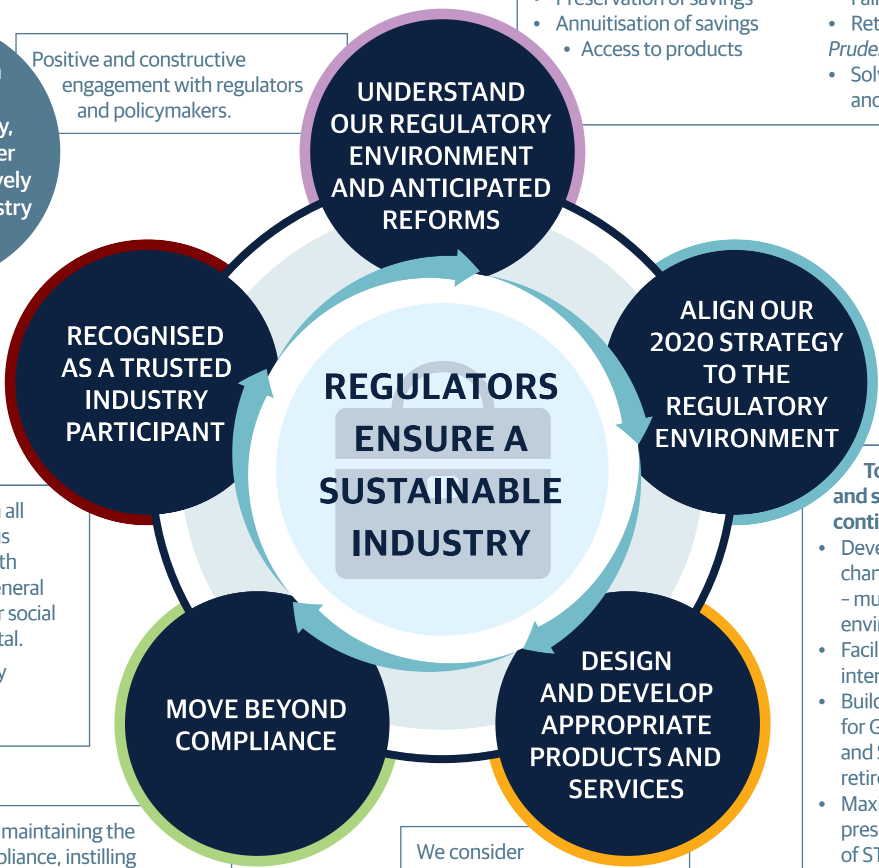
Retirement reform
- Increase national savings
- Preservation of savings
- Annuitisation of savings
  - Access to products

Market conduct
- Treating Customers Fairly
- Retail Distribution Review

Prudential
- Solvency Assessment and Management

We engage with the FSB, SARB, National Treasury, regulators in other countries and actively participate in industry forums

Positive and constructive engagement with regulators and policymakers.



To enhance customer and shareholder value we continue to:
- Develop new distribution channels and technologies – multi-channel environment
- Facilitate customer interaction
- Build on opportunities for Group Arrangements and STANLIB arising from retirement reform
- Maximise the local presence advantage of STANLIB in growing our asset management business across sub-Saharan Africa

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

The taxes that Liberty pay contribute to government plans.

We consider the impact of regulatory changes on customers' needs and product opportunities and develop innovative, relevant and compliant products to better serve targeted customer segments.

We are committed to maintaining the highest levels of compliance, instilling ethics in all areas of our business, preventing fraud and continuing to invest responsibly.

Internal compliance management forums continually identify and interpret regulatory requirements and ensure that the customer facing units establish appropriate policies and procedures to meet these requirements.

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

A regulatory framework for industry value (continued)

Regulatory environment in South Africa

The Financial Services Board (FSB) is the primary regulator of South Africa's non-banking financial services sector and is tasked with promoting and maintaining a sound financial investment environment.

LEGISLATION ADMINISTERED BY THE FSB INCLUDES:

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

Historically, the purpose of insurance industry regulation has been to ensure that minimum capital adequacy and solvency levels are achieved, ensuring insurers can meet their obligations in the event of a risk event. While regulation in this area continues to develop with regulators embracing risk based capital models, international regulatory developments are increasingly directed at improving the trust relationship between insurers and their customers.

The South African regulatory environment follows international trends. Key developments within South Africa are:

TREATING CUSTOMERS FAIRLY (TCF)

TCF is an outcomes based regulatory and supervisory approach designed to ensure that specific, clearly articulated fairness outcomes are delivered by regulated financial services companies. There are six TCF outcomes:

1. Customers can be confident that TCF is central to the corporate culture of financial services companies
2. Products and services marketed and sold are designed to meet the needs of identified customer groups and are targeted accordingly
3. Customers are provided with clear information and kept informed
4. Where advice is given, it is suitable and takes account of customer circumstances
5. Products perform as companies have led customers to expect
6. Customers do not face unreasonable post-sale barriers to change product, switch providers, submit a claim or make a complaint.

TCF is embedded in Liberty's culture and impacts on all areas of the business. It impacts on the way decisions are made, how we handle and engage with customers, how actions are taken; and the provision of the correct level of evidence to demonstrate this. TCF regulations will be introduced incrementally through inclusion in new legislation, education and guidelines, and will be a core focus of FSB investigations into financial services practices.

RETAIL DISTRIBUTION REVIEW (RDR)

RDR has, as its primary purpose, to ensure insurance distribution models are aligned to TCF outcomes. In so doing, it promotes appropriate, affordable and fair advice and supports a sustainable business model for financial advisers. Advisers will be remunerated on the provision of advice and not product sales.

RDR presents an opportunity for Liberty to increase transparency throughout its products and services, and assist its financial advisers, through the provision of analytic tools, with the development of an advice proposition that customers will be willing to pay for. However, payment for advice may see the development of an "advice gap" for smaller and lower income segment clients. This gap will need to be addressed by more direct platforms, leveraging off digital and other developing technologies. Sales of certain products (recurring premium endowments and retirement annuities) are expected to reduce significantly as a consequence.

Consultation on the phase 1 proposals will begin in early 2016, for proposed implementation from July 2016.

CONSUMER CREDIT INSURANCE

National Treasury and the FSB have called for more responsible and transparent pricing on consumer credit insurance. Draft Credit Life Insurance Regulations were issued under the National Credit Act late in 2015 to propose maximum prescribed limits for the cost of credit life insurance.

THE DRAFT FINANCIAL SECTOR REGULATION BILL (the Twin Peaks initiative)

This Bill includes recommendations to improve National Treasury's legal enforcement and clarifies the role of regulators. Under the Twin Peaks model, regulation of the financial sector will be split into prudential and market conduct. Prudential regulation, relating to the risks affecting the soundness of financial institutions and the financial system as a whole, will be the responsibility of the new Prudential Authority, and market conduct – including reckless lending practices, excessive fees and unfair product terms – will fall under a new Financial Sector Conduct Authority (FSCA) which will replace the FSB.

National Treasury also released a draft market conduct policy framework discussion document, providing a comprehensive framework for how the market conduct regulator will operate, with its mandate being to make sure that the market conduct of financial institutions achieves fair outcomes for their customers.

DRAFT INSURANCE BILL

The draft Insurance Bill, 2015 was issued by the National Treasury for comment in April 2015. After various submissions a revised draft was tabled in Parliament late in 2015. The Bill gives effect to important national government policy objectives by enhancing:

- Access to insurance through the introduction of a micro-insurance regulatory framework
- The financial soundness of insurers and the financial services sector, and the protection of policyholders through:
  - Introducing a new Solvency Assessment and Management (SAM) regime;
  - Introducing a framework for insurance group supervision; and
  - Enhancing reinsurance arrangements
- Alignment with international standards in accordance with South Africa's G20 commitments.

SOLVENCY ASSESSMENT AND MANAGEMENT (SAM)

SAM follows international best practice and is a programme implemented to introduce a risk based solvency regime around capital adequacy, risk governance and risk disclosure for insurers. SAM will prompt insurers to re-examine their risks and ensure they have sufficient capital to cover those risks. Under SAM, the internal view of economic capital will become virtually identical to the regulatory capital requirements. SAM will facilitate a better understanding of the actual risks Liberty faces, create incentives for state-of-the-art risk management and ensure greater risk transparency. A comprehensive parallel run was conducted in 2015, which will be repeated in 2016. The legislation is expected to become effective from earliest 1 January 2017. Liberty is well positioned to implement the SAM framework.

FSB board notice 158 entitled *Governance and Risk Management Framework for Insurers*, effective 1 April 2015, provides for the adoption, implementation and documentation of an effective governance framework by insurers. Liberty's governance structures and procedures are fully compliant with this framework.

Other developments

THE SOUTH AFRICAN REVENUE SERVICE (SARS)

SARS plays a critical role in the retirement and savings industry. Through its development and implementation of the Income Tax and Tax Administration Acts (amongst others) SARS influences individual taxpayers in their approach to savings and retirement planning. Traditionally, the rate of savings and retirement preparedness in South Africa is low, a situation that needs to be addressed if the country is to develop and a future social burden is to be avoided.

A tax review committee was 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. This committee has a specific focus on elements of taxation within the financial sector. This potentially may lead to significant structural reform.

RETIREMENT FUND REFORM (RFR)

These reforms, announced in the 2011 budget, 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. The reforms were implemented on 1 March 2016. The annuitisation of provident fund benefits has subsequently been deferred for two years.

TAX REFORM (TAXATION LAWS AMENDMENT ACT, 2015)

The requirement for a fifth fund for the purposes of taxing life insurers, the Risk Policy Fund, was introduced by the Taxation Laws Amendment Act, 2015. This will require risk policy premiums and expenses to be split out from the investment business from the effective date, 1 January 2016, resulting in earlier tax charges on investment business.

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

Liberty whistleblower hotline contacts:	**0800 204557 (South Africa)** **+27 12 543 5383 (International)**

A regulatory framework for industry value (continued)

The value balance between regulators, government agencies and Liberty and its customers

HOW THE REGULATORS BENEFIT

Liberty supports the regulators and the industry by participating in forums, shaping policy and regulatory frameworks

Through its commitment to fair outcomes for its customers, Liberty contributes to a trusted and transparent industry

Liberty collects taxes on behalf of its customers as well as paying applicable taxes on its own transactions and profits

Following regulatory guidelines and promoting good market conduct is a key element of Liberty's risk management and good corporate governance

SOURCE OF VALUE

Improved business practices

Liberty's participation provides:

- Industry perspective on global and local regulatory developments
- Insights into customer needs and concerns
- Credibility to industry associations such as ASISA

Industry trust and stability

Compliance ensures:

- Market stability
- Safeguarding of licenses
- Responsible, easily understood products

Improved government revenue collection

Application of revenue collected to nation building and promotion of economic growth

Upliftment of communities

Creating value for customers

Good governance contributes to:

- Fair outcomes for its customers
- Responsible and relevant products
- Brand trust for being a responsible corporate citizen

HOW LIBERTY BENEFITS

- A regulatory environment which is balanced between economic, social and industry needs
- A transparent and fairly regulated industry in which all participants are consistently supervised
- Early identification of product and services opportunities
- Brand trusted and acknowledgement as a responsible citizen
- Reduced financial crime
- Contributing to "nation building" through participation in government policy formulation
- An industry structure allowing for fair treatment of customers – a trusted industry

OUR KEY PERFORMANCE MEASURES

- Pro-active engagement activities
- Capital adequacy cover
- Costs invested in managing regulatory change
- Taxes collected and paid on behalf of governments
- Regulatory fines and penalties
- Number of adverse findings by industry Ombudsmen and adjudicators

NOTABLE 2015 ENGAGEMENT ACTIVITIES

- Liberty held several stakeholder engagement meetings with the FSB to discuss regulatory and legislative compliance requirements as well as the Liberty Africa strategy.
- Liberty continues to submit comments on the FSB's discussion paper on RDR.
- Liberty continues to participate in the FSB's SAM process.
- Regular interactive engagements with National Treasury on tax and retirement reform.

Building valuable partnerships with communities

Liberty operates in a constantly evolving society, characterised by environmental, social and ethical developments. We recognise that our ability to remain commercially viable depends on the growth, development and sustainability of the communities within which we operate.

We engage with different segments of society and prioritise those relationships that will generate future value for Liberty. Targeted stakeholder engagement provides an understanding of our communities' needs and insight into the quality of our relationships with these communities.

We understand that our reputation is directly linked to our continued ability to generate shared value. Shaped around the wider socio-economic needs of our communities, our social engagement priority is focused on education, which we believe creates opportunities for future employment and contributes to the building of a stable economy and economic upliftment.

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

Community involvement

Active employee involvement through volunteerism is also an important component of our corporate social investment strategy. We have a formal volunteerism programme aimed at leveraging our relationships with schools and non-profit organisations in order to encourage volunteerism across the group.

This year, our main volunteerism initiative was supporting Mandela Day. Liberty employees pledged, covered and delivered 6 700 books to 30 selected schools in South Africa, Botswana, Kenya, Namibia, Swaziland, Tanzania, Uganda and Zambia.

OUR SOCIAL CONTRACT

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

- **Improving access to education to empower self-fulfilment;**
- **Ensuring the workplace is representative of the communities that we serve;**
- **Behaving as a responsible corporate citizen and, in particular, acting with integrity; and**
- **Providing job opportunities and products and services that genuinely assist in financial freedom.**

We encourage and recognise this involvement with company-wide communication awareness, matching staff member monetary donations and the investment of work time where appropriate.

Financial literacy

To enable financial freedom, Liberty continues to invest in financial literacy programmes. These programmes were delivered through a vast array of multimedia platforms that served both targeted communities and workplaces. This was supplemented by educational awareness sessions delivered through our distribution force.

Enterprise development

Liberty's commitment to increase the pace and impact of our transformation journey for our communities, suppliers and potential suppliers was demonstrated through the launch of the Liberty Blue Skies programme. The programme aims to develop and grow emerging entrepreneurs and enterprises throughout their business growth life-cycle by removing barriers to growth.

Liberty invested R79 million the ASISA Enterprise Development Fund in 2015.

R25 million invested in education programmes targeting mathematics and science learning

R11,4 million applied to financial literacy programmes for consumers and customers

>R100 million invested in enterprise and supplier development

Building valuable partnerships with communities

(continued)

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.

Transformation

Our business needs to be socially relevant. This is partially achieved by striving to ensure our workforce reflects the diversity of the societies in which we operate. Liberty has chosen an integrated approach to transformation in South Africa, as demonstrated through our transformation vision, which goes beyond compliance.

Supporting education

We are committed to investing in the education and upliftment of communities across the geographies in which we operate.

For almost 40 years, Liberty has focused on supporting education across Africa because we believe that our CSI initiatives should contribute to building an economy that is vital to our collective destiny, and which will light the way to financial prosperity for generations to come. As a result, the group contributes over R40 million each year to community development focusing on education upliftment initiatives.

Primary and high school programmes

The primary school programmes focus on learner development, teacher development and learning materials in 20 primary schools in the Western Cape, Gauteng and KwaZulu-Natal.

The high school programmes focus on learner development and teacher development in mathematics, primarily in Gauteng and KwaZulu-Natal.

Contributing to building infrastructure in Africa

Infrastructure gaps are consistently cited as one of the biggest challenges to doing business in Africa. Building on our history of property development and through property investment activities, the group contributes to infrastructure development in the territories in which we operate. As we expand across Africa, Liberty looks to alternative assets and transactions that can make a real difference on the continent.

The STANLIB Infrastructure franchise invests in sectors requiring private capital and specifically projects presenting an attractive combination of risk and return. Renewable energy is a key focus of this franchise, as well as investment opportunities in water, power, transport, telecommunications and oil and gas infrastructure projects.

The total value of infrastructure investments across the group at 31 December 2015 (incorporating the infrastructure fund and LibFin investments) amounts to:

- R3,1 billion in solar and wind energy projects through the Renewable Energy Independent Power Producer Procurement programme;
- R2,6 billion in roads and rail development projects; and
- R1,7 billion in Eskom bonds.

As the continent struggles to meet its growing energy requirements, while addressing climate change concerns, Liberty incorporates energy efficiency into new and refurbished property developments, easing the strain on the national grid and reducing operating costs for the group and other tenants.

Monitoring and evaluation

Our CSI initiatives are targeted and effective. The Centre for Social Development in Africa from the University of Johannesburg was contracted for a three-year period to 2015 to develop and implement a monitoring and evaluation system for Liberty's CSI education and skills development programmes.

Our brand

Liberty and its accompanying "flame" has been a trusted and growing brand in South Africa for nearly 60 years and has created a credible foundation for retaining customers, attracting new customers and launching new products.

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

The use of two brands has been deliberated at length. As part of the development of customer value propositions for the Individual Arrangements, Group Arrangements and Asset Management customer facing units, we have chosen to maintain both the Liberty and STANLIB brands to be able to engage with and best serve the needs of a wider range of customer segments. This approach allows us to position the STANLIB brand and its asset management offerings differently to the Liberty brand and its insurance and investment offerings.

BUILDING TRUSTED BRANDS

The value balance between communities and Liberty

HOW COMMUNITIES BENEFIT

Socio-economic upliftment through education	Greater inclusion and economic participation	Stakeholder engagement that delivers shared value	A corporate partner committed to environmental stewardship

SOURCE OF VALUE

Empowerment through education

Liberty's community involvement is focused on education support spanning:

- Early childhood development
- Primary school teacher and learner support
- High school maths and science programmes
- Financial literacy programmes aimed at working adults

Equal opportunity and inclusive society

Liberty's commitment to transformation aims to deliver:

- Increased black ownership
- Representative employment
- Skills development
- Higher procurement levels from black suppliers

Responsible corporate citizenship

Stakeholder engagement that informs:

- Community investment and transformation initiatives
- Strategy development
- Focus areas to improve alignment to social relevance
- Identifying people challenges and financial needs

Sustainable use of the natural environment

Liberty is committed to:

- Minimising its direct impact on the environment
- Investing in a socially and environmentally responsible manner
- The United Nations Principles of Responsible Investment and the Code for Responsible Investing in South Africa
- Mitigating against climate change through developing "green" buildings. We are a member of the Green Building Council of SA

HOW LIBERTY BENEFITS

- Good corporate citizen status, thereby creating constructive relationships with government and other stakeholders
- Increased awareness and propensity to purchase Liberty products and services
- Enhanced "employer of choice" perception and increased demand for talented and skilled individuals to join the group

OUR KEY PERFORMANCE MEASURES

- Corporate social investment spend and outcomes
- Transformation, including B-BBEE rating
- Brand trust and awareness measured through stakeholder surveys
- Responsible environmental management including CO_2 emissions

Performance review

2015 Strategic objectives and self-assessment

OUR 2020 VISION		OUR 2015 STRATEGIC OBJECTIVES	
Become the No. 1 provider in South Africa to the retail mass-affluent consumer segment	4/4 4/4 4/4 1/2	• Implement and align the Individual Arrangements operating model towards achieving the group's Strategy 2020. • Continue preparing the business to adapt to required regulatory themes. • Develop and launch further innovative investment and insurance products. • Continue to develop a multi-channel distribution capability to broaden distribution reach utilising digital solutions where appropriate.	3/4
Being in Top 10 in Nigeria and Top 3 in Kenya and gaining significant growth and insurance market share in sub-Saharan Africa	1/2 3/4 3/4 3/4	• Establish a presence in West Africa to facilitate the ability to provide the group's insurance and investment products. • Continue to launch products relevant to all countries of representation. • Expand distribution reach through current networks and affinity partners, and explore opportunities through new partners and technologies. • Continue to build leadership and technical competencies and aligning in-country employees with the Liberty brand and culture philosophy.	3/4
Accelerate growth and market share in the SA corporate market to become a Top 3 player	1/4 1/2 1/2 1/2	• Implement and align the Group Arrangements operating model towards achieving the group's Strategy 2020. • Explore a broader institutional offering through investment in capabilities and acquisitions to acquire scale to take advantage of middle market growth in insurance and investment markets in South Africa and other African territories. • Continue to launch further tiered product offerings off the revised umbrella solution and gain market share. • Enhance STANLIB's third-party offerings for institutional clients.	1/2
Become the preferred destination for asset flows destined for Africa	1/4 1/4 1/2 1/4 3/4	• Implement and align the Asset Management operating model towards achieving the group's Strategy 2020. • Leverage and maximise STANLIB's geographic reach and investment capabilities to deliver on its customer value proposition in all territories in which it operates. • Establish a presence in Nigeria. • Continue to develop investment talent and develop the investment process. • Continue to develop infrastructure, direct property, private equity and passive investment capabilities within STANLIB.	1/2
Become the preferred partner for Standard Bank in all its African geographies	3/4 3/4	• Leverage opportunities identified to make all Liberty product options available to Standard Bank customers in all of the Bank's African geographies. • Expand into new geographies where Standard Bank has a presence.	3/4
Leverage and ensure seamless transfer of core capabilities of the group to wherever there are opportunities	3/4 4/4 3/4 1/2 1/4 1/2	• Continue to implement economic capital measurement and improve capital efficiency. • Complete the group's programme to facilitate SAM readiness in 2016. • Continue to manage within modelled assumption (policyholder behaviour and expenses). • Revise the leadership and talent management approach to take account of new business construct. • Focus on attracting, developing and retaining skilled employees. • Ensure that the enterprise information architecture enables the business strategy.	3/4

Achieved 4/4 *Good progress* 3/4 *Moderate progress* 1/2 *Limited progress* 1/4

Summary of 2016 strategic objectives

OUR **2020** VISION	OUR **2016** STRATEGIC OBJECTIVES
Become the No. 1 provider in South Africa to the retail mass-affluent consumer segment	• Entrench the implementation of the Individual Arrangements operating model. • Embed a culture of customer centricity. • Continue preparing the business to adapt to required regulatory themes. • Develop and launch further innovative products and solutions to meet customer needs. • Implement the multi-channel distribution capability to broaden distribution reach utilising digital solutions where appropriate.
Being in Top 10 in Nigeria and Top 3 in Kenya and gaining significant growth and insurance market share in sub-Saharan Africa	• Grow our presence in West Africa. • Launch relevant products and solutions in all countries of representation. • Expand distribution reach through current networks and affinity partners, and explore opportunities through new partners and technologies. • Continue to build leadership and technical competencies and align in-country employees with the Liberty brand, culture and Liberty citizenship principles.
Accelerate growth and market share in the SA corporate market to become a Top 3 player	• Grow our institutional offering through investment in capabilities and acquisitions to achieve scale to take advantage of middle market growth in insurance and investment markets in South Africa and other African territories. • Launch further tiered product offerings off the revised umbrella solution and gain market share.
Become the preferred destination for asset flows destined for Africa	• Complete the implementation and align the Asset Management operating model. • Leverage and maximise STANLIB's geographic reach and investment capabilities to deliver on its customer value proposition in all territories in which it operates. • Continue to develop infrastructure, direct property, private equity and passive investment capabilities within STANLIB.
Become the preferred partner for Standard Bank in all its African geographies	• Leverage opportunities to enhance our bancassurance capability and further support Standard Bank. • Expand into new geographies where Standard Bank has a presence.
Leverage and ensure seamless transfer of core capabilities of the group to wherever there are opportunities	• Embed the Liberty citizenship principles, implement the revised leadership and talent management approaches. • Ensure that the enterprise architecture, including information technology, supports the business strategy. • Alignment of investment propositions and the group investment platform. • Complete the group's programme to facilitate SAM readiness in 2017.

Performance review (continued)

2015 Performance dashboard and 2016 targets

		2015 ACTUAL	2015 TARGET	2015 ACHIEVEMENT	2016 TARGET
Investors	BEE normalised return on group equity value	10,5% Ⓐ	>10 year bond rate[1] plus 5% = 13,0%	Not achieved	>10 year bond rate[1] plus a margin within a 4 – 5% range
Investors	BEE normalised return on IFRS equity	19,5%	19,0%	Fully achieved	19,0%
Investors	Shareholder Investment Portfolio performance	211 basis points above benchmark	Board approved benchmark reference	Fully achieved	Board approved benchmark reference
Investors	Risk appetite	Achieved	Manage within risk appetite	Fully achieved	Manage within risk appetite
Investors	Individual Arrangements new business margin	2,0% Ⓐ	Between 2,0% – 2,5%	Fully achieved	Between 2,0% – 2,5%
Customers	Combined policyholder persistency performance	Better than actuarial assumption	Actuarial assumption	Fully achieved	Actuarial assumption
Employees	South African voluntary staff turnover	14,1%	<11%	Not achieved	<11%[2]
Regulators	Liberty Group Limited CAR cover	3,0 Ⓐ times	>1,5 times	Fully achieved	>1,5 times
Communities	Financial Sector Code score	92.43 Ⓥ	90.12	Fully achieved	90.00
Communities	Corporate social investment spend	R43 Ⓛ million	1% of adjusted net operating profit after tax	Fully achieved	1% of adjusted net operating profit after tax

[1] *South African government bond*
[2] *Excluding planned business restructure*

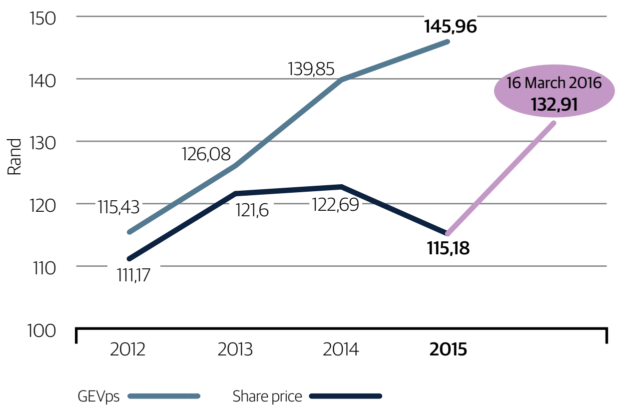
Green: *Fully achieved* Orange: *Not achieved*

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

2015 Performance review by key stakeholders

Investors: Ordinary shareholders
Deliver sustainable financial results

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

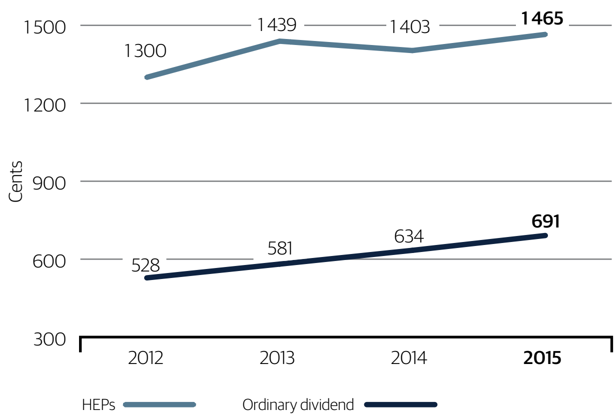


Typically Liberty's ordinary share price tracks group equity value per share (GEVps) over time. Concerns around a South African sovereign rating downgrade and general market uneasiness towards the end of 2015 resulted in reduced prices of equities listed on the JSE and widened the gap between the Liberty share price and GEVps. It would be expected that this gap will close again and that the share price should revert to a level closer to GEVps once confidence returns to the South African financial markets over the longer term.

We believe our continued ability in recent years to manage the long-term insurance business to better than actuarial assumption, combined with good cash generation, growth in our Individual Arrangements, Group Arrangements and LibFin Credit businesses, will continue to support our ordinary share price tracking GEVps over time.

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

The group's 2015 declared interim (254 cents) and final ordinary dividend (437 cents) total 691 cents per ordinary share which is 9% higher than the 634 cents per share for 2014. The ordinary dividends are in line with the group's dividend policy. The 9% compound ordinary dividend growth for the past four years was supplemented by a special dividend of 130 cents per ordinary share declared in 2013. BEE normalised headline earnings per share performance follows the same trends as the headline earnings discussed on the following page.



[1] *Excludes any special dividend*

Performance review (continued)

2015 Performance review by key stakeholders (continued)

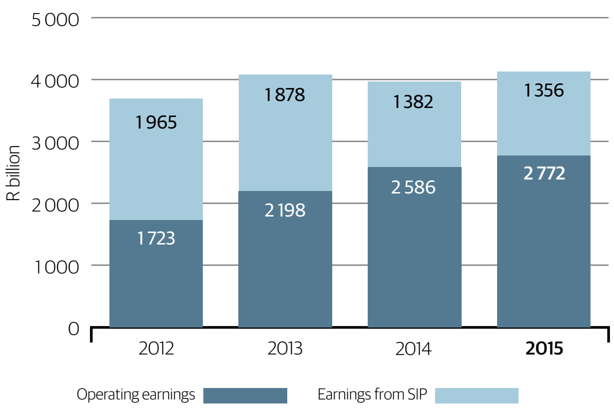
Investors (continued)

BEE normalised headline earnings

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

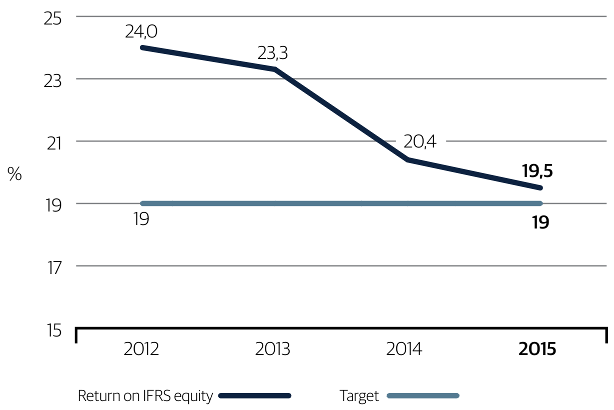
Management is also incentivised consistently to improve capital efficiency whilst remaining within risk appetite. Operating earnings growth of 7% was achieved in 2015 through good performances from Individual Arrangements, Liberty Corporate within Group Arrangements and LibFin Markets.

The SIP performance for 2015 was well ahead of benchmark. The four year cumulative performance is well ahead of applicable benchmarks.

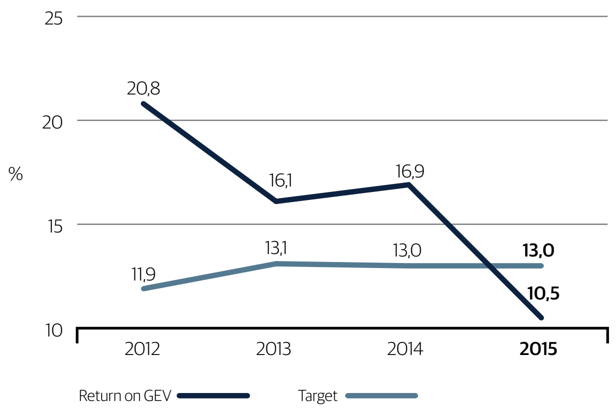


Ⓐ: Total BEE normalised headline earnings

BEE normalised return on IFRS equity



Return on BEE normalised Ⓐ group equity value (GEV)



These return measures are very important in assessing our performance and form a large part of management's variable remuneration performance targets. With regard to return on IFRS equity, we have consistently outperformed our medium return target of 19,0%. BEE normalised return on group equity value of over R4,1 billion or 10,5% in 2015 was below our medium target of long bond rate plus 5% (at 31 December 2015: 13,0%) as a result of the significantly higher risk discount rate which negatively impacted the value of the in-force book, together with lower investment returns and the lower earnings growth from STANLIB. The risk discount rate increase is attributable to the increase in South African government bond yields during 2015.

BEE normalised group equity value Ⓐ

Rm (unless otherwise indicated)	2015	2014	% change
Summary of BEE normalised group equity value			
South African insurance operations	**35 007**	32 652	7
Net worth	**12 500**	11 167	12
Individual Arrangements value of in-force contracts	**21 503**	20 927	3
Liberty Corporate value of in-force contracts	**2 522**	2 014	25
Cost of capital	**(1 518)**	(1 456)	(4)
Asset Management	**6 630**	6 725	(1)
Liberty Africa Insurance and Liberty Health	**1 109**	928	20
LibFin Credit		900	(100)
Liberty Holdings and BEE preference share funding	**784**	1 357	(42)
Allowance for shareholder expenses	**(1 786)**	(2 308)	23
Allowance for outstanding share rights	**(109)**	(230)	53
Total BEE normalised group equity value	**41 635**	40 024	4
BEE normalised number of shares (000's)	**285 259**	286 201	
BEE normalised group equity value per share (Rand)	**145,96**	139,85	4
Contribution to BEE normalised equity value earnings			
Value of new long-term insurance business	**729**	941	(23)
Expected return on SA covered business	**2 538**	2 131	19
Operating assumption changes and variances	**586**	287	>100
Earnings on non SA covered business	**635**	921	(31)
Fair value adjustments on non SA covered business	**(251)**	911	(>100)
Investment return on net worth	**603**	587	3
Investment variances and economic assumption changes	**(841)**	72	(>100)
Change in allowance for share rights	**121**	181	(33)
Total BEE normalised equity value earnings	**4 120**	6 031	(32)

Notes to explain change in basis of certain items included in the BEE normalised group equity value:

1. *Recurring shareholder expenses*

   With effect from 1 January 2015 certain expenses, which previously were modelled as recurring shareholder expenses, have been reallocated to either maintenance or acquisition expenses within the SA covered business embedded value. In addition, the implementation of the group's new target operating model has led to other recurring shareholder expenses, previously incurred in Liberty Group Limited, now being incurred in Liberty Holdings Limited. The net result of this change is that Liberty Group Limited (included in SA covered business) no longer has a recurring shareholder expense category. This now aligns to the approach under the proposed South African Solvency Assessment and Management framework.

2. *LibFin Credit*

   LibFin Credit originates illiquid assets that generate a margin over the risk-free rate. The value of these margins was previously calculated as a 10 times multiple of sustainable earnings, adjusted for related expenses and a prudential margin and included in group equity value. With effect from 1 January 2015, the value placed on LibFin Credit is now included in the SA covered business embedded value. This change aligns the valuation of LibFin Credit with the emergence of revenue, expenses and the cost of capital associated with this business, all of which arise within Liberty Group Limited. In addition, this change aligns the treatment of credit assets backing liabilities to the treatment of all other asset classes within the South African covered business embedded value.

Growth in group equity value per share was relatively subdued at 4% (2014: 11%). The increase in the risk discount rate of 193bps applied to the value of in-force contracts in the South African long-term insurance business affected the growth by 3%. The lower increase in sustainable earnings in the STANLIB asset management business resulted in lower fair valuation uplifts in non SA covered businesses. In addition, the change in basis of valuing LibFin credit (refer notes above) from a multiple of earnings to an embedded value specific to the applicable current in-force book tempered the relative growth in the value of this business.

Despite this, the return on group equity value (adjusted for the discount rate change) is above the group's long-term target of long bond rate plus a margin within a 4 – 5% range. This was assisted by ongoing positive variances which further demonstrate management's continued ability to manage the core long-term insurance operations better than the assumption set.

The value of new long-term insurance business is lower, after adjusting for the impact of increased discount rates of approximately R155 million, mainly due to significantly lower large bulk annuity and investment product sales in the Liberty Corporate business which contributed around R90 million of value in 2014. These deals are typically sporadic in nature.

Performance review (continued)

2015 Performance review by key stakeholders (continued)

Investors (continued)

Contribution to BEE normalised IFRS headline earnings by business area

Rm	2015	2014	% change
Individual Arrangements	**1 869**	1 689	11
Group Arrangements	**225**	199	13
Asset Management	**629**	662	(5)
LibFin Credit	**260**	189	38
Central overheads and asset/liability management	**(211)**	(153)	(38)
Operating earnings	**2 772**	2 586	7
LibFin Investments	**1 356**	1 382	(2)
Total BEE normalised IFRS headline earnings Ⓐ	**4 128**	3 968	4

Individual Arrangements comprises the retail long-term insurance operations in South Africa. 2015 headline earnings of R1 869 million reflect an increase of 11%, supported by an increased asset base on which fees are charged, ongoing good expense management together with positive underwriting variances.

Group Arrangements comprises Liberty Corporate (earnings R219 million, 2014: R170 million), Liberty Africa Insurance (earnings R25 million, 2014: R59 million) and Liberty Health (loss of R19 million, 2014: loss of R30 million).

The 29% increase in Liberty Corporate earnings was attributable to good underwriting experience, higher fee income off an increased asset base and lower new business strain due to significantly lower large single premium liability-driven solutions business. Poor East African investment markets performance negatively impacted Liberty Africa Insurance earnings in both the long-term and short-term insurance businesses. Earnings from the life insurance operations were slightly up on 2014, however the short-term insurance business was impacted by high claims on the retail motor book and tax legislation changes. Liberty Health's headline loss reflects a substantial improvement on the 2014 loss. Results were assisted by rand weaknesses on the US dollar based liquidity reserve in the risk business which offset the underperformance in the South African administration business, impacted by lower growth in the serviced medical aid schemes. Management is exploring alternative business models for the South African administration capability.

Asset Management Challenging economic conditions, extreme market volatility, particularly towards the end of the year, and lower than anticipated market growth resulted in STANLIB's headline earnings of R629 million being 5% below 2014 earnings.

The ***LibFin Credit*** portfolio, a diversified portfolio of government, state owned enterprise and corporate securities backing the guaranteed investment product set, contributed R260 million (2014: R189 million) in line with the growth of the portfolio and improved portfolio diversification.

Management of the asset liability mismatch, the result of managing market risk arising from the guaranteed investment product set, continued to be effective. The asset liability management portfolio produced a break-even result, in line with the target of nil earnings, despite the market volatility experienced in December 2015 (2014: earnings of R31 million).

LibFin Investments manages the SIP which comprises the assets backing capital in the insurance operations as well as the group's investment market exposure to the 90:10 book of business. This portfolio has a conservative balanced mandate and is managed in line with a long term investment horizon. During 2015, the portfolio benefited from an overweight exposure to foreign assets (especially developed market equity) and an underweight exposure to the local equity market, resulting in a gross return of 9,6% (2014: 10,3%), which was ahead of the strategic benchmark for the year. The SIP contributed R1 356 million (2014: R1 382 million) to the group's headline earnings, which was ahead of expectation.

Accounting policies

The accounting policies applied to the 2015 annual financial statements of the group are in compliance with IFRS and interpretations for the years commencing on or after 1 January 2015. The accounting policies are consistent with those adopted in the previous year, except for the mandatory adoption of minor amendments to IFRS which were effective for years commencing 1 January 2015 and the measurement of policyholder liabilities noted below. These changes have not resulted in any material impacts to the group's 2015 reported results or comparative periods.

Regarding the measurement of long-term policyholder insurance liabilities, with effect from 1 January 2015, certain categories of expenses previously defined as general overheads were redefined as maintenance and asset management expenses consistent with the expenses definition developments in the proposed South African Solvency Assessment and Management framework. Simultaneously, discretionary margins held largely to fund these overheads were also adjusted. The change in definitions resulted in a change to the accounting policy with respect to the measurement of the long-term policyholder insurance liabilities. The cumulative net impact to the overall measurement of these liabilities was considered immaterial and there were no resultant restatements to the consolidated statements of financial position, comprehensive income and cash flows.

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

Accounting key judgements

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

Summarised extracts from Liberty Holdings Limited 2015 consolidated annual financial statements are included in the pages that follow. The full version of the annual financial statements is available electronically or in printed form on request from the company secretary.

Determination of BEE normalised headline earnings Ⓐ

Rm	2015	2014
Total earnings attributable to ordinary shareholders interests	**4011**	3917
Preference share dividends	**(2)**	(2)
Impairment of intangible assets	**110**	
Tax on headline earnings adjustable item	**(17)**	
Net income earned on BEE preference shares	**26**	53
BEE normalised headline earnings	**4 128**	3 968

Investors: Debt note holders

Finance cost cover – Liberty Group Limited

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

	2012	2013	2014	2015
Finance cost cover (times covered)	30	29	20	**20**
Average subordinated note debt issued (R billion)	2,0	2,4	3,0	**3,5**

Liberty has an authorised debt raising facility of R5 billion of which R3,5 billion of subordinated notes have been issued at 31 December 2015 (31 December 2014: R3,5 billion). As can be seen in the above table, the finance cost cover on the total debt issued is substantial relative to IFRS earnings.

Capital adequacy cover – Liberty Group Limited Ⓐ

Rm	2012	2013	2014	2015
Requirement (R million)	2 791	4 564	4 534	**5 145**
Capital cover (times covered)	2,71	2,56	3,07	**3,03**

The capital adequacy cover of the group's main life licence subsidiary, Liberty Group Limited, remained strong at 3,03 times the statutory requirement. Refer to the Regulatory performance review for detailed commentary.

Performance review (continued)

2015 Performance review by key stakeholders (continued)

Investors (continued)

Definitions and formulae

BEE NORMALISED

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

CAPITAL ADEQUACY COVER

expressed as a multiple

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

EMBEDDED VALUE

= net worth of an insurer
+ the value of in-force covered business
− the cost of required capital

FINANCE COST COVER

expressed as a multiple

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

FSV

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

GROUP EQUITY VALUE

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

= embedded value of South African covered business
+ valuation of other businesses in the group

INDEXED NEW BUSINESS (LONG-TERM INSURANCE)

= twelve months premiums (on new recurring premium policies)
+ 1/10 of new single premium sales

NET CUSTOMER CASH FLOWS

= premiums + customer investments
− claims paid, surrenders or withdrawals of investment balances

NEW BUSINESS MARGIN (LONG-TERM INSURANCE)

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

RETURN ON EMBEDDED/GROUP EQUITY VALUE

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

RETURN ON IFRS EQUITY

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

REQUIRED CAPITAL

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

Extracts from annual financial statements

for the year ended 31 December 2015

Summary consolidated statement of comprehensive income Ⓐ

	2015 Rm	2014 Rm
Net insurance premiums[1]	**37 572**	40 724
Investment returns[2]	**32 059**	35 070
Other income	**4 364**	3 911
Total revenue	**73 995**	79 705
Net insurance benefits and claims	**(36 884)**	(47 200)
Fair value adjustment to policyholders' liabilities under investment contracts	**(6 181)**	(7 473)
Fair value adjustment on third-party mutual fund interests[3]	**(7 301)**	(3 585)
Fair value adjustment to financial liabilities	**(14)**	
Acquisition costs	**(4 760)**	(4 579)
General marketing and administration costs	**(10 149)**	(9 376)
Finance costs[4]	**(1 196)**	(407)
Profit share allocations and equity accounted earnings from joint venture	**(920)**	(876)
Profit before taxation	**6 590**	6 209
Taxation	**(2 303)**	(1 926)
Total earnings	**4 287**	4 283
Other comprehensive income /(loss)	**62**	(47)
Total comprehensive income	**4 349**	4 236

(1) The decrease in net insurance premiums is mainly attributable to significantly lower single premium annuity business in Liberty Corporate.

(2) Average investment returns were lower in 2015 with a higher interest rate environment negatively impacting bond fair values, partially offset by foreign asset returns, assisted by a weaker rand.

(3) Increase resulted from higher third-party ownership in certain foreign mutual funds consolidated by the group.

(4) Finance costs increased as a result of repurchase agreements and increased collateral received in derivative trades.

Summary consolidated statement of financial position Ⓐ

as at 31 December 2015

	2015 Rm	2014 Rm
Assets		
Investment and occupied-occupied property[(5)]	**32 048**	28 486
Pledged assets measured at fair value through profit or loss[(6)]	**19 225**	6 991
Other investments	**339 927**	318 379
Other assets	**8 813**	7 891
Cash and cash equivalents	**19 305**	13 985
Total assets	**419 318**	375 732
Liabilities		
Long-term policyholder liabilities	**298 232**	287 516
Short-term insurance liabilities	**937**	683
Financial liabilities	**3 914**	3 575
Third-party liabilities arising on consolidation of mutual funds[(7)]	**46 329**	34 501
Derivative liabilities	**11 125**	5 148
Repurchase agreements liabilities and collateral received[(6)]	**16 159**	5 191
Other liabilities	**16 629**	15 484
Total liabilities	**393 325**	352 098
Equity		
Ordinary shareholders' interests	**21 739**	19 487
Share capital and share premium[(8)]	**5 550**	5 781
Retained surplus	**16 615**	14 599
Other reserves[(9)]	**(426)**	(893)
Non-controlling interests	**4 254**	4 147
Total equity	**25 993**	23 634
Total equity and liabilities	**419 318**	375 732

(5) Includes the acquisition of a 25% undivided share of the Melrose Arch (Johannesburg) precinct acquired through a unincorporated joint operation in 2015.

(6) The increase in pledged assets and repurchase agreements liabilities and collateral received reflects higher utilisation of asset repurchase agreements, scrip lending activities and derivative trades.

(7) Subsidiary mutual fund interests not held by the group are classified as third-party mutual fund liabilities as they represent demand deposits held at fair value.

(8) Reduction due to share buy-backs that support employee equity-settled incentive schemes.

(9) Decrease largely due to redemptions totalling R485 million of BEE preference shares relating to the 2004 BEE transaction, following the lifting of trading conditions on the underlying shares on 1 January 2015.

Performance review (continued)

2015 Performance review by key stakeholders (continued)

Investors (continued)

Extracts from annual financial statements (continued)

for the year ended 31 December 2015

Summary consolidated statement of changes in shareholders' funds Ⓐ

	2015 Rm	2014 Rm
Balance of ordinary shareholders' interests at 1 January	**19 487**	17 654
Ordinary dividends	**(1 874)**	(1 719)
Total comprehensive income	**4 010**	3 864
Share buy-backs net of share subscriptions(10)	**(444)**	(355)
Black Economic Empowerment transaction	**520**	153
Share-based payments	**140**	133
Preference dividends	**(2)**	(2)
Transactions between owners(11)	**(98)**	(230)
Common control transaction		(11)
Ordinary shareholders' interests	**21 739**	19 487
Balance of non-controlling interests at 1 January	**4 147**	3 702
Total comprehensive income	**339**	372
Unincorporated property partnerships net distributions	**(144)**	(79)
Non-controlling share of subsidiary dividend and capital reduction	**(44)**	(38)
Transactions between owners	**(44)**	190
Non-controlling interests	**4 254**	4 147
Total equity	**25 993**	23 634

(10) Share buy-backs are purchases of shares from the market to meet employee equity-settled incentive schemes.

(11) Includes acquisition of Total Health Trust Limited non-controlling interests, which represents the excess of the purchase price over the share of IFRS net asset value.

Summary consolidated statement of cash flows Ⓐ

	2015 Rm	2014 Rm
Operating activities	**13 489**	5 832
Investing activities(12)	**(19 298)**	(1 928)
Financing activities(12)	**10 937**	179
Net increase in cash and cash equivalents	**5 128**	4 083
Cash and cash equivalents at the beginning of the year	**13 985**	9 870
Cash and cash equivalents acquired through business acquisition		5
Foreign currency translation	**192**	27
Cash and cash equivalents at the end of the year	**19 305**	13 985

(12) Both financing and investing activities have increased substantially due to the higher utilisation of asset repurchase agreements and scrip lending activities.

Summary consolidated segment information Ⓐ

for the year ended 31 December 2015

In line with the implementation of the new operating model in 2015 and the stated intention to manage the business primarily around customer groupings, the group's reportable operating segments have been aligned to the new organisational design, namely Individual Arrangements, Group Arrangements and Asset Management. In order to assist in comparison, the segment information for the year ended 31 December 2014 has been restated. The customer facing units are supported by shared service functions (Group Enablement) and LibFin (incorporating LibFin Markets and LibFin Investments), which is a strategic competency unit. The impact of LibFin Markets is disclosed in the relevant customer grouping.

2015 (Rm)	**Individual Arrange-ments**	**Group Arrange-ments**	**Asset Manage-ment**	**Other**	**Total**	**Reporting adjust-ments**	**IFRS reported**
Total revenue	**57 694**	**18 527**	**3 436**	**2 169**	**81 826**	**(7 831)**	**73 995**
Profit before taxation	**3 427**	**499**	**842**	**1 599**	**6 367**	**223**	**6 590**
Taxation	**(1 737)**	**(193)**	**(205)**	**(168)**	**(2 303)**		**(2 303)**
Total earnings	**1 690**	**306**	**637**	**1 431**	**4 064**	**223**	**4 287**
Other comprehensive (loss)/income	**(136)**	**138**	**44**	**16**	**62**		**62**
Total comprehensive income	**1 554**	**444**	**681**	**1 447**	**4 126**	**223**	**4 349**
Attributable to non-controlling interests		**(106)**	**(10)**		**(116)**	**(223)**	**(339)**
Shareholders	**1 554**	**338**	**671**	**1 447**	**4 010**		**4 010**

Restated 2014 (Rm)	Individual Arrange-ments	Group Arrange-ments	Asset Manage-ment	Other	Total	Reporting adjust-ments	IFRS reported
Total revenue	62 496	22 175	3 575	1 812	90 058	(10 353)	79 705
Profit before taxation	3 558	470	956	930	5 914	295	6 209
Taxation	(1 606)	(133)	(245)	58	(1 926)		(1 926)
Total earnings	1 952	337	711	988	3 988	295	4 283
Other comprehensive (loss)/income	(116)	27	10	32	(47)		(47)
Total comprehensive income	1 836	364	721	1 020	3 941	295	4 236
Attributable to non-controlling interests		(69)	(8)		(77)	(295)	(372)
Shareholders	1 836	295	713	1 020	3 864		3 864

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

The reduction in Individual Arrangements' earnings represents the lower share of the 10% participation rights in certain closed books of business as well as lower returns from assets backing shareholder exposures.

Performance review (continued)

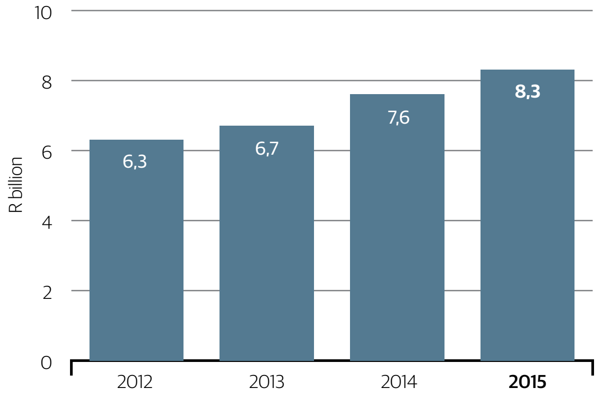
2015 Performance review by key stakeholders (continued)

Customers
Create value for our customers

Death and disability claims

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

Death and disability claims paid Ⓐ



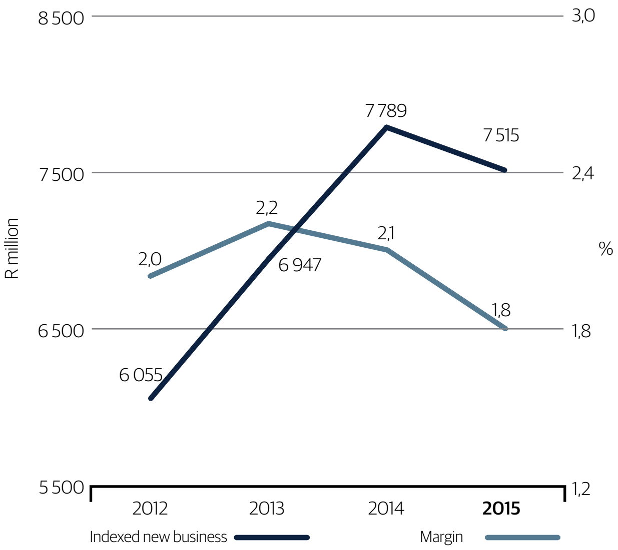
During 2015, Liberty paid out on 99,6% (2014: 99,4%) of all individual death claims received. Disability claims are subject to much greater variability in qualifying conditions and non-disclosure. As a result, we paid 69,6% (2014: 65,5%) of all individual disability claims submitted.

The three-year compound growth in death and disability claims of 9% broadly tracks premium increase volumes and the payout ratios to premiums have therefore been consistent in a narrow range. New business pricing and premium review adjustments for risk contracts are largely dependent on predicted future death and disability trends. Our variances, whilst slightly volatile, between expected and actual claims have, for a significant period of time, been within assumptions. This creates confidence in our ability to price appropriately, as well as measure the likely obligations for IFRS and capital performance reporting.

Long-term insurance indexed new business and margin

The challenging consumer environment has led to long-term insurance operations indexed new business declining by 4% to R7 515 million. Individual Arrangements indexed new business grew by 1% over 2014. Group Arrangements reflected a 39% increase in Liberty Africa Insurance Indexed new business to R304 million, with significant contributions from Zambia, Namibia, Uganda, Botswana and Kenya, and a 34% decrease in Liberty Corporate indexed new business to R790 million due to significantly lower large single premium liability-driven solutions business compared to 2014. These flows are typically sporadic in nature.

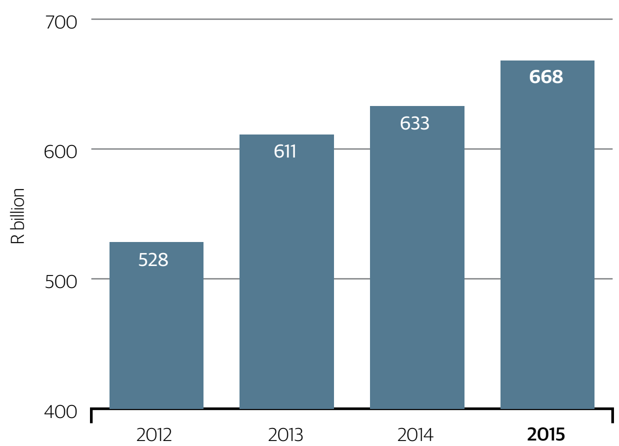
Product innovation has contributed to supporting sales in a tightening consumer environment, with the innovative Evolve product remaining popular and having attracted sales of R5,9 billion in 2015 and R16,5 billion since launch. The low cost Evolve investment range utilises structured mechanisms to take advantage of market risk pooling across our balance sheet to provide a better customer proposition. The new Agile product launch proved very successful in the last quarter of 2015. The Agile Retirement range provides a guaranteed income at retirement and the ability to invest in multiple portfolios according to the customer's retirement strategy. South African credit life sales under the bancassurance agreement were slightly up on 2014 despite the slowdown in credit extension by Standard Bank.



The value of new business as measured by the embedded value methodology decreased by 22,5% to R729 million at a margin of 1,8% compared to 2,1% Ⓐ in 2014. The decrease in the value of new business and margin is attributable mainly to higher acquisition costs, a change in the mix of business towards new generation products with lower fee structures and an increased risk discount rate. The risk discount rate implicit in the calculations increased significantly to 12,8% from 10,8% at 31 December 2014.

Net customer cash flows and assets under management

Assets under management



Group net customer cash inflows were substantially higher at R15,2 billion in 2015 compared to R4,2 billion in 2014, due to significantly improved STANLIB asset management cash flows.

2015 long-term insurance net customer cash inflows of R5,4 billion remained strong, however, were lower than the 2014 inflows of R9,9 billion due mainly to significantly reduced large single premium Corporate customer flows during the year.

STANLIB net customer cash inflows (excluding inter group) of R8,4 billion reflect a significant improvement compared to the outflows of R7,3 billion in 2014. This result was mainly driven by improved flows from group channels, improved retention in the STANLIB Retail business, an increase in passive investment mandates secured and the launch of the Fahari I-REIT in Kenya. The outflows in 2014 were partly attributable to negative sentiment following the African Bank failure as well as investor trends to higher risk asset classes. STANLIB's margins have been relatively stable in recent years. Assets under management across the group grew by 5% from 31 December 2014 to R668 billion. This reflects a compound growth rate of 8% since 2012.

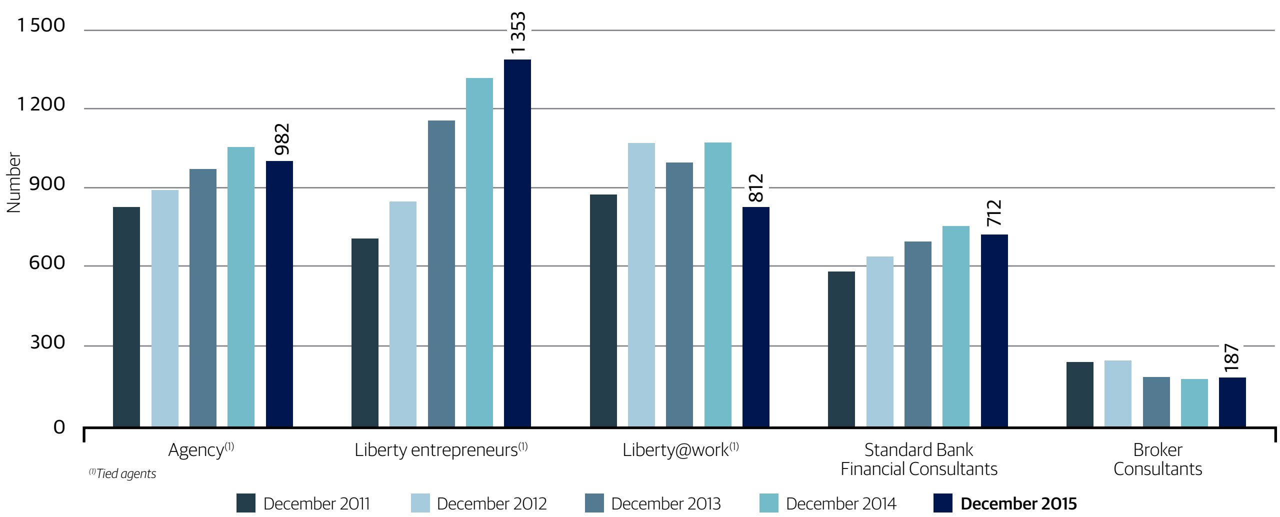
Short-term investment performance relative to peer quartile performance improved largely due to STANLIB's conservative positioning at the start of 2015.

Long-term insurance customer contract persistency

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

South African insurance distribution headcount

Under our regulatory stakeholder section, we commented on the retail distribution review recently conducted by the FSB and the draft proposals to change intermediary remuneration. If these proposals are substantially enforced, they are likely to significantly impact on the long-term industry's distribution models. We anticipate that the expected future remuneration model will largely be based on "as and when" commission and will therefore reduce funding support for new entrants into independent channels and lead to higher proportions of tied distribution forces. In 2015, our tied distribution force reduced by 6% due to slightly higher than anticipated turnover and attrition. We have, however, experienced a significant increase in the number of advisers with more than five years' experience.



Performance review (continued)

2015 Performance review by key stakeholders (continued)

Customers (continued)

Customer satisfaction

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

Liberty continued with the Net Promoter Score (NPS) measurement throughout 2015. This is a metric utilised to determine customer sentiment and loyalty towards Liberty. Generally, there has been a notable improvement in the score across Liberty's customer base indicating increased willingness to promote Liberty, its products and its services. However, a reduction in "above the line advertising" saw a slight decline in the NPS score in 2015.

Many of the elements measured in determining the NPS were also covered in our 2015 "customer is KING" project. This project was designed to establish an integrated customer measurement framework for Liberty. Within this framework are three key metrics:

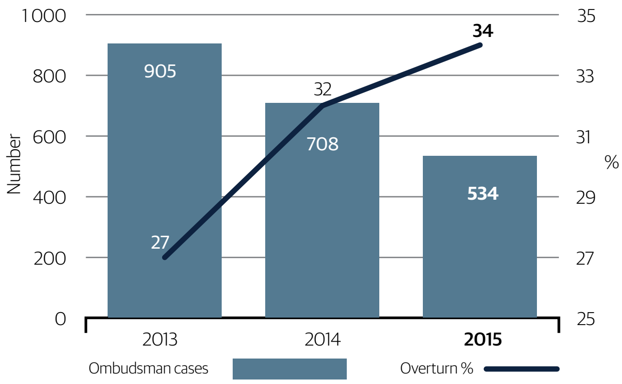
- Benchmark metrics – the holistic experience (of strategic and transactional) and how this compares to competitors and the market;
- Strategic metrics – measuring the success of strategic fit and delivery of customer strategy to the customer – typically the customer value proposition; and
- Operational metrics – measurement of how we live up to the 'promise', including transactional engagement, e.g. policy servicing and claims.

Performance is measured against the above metrics using various tools and surveys. Transactional NPS for Individual Arrangements is determined across various touch points including claims, retention, call centre, shared service operations and new business. During 2015, the transactional customer service index, which measures the overall level of customer satisfaction, improved compared to 2014. Areas receiving management focus include the turnaround time for resolving customer enquiries and complaints.

Number of customer complaints (escalated to group customer relations)

One of the main aspects of driving customer centricity is to ensure that customer complaints are handled with empathy and fairness. A complaint mapping exercise was completed which enabled the Individual Arrangements business to define training models and improvement opportunities to drive the customer centric culture across the business. The most common reasons for complaints were found to be poor service, alleged misrepresentation, and payment, claim or value enquiries.

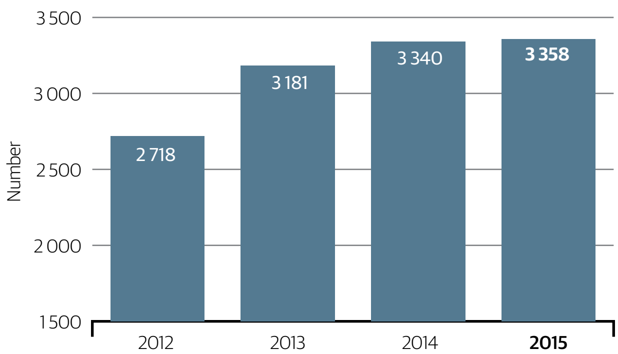
Ombudsman cases and overturn ratio



The number of complaints handled by the group's customer relations department in 2015 remained constant compared to 2014. As we improved our complaint handling and dispute resolution processes, we achieved a substantial reduction in the number of cases that were referred to the Long-Term Insurance Ombudsman (Ombudsman). However, as the number of cases declined, the rate at which Liberty was overturned increased in line with the complexity of the cases.

Many of the cases forwarded to the Ombudsman are associated with claims and are the result of either non-disclosure by the customer or an error on Liberty's part during the sales process. Many complaints relate to those sales made through the bancassurance model which are only underwritten on receipt of a claim and not at the time of sale. The increasing overturn ratio is receiving management attention through improved systems, training and feedback to financial advisers.

Number of customer complaints



Employees
Attract and retain quality employees

2015 was a year of change following implementation of Strategy 2020

The group's enhanced focus on customer centricity required changes to the business operating model. These included the creation of three customer facing units (CFUs), changes to the governance and execution structure and the provision of group wide services via Group Enablement. Various support mechanisms were introduced to provide guidance to leadership during this organisational change.

In line with freeing up management bandwidth by outsourcing non-core parts of our operations, strategic partnerships were entered into in respect of our property management service capabilities and asset management back-office operations. Following a consultative process, a total of 220 employees operational in these business areas were transferred to our business partners' payrolls.

Despite these challenges, our employees remained focused on their roles and Liberty was awarded Top Employer status by the Top Employer Institute for the seventh consecutive year.

Surveys, including employee attitudinal and preferred employer

As a result of the changes which took place in 2015, we postponed our biennial group-wide employee attitudinal survey. The last survey was undertaken in 2013 when the overall satisfaction of 69% indicated widespread positive employee attitudes. As an interim measure, we conducted change awareness assessments. As anticipated, the creation of CFUs, amalgamation of previously separate business units and leadership changes were found to have caused anxiety amongst employees. Importantly, the assessment also reflected that the anxiety was balanced by a strong belief amongst employees that Liberty is 'doing the right thing' and that Strategy 2020 positions the group well for the future.

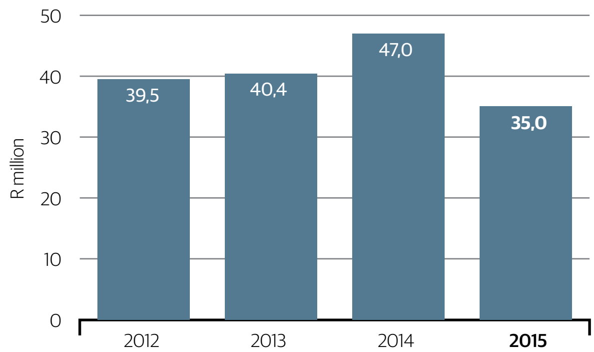
Variable remuneration ratio linked to financial outperformance

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

Using the executive directors as a proxy, the average percentage (related to cost to company) outperformance variance from target have been 2015: 11%, 2014: 43% and 2013: 70%. The outperformance score has been declining due to a combination of factors including more stringent targets and a changed economic environment as we transition the business to a growth mindset.

Across the employee base the short-term performance awards (including deferrals) have been 2015: R739 million, 2014: R752 million and 2013: R736 million. These awards as a proportion to the remuneration base are broadly similar for each year and are indicative of the sustained good financial performance of Liberty over this period.

Training spend full time employees ⓛ



Following increases in spending from 2012 to 2014, primarily due to enhanced leadership development programmes, training spend declined during 2015 largely due to an increase in the use of the group's internal training resources and a reduction in amounts paid to external service providers. The 2015 spend represents 0,9% of the South African payroll cost (2014: 1,2%).

The group's management of training spend is decentralised within the business units in order to optimise the effectiveness of training for the benefit of the group and employees. Revised practices to manage our decentralised learning and development operating model are being introduced. This will allow the group to more carefully align training with the career development objectives of individual employees, enhancing the appropriate skills at Liberty and promoting the retention of skilled staff.

Despite the decline in actual spend, the average number of training hours received by Liberty's South African employees increased from 11,3 hours per annum to 15,9 hours.

Liberty is extremely proud of its leadership and graduate development programmes. During 2015, a total of 397 (2014: 474) employees participated on one of these programmes. Of these participants, 72% (2014: 59%) were black and 48% (2014: 58%) were women.

In addition to the in-house and external training provided to full time employees, Liberty has an extensive learnership programme

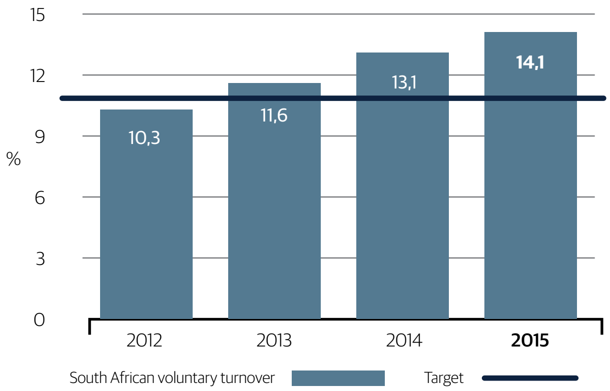
Performance review (continued)

2015 Performance review by key stakeholders (continued)

Employees (continued)

aimed at introducing promising young people to a career in the financial services sector. In 2015 the group enrolled 147 (2014: 134) learners, all of whom were black and 50 (2014: 57) of whom were disabled.

South African voluntary staff turnover (%)



South African voluntary staff turnover increased to 14,1% in 2015, above our target of 11,0% or less. Overall staff turnover increased to 18,8% (including the transfer of Liberty Properties and STANLIB employees to our business partners' payrolls) but is in line with the industry experience for 2015 of 18,9% (PwC – Salary and Wage Movement Survey: September 2015). Voluntary staff turnover is higher than the 2014 equivalent and remains an area of concern and management focus.

The ongoing external demand for black talent in South Africa is also contributing to higher staff turnover particularly at senior and middle management levels. We continue to analyse the reasons for resignations, using insights gained from exit interviews and will apply corrective actions where necessary. With the core insurance businesses performing well, combined with opportunities provided by our Strategy 2020, we are confident that turnover levels will improve over time.

The group ensures that appropriate succession plans are available, across the full demographic profile, in the event of employee turnover affecting key roles.

Number of CCMA cases and settlements

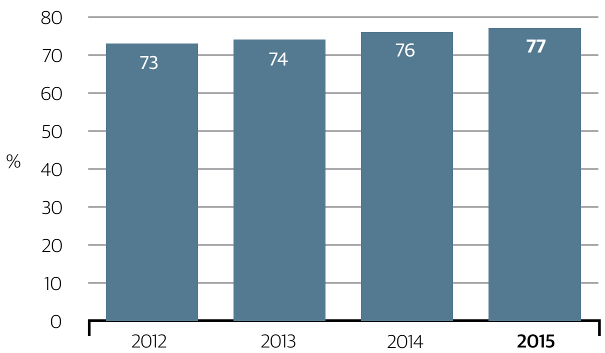
Quantitative measures of the internal labour climate include the total number of formal and informal disciplinary matters and formal litigation through the CCMA (22 cases; reduced from 31 in 2014) and the Labour Court.

Of the 22 CCMA cases, three were settled, one was withdrawn, 17 were ruled in Liberty's favour and one remained outstanding at 31 December 2015. No matters were placed before the Labour Court in either 2015 or 2014.

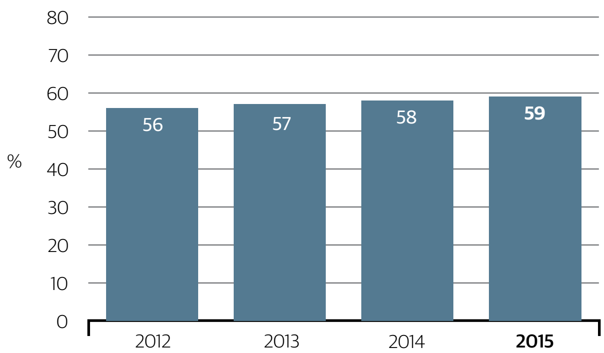
Employment equity progress

Liberty achieved targets for South African employment equity at all management levels. At the unskilled level, we achieved black representation of 96,0% against a target of 97,1%. Black representation at top management reached 50% in 2015. Overall black representation increased to 77%. There is continuous management focus to ensure that the group reflects the demographics of the markets in which it operates.

The establishment of a Liberty employment equity forum strengthened the consultation and compliance requirements of this pillar. The employment equity targets for 2016 require increased representation at all levels, with specific focus given to the senior management level which increases from 44,1% to 48,6%.



South African black employees
(African, Indian, Coloured)



South African women employees

Regulators
Provide compliant and responsible financial services

Participation in industry working groups and forums

During 2015 the group engaged extensively with our main South African industry regulator, the FSB. Senior group executives represented Liberty at all of the quarterly update meetings. At these meetings we ensured that the group's financial position, strategy and concerns were communicated to the senior management of the regulator. We participated in all of the FSB forums, with considerable time dedicated to SAM legislation.

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

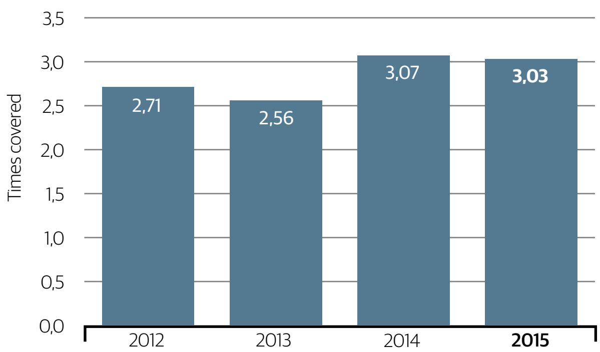
During the year we conducted a parallel run in anticipation of the introduction of SAM, the proposed new long-term insurance solvency regime, intended to come into effect in 2017 and prepared our "Own Risk and Solvency Assessment and Stress Test" within the deadlines set. We also met the requirements for input and comment on all policy and discussion papers.

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

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

We continued to participate with the Association for Savings & Investment SA (ASISA) where we have board representation and actively participate on all board sub-committees and workstreams. Liberty's group chief executive, Thabo Dloti, was elected as chairman of ASISA on 7 August 2015.

Capital adequacy cover – Liberty Group Limited Ⓐ



The capital adequacy cover of the group's main subsidiary, Liberty Group Limited (LGL), remained strong at 3,03 times the statutory requirement (2014: 3,07 times). This was achieved despite higher capital requirements arising from the increased exposure to credit assets as well as rating downgrades of certain credit assets. All the other group subsidiary regulated entities remain well capitalised.

Capital adequacy requirements in South Africa are set at the higher of the "termination" (TCAR) basis or "ordinary" (OCAR) basis. Both 2015 and 2014 reflect the higher amount as OCAR for LGL.

The group's risk appetite allows for a capital adequacy cover of no less than 1,5 times.

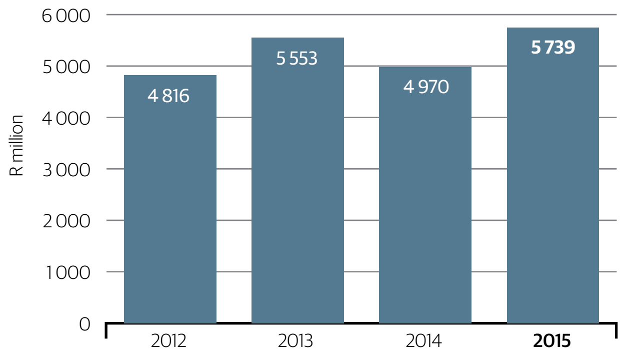
Liberty is far advanced with the preparation for the implementation of SAM. Our 31 December 2015 capital calculations under the current draft guidelines confirm that the group is well positioned from a solvency and capital perspective.

Cost of regulatory change

The implementation of regulations is managed at both a group and business area level depending on the nature of the regulation and the skills required. During 2015 the group invested over R40 million in preparation for the introduction of SAM. A further R29 million was expended in preparation for the introduction of other proposed and planned regulations, including PoPI, Foreign Account Tax Compliance Act (FATCA) and Treating Customers Fairly. The total amount spent on regulatory management at a group level for 2014 exceeded R100 million. The decrease in 2015 was the result of SAM preparation costs tapering off in 2015 as preparations came to an end.

In addition to these project costs, significant investment is made in training our employees on regulatory matters. Employees attend fraud awareness courses and are trained on FICA and anti-money laundering regulations.

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



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

Performance review (continued)

2015 Performance review by key stakeholders (continued)

Regulators (continued)

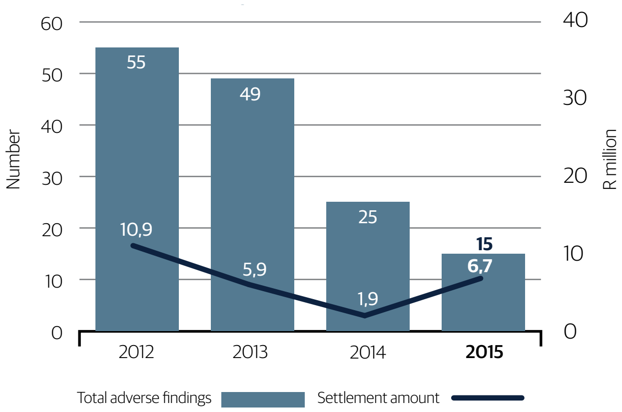
The year on year increase from 2014 to 2015 is primarily the result of higher employee taxes paid during the year. This is attributable to the vesting of the BEE share scheme as well as increases in retirement fund lump sum and annuity claims during the year.

Regulatory fines and penalties

The South African operations of the group were fined R96 000 for regulatory non-compliance during 2015 (2014: Rnil). The group was fined approximately R139 000 (2014: R91 000) by regulators in other jurisdictions in Africa. The group has been advised by the FSB of its intention to levy penalties in respect of certain of our Liberty Corporate administered retirement funds. Given our substantial progress in recent years in bringing the backlog of retirement fund regulatory returns, valuations and related governance, up to date, we are hopeful these penalties, which we anticipate will not be material, will be reduced in mitigation. Provisions for these possible penalties have been raised.

The complexity of the group's international operations, the associated tax environment and the increasing burden of tax administration being transferred to corporations by revenue authorities, has seen the group incur various small fines and penalties for non-compliance with income tax, employee tax and value added tax legislation in selected territories in which it operates. Whenever the group becomes aware of an error or omission in the determination of tax owing, it voluntarily approaches the appropriate authority in order to resolve the matter as quickly as possible. During the current year, fines and penalties associated with non-compliance with tax legislation totalled R3,3 million (2014: R300 000). The penalties incurred in 2015 can be largely attributed to a delay in the payment of employees' tax in respect of incentive scheme awards in South African operations. These penalties are currently under review.

Number of adverse findings by industry Ombudsmen and adjudicators



As a last resort, customers have the option to elevate a complaint to the appropriate industry Ombudsman or adjudicator. Liberty tracks its performance at the Pension Fund Adjudicator; the Long-term Insurance Ombudsman; and the Ombud for Financial Services Providers. The total number of adverse findings declined once again in 2015, although the inclusion of a single large concession related to a FAIS adverse finding and higher average settlement amounts resulted in the increase in the total value of concessions from R1,9 million in 2014 to R6,7 million in 2015.

Communities
Build social and relationship capital

Transformation, including B-BBEE rating

In October 2013, the Amended B-BBEE Codes of Good Practice were enacted. These codes focus on economic participation and skills development and the growth of black entrepreneurs is further encouraged through an emphasis on Enterprise and Supplier Development elements. The draft amended Financial Sector Code (FSC) has been approved to be passed into law by the DTI. The amended code will be effective from 1 January 2016 and as such Liberty will be measured on the new FSC for the 2016 financial year.

During 2015, we met our internal targets and maintained our level two rating against the FSC. The current FSC was launched in July 2013 and will remain applicable until the revised code is approved. The existing code is based on a harmonisation of the original Generic Codes and the FSC. This code commits all participants to actively promote a transformed, vibrant and globally competitive financial sector that reflects the demographics of South Africa, contributing to the establishment of an equitable society by providing accessible financial services to black people and directing investment into targeted sectors of the economy.

Transformation progress is measured against eight pillars, detailed in the code:

- Ownership;
- Management control;
- Employment equity;
- Skills development;
- Procurement;
- Enterprise development and/or employment financing;
- Socio-economic development; and
- Access to financial services.

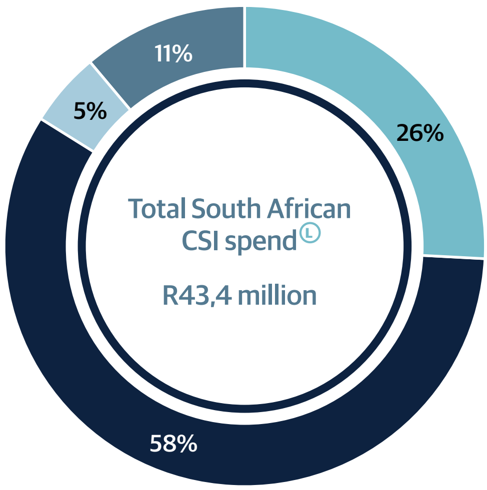
Our overall score of 92.43 (2014: 89.07) resulted from a focused strategy and clearly defined objectives for employment equity, skills development, preferential procurement, empowerment financing and access to finance.

We discuss our performance in the employment equity and skills development pillars in the Employees performance section. Highlights of our other transformation activities follow:

- We exceed the FSC's black ownership targets.
- Management control is determined based on black representation amongst the executive directors and on the executive committee.
- Preferential Procurement: The group's total qualifying BEE spend amounted to R4,2 billion in 2015 (2014: R3,5 billion), including R1,1 billion on qualifying small enterprises (2014: R1,0 billion). Procuring from black women suppliers remains the biggest challenge for this pillar. Strategies are in place to mitigate the risks that may reduce our performance in this pillar.
- Enterprise Development: The Blue Skies Programme which provides comprehensive support to the development capacity of targeted black suppliers to manage their businesses more efficiently and effectively was successfully launched in 2015.
- Socio-Economic Development: The group's CSI spend, discussed below, in 2015 was sufficient to achieve full points for this pillar.
- Access to Finance: The group is assessed based on the extent to which our products meet required standards and the reach of our financial literacy programmes.
- The group also provides empowerment financing, including credit extension, equity investments and debt financing. No significant changes to the extent of this funding occurred during 2015.

Corporate social investment (CSI) and outcomes

During the year, the Liberty group invested R45,6 million (2014: R46,0 million) in CSI.



Our South African CSI spend was applied in the following proportions:

- Financial literacy
- Education
- Health programmes
- Employee matching and administrative costs

Performance review (continued)

2015 Performance review by key stakeholders (continued)

Communities (continued)

Shaped around the wider socio-economic needs of the communities in which we operate, Liberty's CSI strategy has a focus on education, which creates opportunities for future employment and contributes to the building of a thriving economy. Liberty also acknowledges the need to improve financial literacy throughout the broader population, to assist all ages better save for the future and adequately provide for their families. Over the past three years, Liberty has channelled more of its CSI spend towards this goal.

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

During 2015, the group reached 41 468 people through its consumer education programmes. These programmes promote financial literacy through face-to-face workshops held in targeted communities and work sites. The training helped attendees better understand the importance of financial management, saving, responsible borrowing and long-term protection of income. Trainers were sourced from the community and empowered to train others.

Going forward, the Liberty Community Trust will form an integral part of the group's citizenship agenda. The trust was established in 2004 as a part of Liberty's BEE transaction. A revised trust deed was lodged in 2014, mandating the trust to support community upliftment through education and during 2015 new trustees were appointed to deliver on this mandate.

In the rest of Africa, the group's focus is on supporting education and improving health within the communities in which it operates. The guideline for expenditure is 1% of net profit. The operations in Uganda, Zambia, Namibia and Botswana all support community schools either directly or in partnership. The Zambia operation funded a financial literacy week and supports a school for special needs children. Liberty also sponsors a cycling challenge in Botswana in support of a wide range of charities.

Responsible environmental management, including carbon dioxide emissions

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

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

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

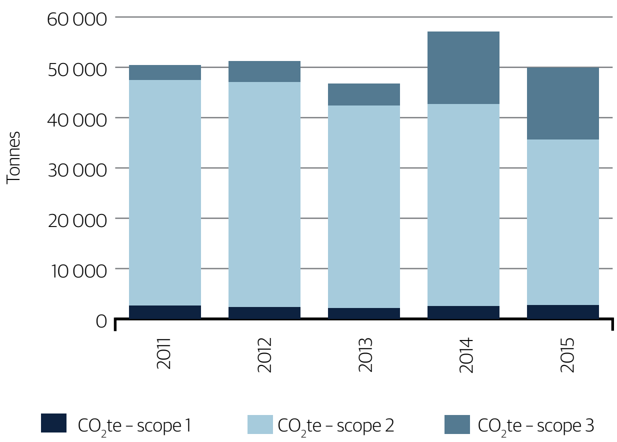
The data collection and collation process improved in 2015 through the acquisition of carbon calculator software and increased awareness throughout the group. This has provided more accuracy and insights into the group's carbon footprint. The group's sustainability journey will be formalised in 2016 in a sustainability management framework.

The combined scope 1, 2 and 3 CO_2 emissions for our South African operations decreased to 49,9 thousand tonnes (2014: 57 thousand tonnes)[(1)]. An increased incidence of load-shedding during the year saw a 22% increase in emissions associated with primary fuels. Scope 2 emissions reduced as a result of the increased use in primary fuels and energy savings initiatives. Most energy saving initiatives revolve around reducing consumption by the introduction of energy efficient lighting and motion detectors.

Although we remain conscious of the cost and emissions impact of airline travel, increasing our footprint in Africa has again led to an increase in emissions related to international travel. Nearly off-setting this increase is the reduction in emissions related to landfill waste generated by the South African operations. Waste recycling is outsourced and the group recycled 32% of all waste.

The group achieved a reduction of total emissions per salaried South African employee from 9,8 tCO_2e to 8,9 tCO_2e.

CO_2 emissions



(1) *In line with the methodology adopted during 2015, Scope 3 emissions for 2014 have been restated from 6,7 thousand tonnes to 14,3 thousand tonnes with the inclusion of emissions associated with the group's waste to landfill.*

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