



FY 2019 Governance Roadshow

Nonkululeko Nyembezi
Non-executive Chair

Mark Collier
Lead independent director

Carina Wessels
Executive: Governance, Legal & Compliance

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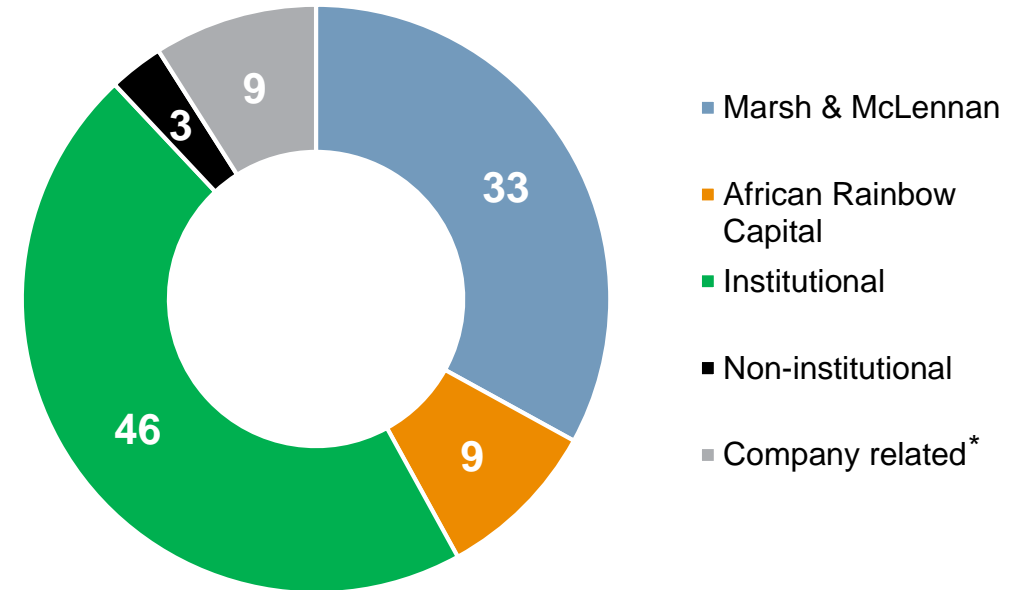
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Objectives of the governance roadshow

- Alexander Forbes' first Governance roadshow
- Build relationships between the Board & its institutional shareholders
- Proactively engage on governance matters
 - Focus on remuneration to remedy concerns raised in the past
- Opportunity to obtain shareholder input on governance matters before finalisation of the FY2019 annual report and certain remuneration policy decisions

Alexander Forbes shareholder base (%)



**Note company related shareholding relates to Alexander Forbes Isilulu Community and FSP trusts as well as treasury shares*

Governance

Key matters



Board of directors | Overview

Independent and Non-executive Directors



Nonkululeko Nyembezi
Chair



Mark Derrick Collier
Lead independent



Busisiwe Jacqueline Memela-Khambula



Marilyn Ramplin



Nigel Payne



Robert Michael Head



Thabo Dloti

Non-executive Directors



Bridget Radebe



David John Anderson



William Simon O'Regan

Executive Directors



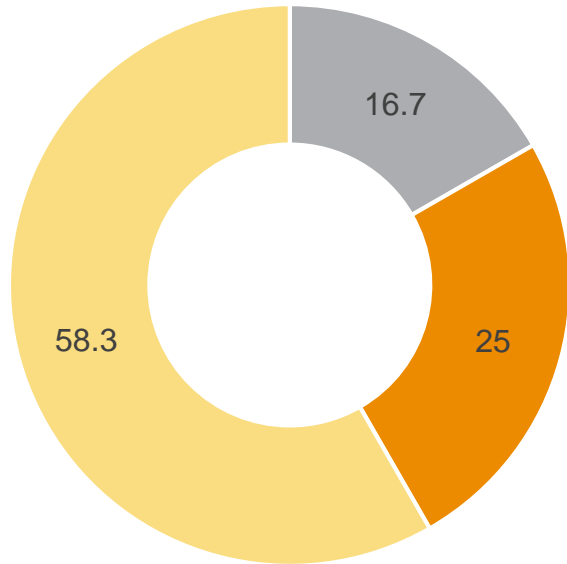
Dawie de Villiers
CEO



Bruce Bydowell
CFO

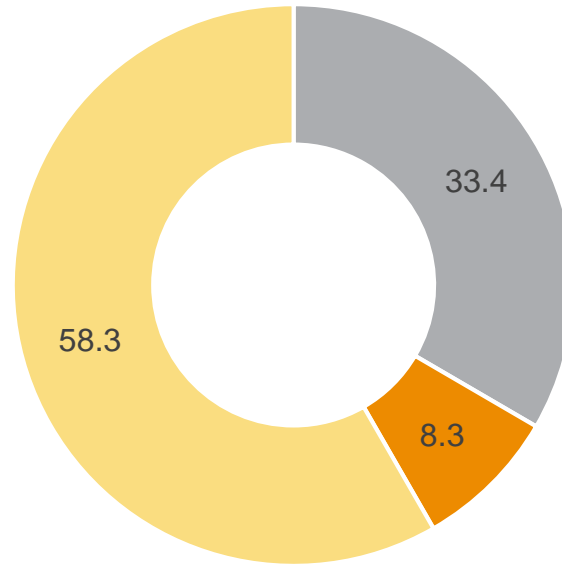
Board of directors | Composition

Classification (%)



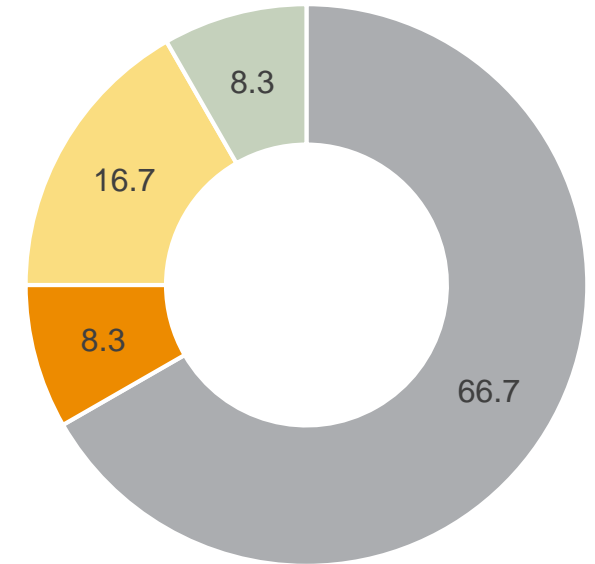
■ Executive ■ Non-executive ■ Independent

Diversity (%)

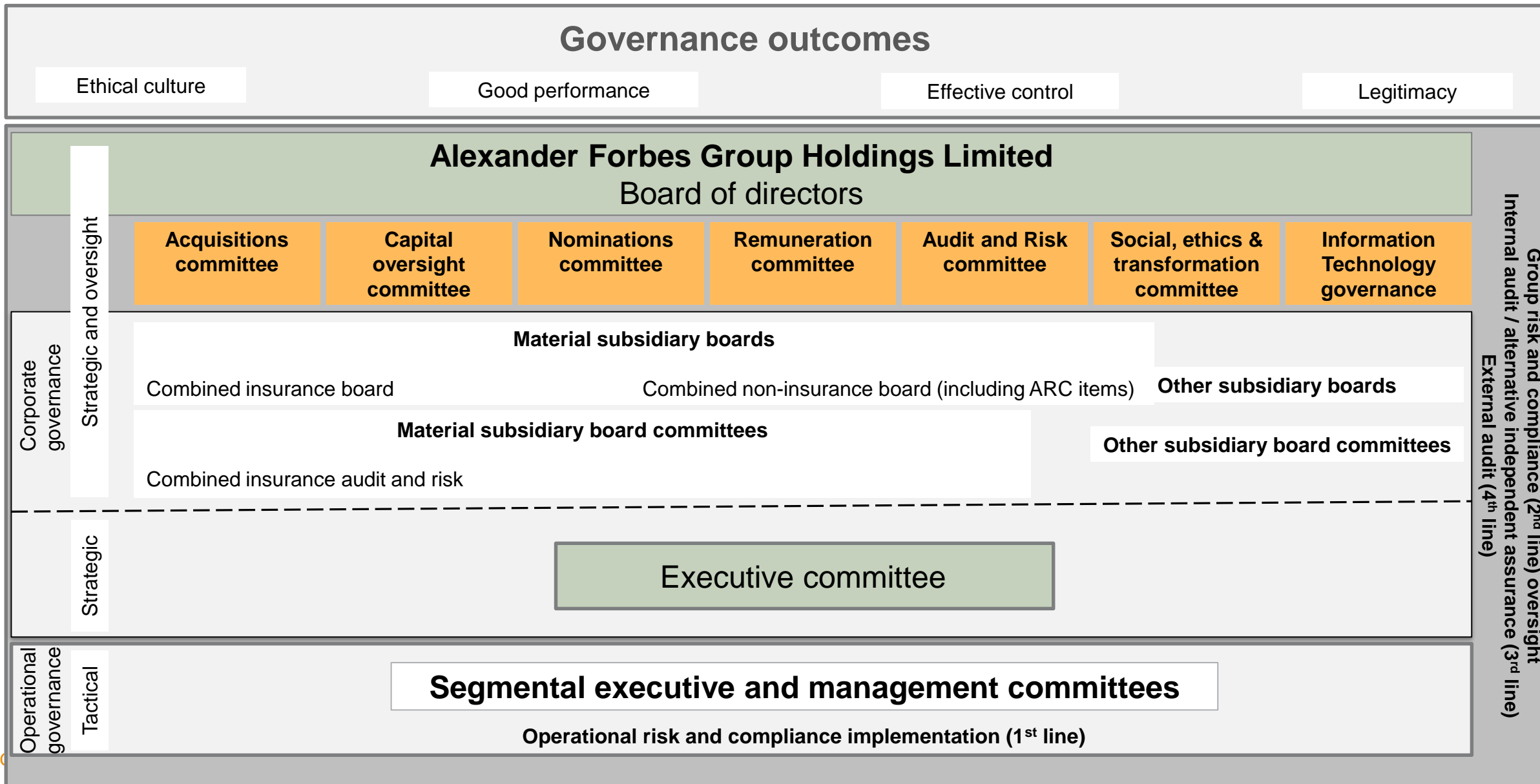


■ ACI female ■ ACI male ■ White male

Tenure – years (%)



■ 1 to 2 ■ >2 to 4 ■ >4 to 7 ■ >7



Looking back

- Finalising non-executive appointments and ensuring appropriate Committee coverage
- Business transformation to address cost structure of the company, accelerate revenue generation and reverse market share decline in core markets
- Remuneration policy and disclosure (including related shareholder engagement)
- Termination of group chief executive and executive succession planning
- Critical evaluation of key decisions and certain governance processes to ensure process improvement
- Oversight over critical and material projects relating to the modernisation project (including establishing a modernisation board sub-committee)
- Addressing unintended consequences of strategic focus: material cost cutting in the absence of sufficient structural change – negatively impacting culture and employees

Focus Areas for FY 2020

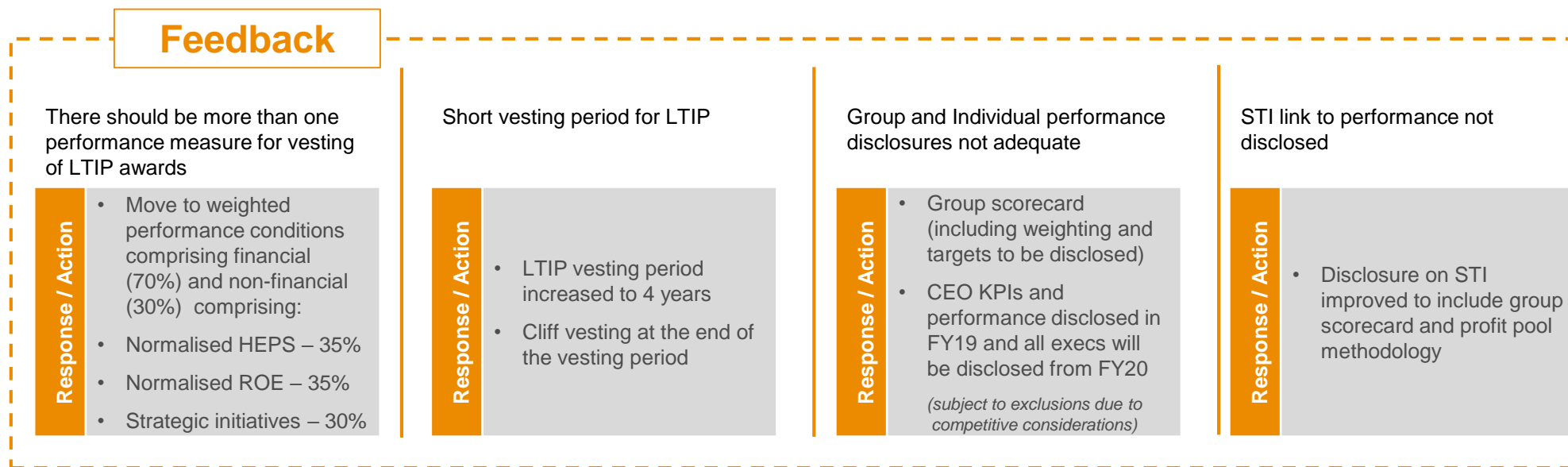
- Improved disclosure on remuneration and ensuring shareholders are comfortable with principles applied to executive remuneration
- Ensuring board alignment, support and enablement of strategic reset and oversight of the targeted growth path by focusing on the core and our key market differentiators
- Robust governance and oversight in respect of M&A processes
- Corporate and governance simplification aligned with articulated strategic objectives – integrated company and enabling capital efficiency aligned to capital light objective (FY20 and beyond)
- Increased focus on risk oversight and maturing enterprise risk management
- Implementing governance sessions to ensure directors remain fully abreast of regulatory and industry change and developments
- Material focus on culture – encouraging an organisational DNA and culture aligned with strategic focus

Remuneration Philosophy and policy



Remuneration | 2018 AGM voting and shareholder engagement

- The Remuneration Committee fully took on board the voting outcomes on the Remuneration Policy and Implementation Report at the 2018 AGM and continues to undertake a programme of engagement with shareholders to understand concerns and to receive feedback on the companies' Remuneration Policy
 - We have noted the views expressed on remuneration structure and concerns around disclosures
 - These Governance roadshows aim to further understand shareholder requirements
 - We commit to materially improved disclosure in the FY19 report and a continual focus on aligning with best practice disclosure



- The Remuneration Policy and Implementation Report will be subject to the non-binding advisory vote put to shareholders at the 2019 AGM in September and we will continue engagements with shareholders in the coming months

Remuneration | Summary changes to STI and LTIP

Principles underpinning the revision to the remuneration policy:

- Align policy to best practice – simpler, transparent and fair approach
- Ensure link to strategy and greater shareholder alignment– linking pay to performance and aligning executive remuneration with shareholder value creation
- Sustainability – focus on long-term sustainable performance

Summary of changes	Reason for Change / Update
Short Term Incentive (STI)	
<ul style="list-style-type: none"> ▪ All permanent employees eligible, excluding those who receive sales incentives or commissions ▪ Award based on weighted performance of the company and individual performance ▪ Company scorecard: 70% financial and 30% non-financial measures ▪ Bonus pool calculation based on % of adjusted profit from operations <ul style="list-style-type: none"> – A performance-related modifier for performance above and below a hurdle rate ▪ 5% of the pool may be reserved for discretionary allocations 	<ul style="list-style-type: none"> ▪ Shareholder concern: <ul style="list-style-type: none"> – No clear link to performance (company or individual) ▪ Internal review: <ul style="list-style-type: none"> – Focus on ‘pay for performance’ – Limited number of employees eligible, with the remaining on a guaranteed 13th cheque (guaranteed - no link to performance) – Individual ‘on-target’ percentage varied across the business - limited structure and no consistency
Long Term Incentive Plan (LTIP)	
<ul style="list-style-type: none"> ▪ Eligibility for LTIP extended to all management levels ▪ 4-year vesting period ▪ LTIP performance conditions revised to include: <ul style="list-style-type: none"> – Financial: Normalised HEPS (35%) and Normalised RoE (35%) – Non-financial: Strategic Initiatives (30%) ▪ Minimum Shareholder Requirements as vesting condition for executives ▪ ‘Malus and Clawback policy’ 	<ul style="list-style-type: none"> ▪ Shareholder concerns: <ul style="list-style-type: none"> – Vesting linked to one performance condition – Lack of alignment to shareholder value creation – Preference for longer vesting period – No shareholding requirements ▪ Internal review: <ul style="list-style-type: none"> – Simplify - one plan for all executives to ensure better alignment (with the termination of Ambition 2022 GEC LTIP)

Remuneration | Components of total remuneration

TGP

- Total guaranteed pay (TGP) includes: salary, benefits and retirement fund contributions
- Benchmarking is performed against the relevant market median (50th percentile)
- TGP is benchmarked and reviewed annually to ensure it is competitive, fair and equitable
- No prescribed maximum – generally increased in line with inflation

STI

- In line with the total reward philosophy: to reward based on company and individual performance
- Measured against annual objectives, consistent with long-term value creation for shareholders
- Annual award based on weighted performance of the company scorecard and individual performance (with higher weighting placed on company performance for senior executives)
- Company-wide STI determined according to pool methodology, calculated in line with the full year financial performance
- Settled in cash

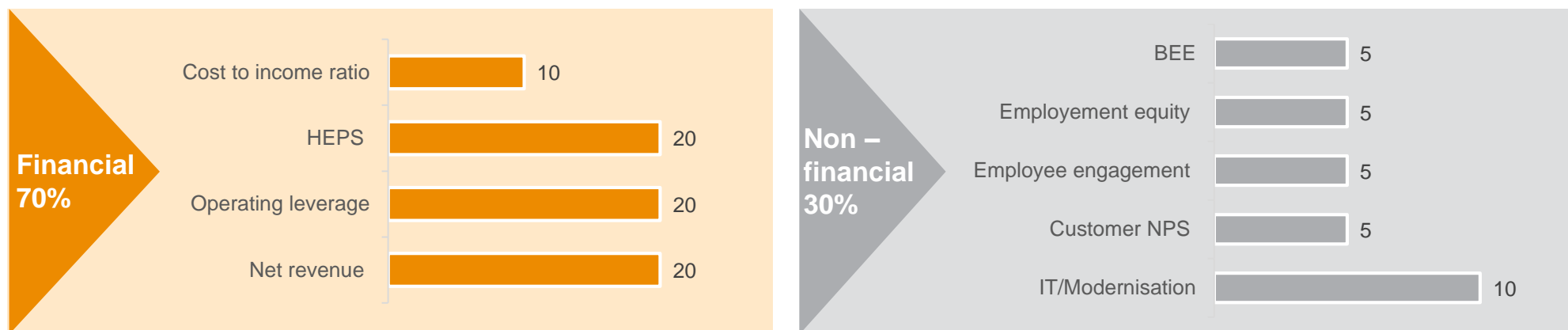
LTIP

- Aligns executives with shareholders: linking reward to achievement of a range of financial and non-financial strategic objectives
- Scheme has 2 types of allocations: Conditional Share Scheme (CSP) and Forfeitable Share Scheme (FSP)
- LTIP allocation split: 60% CSP and 40% FSP (reviewed annually)
- CSP: subject to-financial and non-financial performance conditions being met
- FSP: no performance conditions apply, creates a retention element relevant to the current climate
- Cliff vesting occurs at the end of the 4–year vesting period (with MSR for executives – refer slide 16)
- Subject to clawback and malus
- Equity-settled scheme

Short-term incentive | Award criteria and performance measures

- The qualifier for STI payment is a weighted score of the company scorecard and individual performance with a minimum threshold cumulative rating
- The value of an award is a percentage of TGP relative to employee level and cumulative rating achieved by an individual
 - Max opportunity: 2 times the % award
- The STI bonus pool size will determine the final amounts paid to eligible employees
 - The individual award is calculated in line with the employee level, employee performance and group performance, calibrated to the size of the pool

Company Scorecard weightings (Illustrative FY 2019)



Long-term incentive plan | Performance conditions and measures

- CSP performance measures over 4-year vesting period

Metric and weighting	Rationale and measurement	Vesting
<p>Normalised Headline Earnings Per Share (HEPS)</p> <p>35%</p>	<ul style="list-style-type: none"> ▪ Basis on which management manages the Company and normalised results reflects the economic substance of the Company's performance ▪ Normalised HEPS growth over time should be the foundation upon which the share price should appreciate and shareholder wealth creation rests ▪ Sustainable growth in normalised HEPS is important to achieving long term performance and therefore this measure is based on a 4-year CAGR basis 	<p>30% vests for threshold performance and 100% vests for target; where:</p> <ul style="list-style-type: none"> – Threshold performance = nominal GDP – Target performance \geq nominal GDP + 8% <p>Linear vesting applied between these points</p>
<p>Normalised Return on equity (ROE)</p> <p>35%</p>	<ul style="list-style-type: none"> ▪ Measurement incorporates the annual delivery of results against the capital held within the business ▪ Normalised ROE is measured over the performance period and is calculated based on the simple average of the reported return on equity over the vesting period 	<p>30% vests for threshold performance and 100% vests for target; where:</p> <ul style="list-style-type: none"> – Threshold performance = Risk free rate – Target performance \geq Risk free rate + 6% <p>Linear vesting applied between these points</p>
<p>Strategic initiatives</p> <p>30%</p>	<ul style="list-style-type: none"> ▪ Inclusion of strategic initiatives provides the Board a further tool to drive specific objectives which contribute to long-term sustainability. ▪ The initiatives will be clearly defined and measurable, scored by the board on an annual basis. 	<p>The scores for all initiatives will be added at the end of the vesting period and applied to the vesting shares as a percentage of the total possible score for the entire vesting period</p>

Minimum shareholding requirements

- Executives are required to hold a specified number of shares over predetermined holding periods
 - Encourage executives to hold shares in the Company, thus reinforcing the alignment between the executive and shareholder interests
- Minimum shareholding requirements (% of TGP)

<i>MSR to be met by:</i>	March 2022	March 2023	March 2024
Chief executive officer	150%	200%	250%
Executive	100%	125%	150%

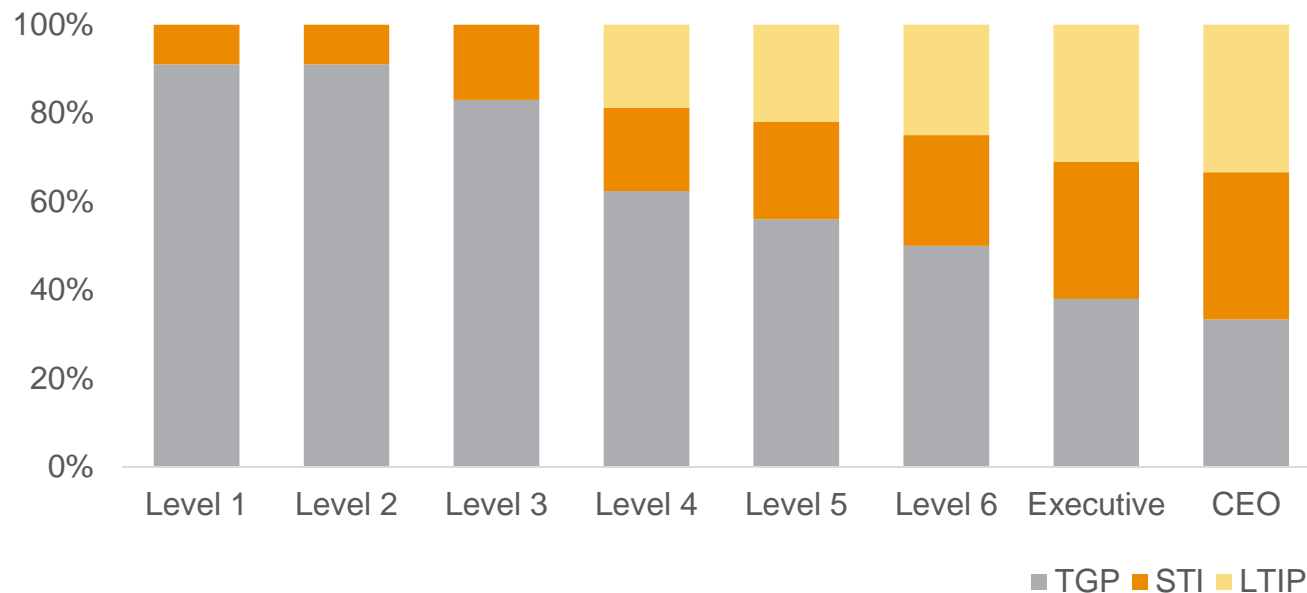
Minimum shareholding requirements

- Clawback of incentives – the Remuneration Committee may reduce or clawback LTIP awards under the following circumstances:
 - Should the participant act fraudulently or dishonestly or be in material breach of obligations to the Company
 - Should the Company become aware of a material misstatement or omission in the annual financial statements

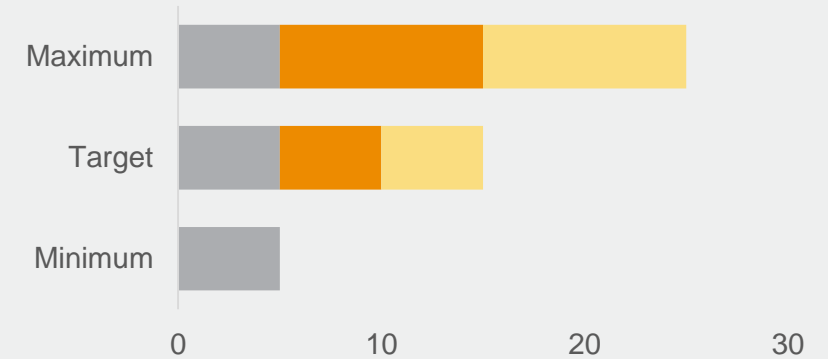
Executive remuneration | Total remuneration scenarios at different performance levels

- As an overarching principle, remuneration is structured to ensure alignment with the creation of shareholder value, and the strategic objectives of the company, and to encourage outperformance of objectives
- Main difference in the remuneration structure of executives and other employees is a greater emphasis on variable performance-linked pay in senior roles

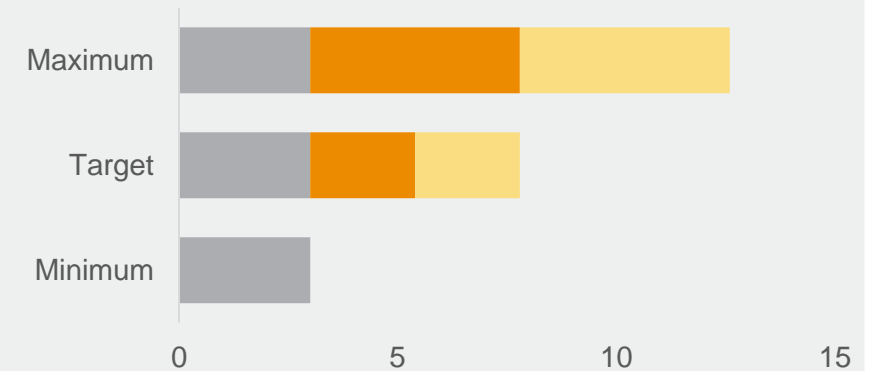
Make-up of targeted remuneration (%) by employment level



Chief executive officer (Rm)



Senior executives (Rm)



Appendix



Alexander Forbes philosophy in relation to remuneration aims to:

- ✓ Offer total remuneration that meets the remuneration principles of the Company
- ✓ Align with the Alexander Forbes employee value proposition and the performance management system
- ✓ Complement and support the delivery of financial and non-financial key objectives which underpin the group's strategy
- ✓ Align the remuneration of executives with the creation of shareholder value

The aim of the Remuneration Policy is to enable the business to:

- ✓ Attract, motivate and retain talented high performing people
- ✓ Encourage performance to drive the achievement of both short term results and long term sustainability
- ✓ Promote a culture that supports enterprise and innovation with appropriate short-term and long-term performance related rewards that are fair and achievable



Remuneration | Components of total remuneration

	Total Guaranteed Pay (TGP)	Short-term Incentive (STI)	Long-term incentive plan (LTIP)
Purpose	<ul style="list-style-type: none"> Provides fixed remuneration for day-to-day responsibilities – reflecting the individual’s role and position; and To be competitive with external market 	<ul style="list-style-type: none"> Provides variable remuneration dependent on performance based on company and individual performance STI aligns interests of executives with shareholders in the short-term as performance incentives are subject to company and individual key performance indicators 	<ul style="list-style-type: none"> Links executive remuneration with long-term performance of the company Outcome varies with performance against measures linked directly to strategic priorities
Components	<ul style="list-style-type: none"> Salary, retirement funding and other benefits 	<ul style="list-style-type: none"> Annual cash award 	<ul style="list-style-type: none"> LTIP rules allow for 2 types of allocations: <ul style="list-style-type: none"> Conditional Share Scheme (CSP): 60% Forfeitable Share Scheme (FSP): 40% Allocation split reviewed annually by the committee
Operation and Opportunity	<ul style="list-style-type: none"> Strategically positioned to ensure competitive total reward within the parameters of affordability TGP benchmarked and reviewed annually to ensure it is competitive, fair and equitable Benchmarking performed against relevant market median (50th percentile) 	<ul style="list-style-type: none"> Annual award based on weighted performance of the company and individual performance For executives, higher weighting is placed on company performance than individual performance Company-wide STI determined according to pool methodology, calculated in line with the full year financial performance Max opportunity: 2 times the % award (determined according to employee levels) <ul style="list-style-type: none"> Maximum award for the chief executive officer will be 200% of TGP and 160% of TGP for the executives 	<ul style="list-style-type: none"> Annual awards of shares will vest based on performance relative to measures and targets that reflect the delivery of company strategy Cliff vesting occurs at the end of the 4 year vesting period <ul style="list-style-type: none"> With MSR for executives detailed on slide 15 Performance will be measured over a period of four years The maximum annual award level for the chief executive officer will be 200% of TGP and 160% of TGP for the executives (illustrated on slide 16) CSP shares will only vest if performance targets are met <ul style="list-style-type: none"> The level of vesting depends on the threshold performance level (30% vesting) being met and would not exceed 100% vesting on if stretch targets are met For FSP shares no performance conditions apply <ul style="list-style-type: none"> Creates a retention element Dividends only paid out on FSP shares through vesting Awards are subject to malus and clawback as described on slide 15.

Remuneration | Components of total remuneration

Performance framework

Total Guaranteed Pay (TGP)	Short-term Incentive (STI)	Long-term incentive plan (LTIP)
<ul style="list-style-type: none"> – Not applicable - generally increased in line with inflation 	<ul style="list-style-type: none"> – Remco approves specific measures, weightings and targets each year to reflect the annual priorities designed to deliver the strategy – Measures for the company scorecard will typically include a balance as follows: <ul style="list-style-type: none"> • Financial (70%) • Non-financial (30%) – Individual key performance indicators for the chief executive officer and executive will be approved by the Remco – Details of the measures will be reported each year in the annual report on remuneration 	<ul style="list-style-type: none"> – CSP shares vest based on a combination of financial and strategic measures – For 2019 awards, the measures and weightings will be: <ul style="list-style-type: none"> • Normalised headline earnings per share (35%) • Normalised return on equity (35%) • Strategic initiatives (30%) – Remco intends to disclose details of: <ul style="list-style-type: none"> • Targets relating to the normalised HEPS and normalised ROE measures in the remuneration report • Relating to strategic progress retrospectively for LTIP awards – Prior to granting each award the committee will review the measures, weightings and targets to ensure they remain focused on delivering the strategy and are in the interests of shareholders – Remco will consult appropriately with major shareholders regarding any material changes to the measures

Short-term incentive | Proposed bonus pool methodology

- Company-wide STI determined according to a pool methodology that incorporates the following variables set by the Remuneration Committee:
 - A percentage of adjusted profit from operations before non-trading and capital items (“**adjusted operating profit**”)
 - A performance-related modifier for performance above and below a hurdle rate
- The Remuneration Committee may reserve 5% of the bonus pool for discretionary allocations
- The STI bonus pool size will determine the final amounts paid to eligible employees
 - The individual award is calculated in line with the employee level, employee performance and group performance which is then calibrated to the size of the bonus pool

Adjusted operating profit is calculated as follows:

- Profit from operations before non-trading and capital items; plus
- IFRS lease adjustment (with the intention of reflecting the cash expense for leased property);
- Excluding the bonus pool expense;
- Adjusted for any quality of earnings adjustments identified through the year end audit process;
- Adjusted for emerging markets minority interest; and
- Including reported profits from associate investments.

x
[15 – 20]%

2x
Modifier against hurdle growth rate

STI bonus pool amount

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