LIBERTY

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Liberty Holdings Limited

Remuneration report

for the year ended 31 December

2020

Remuneration committee chair report

On behalf of the remuneration committee, I am pleased to present the Liberty Holdings Limited Remuneration Report for the year ended 31 December 2020. This report has been guided by the concepts, principles and practices outlined in King IV™

SIMON RIDLEY

Other reports and content

Available online at *www.libertyholdings.co.za/investor*

AFS Annual financial statements

GOV Governance at Liberty

RTS Report to society

IR Integrated report

Background statement

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Background **statement**

Operating environment

2020 was a year that has had a profound impact on the lives of everyone within the Liberty community, our clients and society at large - a year dominated by impacts of the COVID-19 pandemic and the associated lockdowns of society and the economy. Liberty was directly impacted as a business, through the devastating health impact of the virus and the financial impact on our clients and financial markets. However we continued to serve our clients and advisers to fulfil our purpose of improving people's lives by making financial freedom possible. We remain committed to improve the competitiveness of our business and we remain financially sound and well capitalised. The impact of the COVID-19 pandemic translated into a difficult year from a financial performance point of view, which negatively impacted on the remuneration awards offered for the financial year 2020.

Remco acknowledged the exemplary efforts of management, who competently led Liberty through an extraordinary year. In particular, the achievement of business continuity and the support provided to Liberty's clients and advisers were highlights. This bodes well for Liberty's success in the recovery years that will follow.

The remuneration committee (Remco) believes that the remuneration policy rewarded employees fairly for their efforts in the face of the crisis and continues to encourage delivery of the group's strategy and creation of stakeholder value in a responsible and sustainable manner. The reward structures continue to ensure that the remuneration practices and policies are fair and responsible, and that there is alignment between shareholder and employee interests.

Remuneration in context

Liberty strives to ensure that remuneration instruments are designed and structured in such a manner that they achieve three important goals as noted below, aligned to the values and leadership standards of the business:

- Effectively compete within the talent pool to **attract and retain the best talent within the industry** in which we operate
- **Provide a highly competitive employee value position** to drive enhanced individual and collective company performance, and
- **Consistently achieve short-, medium- and long-term strategic initiatives** to create sustainable value for shareholders and stakeholders.

In its efforts to realise the key goals of the remuneration policy, Remco considers risks, and the potential costs to the business during the design and application of remuneration instruments.

Performance

Operating conditions in 2020 were unprecedented in the 62-year history of Liberty. While the COVID-19 crisis has diverted considerable management time and attention, management has continued to work on the prioritisation and execution of key strategic initiatives. The impact of related lockdowns has resulted in a deterioration in the business environments in all countries in which the group operates and the South African economic environment remains extremely challenging. Besides the creation of a pandemic reserve of circa R3 billion (before tax) to make allowance for the expected financial consequences of the COVID-19 pandemic on Liberty's current and future results, major impacts on operating results include the adverse investment returns on the shareholder investment portfolio and ALM positions, low new business volumes and high new business strain. Unbudgeted COVID-19 related expenses were incurred, including client and adviser relief.

Key financial metrics from 2020 are noted below:

- **Liberty reported a normalised headline loss** for the year ended 31 December 2020 of R1 572 million, compared to normalised headline earnings of R3 205 million in the prior year. The normalised headline loss includes the R2 227 million net after tax cost of establishing the pandemic reserve. Normalised annual return on equity was negative 7,3% compared to positive 14,0% for 2019.

- **Normalised group equity value per share decreased** from R147,82 in the prior year to R128,32. The normalised annual return on group equity value (RoGEV) was negative 10,2% compared to positive 11,5% in the prior year. The negative RoGEV is largely attributable to the operational impacts of COVID-19, which includes the impact of the establishment of the pandemic reserve, certain long-term actuarial assumption changes in the SA insurance operations and the impact of lower investment returns on the shareholder investment portfolio earnings.

- **The group value of new business ('VoNB') declined** to R24 million from R407 million in 2019. This decline is mainly attributable to lower sales volumes whilst acquisition expenses continue to increase at inflationary levels.

- **Liberty's operations remain financially sound and well capitalised,** with the Solvency Capital Requirement ('SCR') cover ratio of Liberty Group Limited, the Group's main long-term insurance licence, at 1,81 times at 31 December 2020 (31 December 2019: 1,99 times). The 31 December 2020 SCR cover takes account of the operational and investment market impacts of the pandemic and the establishment of the pandemic reserve.

Background statement (continued)

Remuneration in 2020

The factors mentioned above have had the expected consequence on remuneration rewards for 2020 characterised by the non achievement of most financial targets set for the year, and consequently a significant reduction in incentive awards for 2020. Despite the pandemic being an unexpected external event, the committee has not recommended any changes to the policies applicable to the short-term incentive schemes.

- With respect to guaranteed remuneration an increase of 3% (aligned to a lower level of reported general inflation) for South African employees was adopted as a target for the enterprise and was spread fairly and appropriately across all business areas.
- The short-term incentive schemes for the South African Insurance operations financial performance have referenced IFRS operational earnings, group equity value and value of new business over the last two financial years.

The weighted group financial performance result measured against the set financial targets in respect of the short-term management incentive scheme delivered a nil outcome as compared to 74,9% of target achieved in the 2019 financial year and 66,9% of targets achieved in 2018. Notwithstanding the external and extraordinary nature of the COVID-19 pandemic, the committee decided that it would not make any discretionary adjustments to the short-term incentive scheme performance criteria or targets during the year.

- The short-term incentives design for the South African insurance operation considers business and individual performance. The incentive awards for 2020 were considered within the rules/guidelines/practices of the specific schemes with mostly nil outcomes for delivery relating to financial performance. However, reward opportunity was afforded to employees based on individual KPI delivery.

The short-term incentive for senior employees, excluding STANLIB, declined by 52% with more senior and executive employees seeing a 60% to 70% reduction in incentives when compared to 2019. The total aggregate incentives across all levels of staff in the SA Insurance operations declined by 35%. This outcome was deemed to be a fair outcome for recognising the efforts of employees given the significant uncertainty of the Pandemic event where employees continued to serve clients in fulfilling Liberty's purpose.

STANLIB short-term incentives were relatively flat on 2019, recognising the performance of the asset management business when compared to 2019 and the improvements in managed funds' investment performance.

- As advised to shareholders on 3 November 2020, Remco evaluated the effectiveness of the Performance Reward Plan (PRP) awards made in respect of the 2019 remuneration cycle awarded three weeks before the commencement of the pandemic lockdowns in South Africa in March 2020. The committee concluded that the financial conditions attached to the PRP scheme did not contemplate the severity of the effects of the pandemic. Remco agreed that the PRP awards would be more effective if replaced with a once-off Equity Growth Scheme (EGS) award which are subject to individual and strategy execution conditions. The March 2020 award relating to 2019 was cancelled through a contractual process of voluntary cancellation and acceptance by participants under a "2020 Special EGS award". This award was effective from 6 November 2020. Conditionality linked to this award is noted in part 2 of this report.
- The PRP remains an appropriate vehicle for long-term incentivisation for the future. The 2020 cycle awards were designed to encourage Liberty's senior leadership team, consisting of 42 individuals to focus on key drivers of business recovery and restoration of shareholder value. This resulted in an increase in PRP awards of 23% compared to 2019.
- In an effort to maintain motivation and reward delivery, particularly for certain key senior specialist roles as well as key middle management roles, the Specialist Deferred Restricted Share awards for 2020 is 20% up on 2019.

In response to the COVID-19 pandemic and consequent macro influences, the committee shifted its focus toward the longer-term strategy to ensure that Liberty is enabled to recover from the current socio-economic challenges and that our executives are retained and driven to lead the business post COVID-19.

Long-term incentive awards for 2020 therefore increased by 22% to drive long-term performance and alignment with all stakeholders.

Our employee value proposition is retained with no changes in benefit structures. Remco remains cognisant of the gender and wage gap differentials and has found no evidence of any unfair discrimination within the current remuneration policy.

Changes to remuneration during 2020

Modernisation of long-term incentive schemes

All Liberty long-term incentive schemes (Equity Growth Scheme, Restricted Share Plan and Performance Reward Plan) were modernised to align to best practice. The modernisation included the following:

- **Introduction and harmonisation of forfeiture and clawback provisions** in respect of all awards made from 1 March 2020 and other items including dispute resolution and special distributions;
- **Introduction of individual performance conditions on Special Deferred Restricted Shares** in respect of all awards made from March 2020;
- **Share settlement mechanisms to avoid unintended share dilution in terms of the JSE regulations** as it pertains to the roll-over calculation linked to the maximum number of shares limits prescribed to be held across all Liberty share schemes;
- **Enhancement of special distribution clauses of the Restricted Share Plan scheme.**

Forfeiture and clawback provisions

Forfeiture and clawback provisions under the short- and long-term incentive schemes came into effect from 1 March 2020. Where defined trigger events take place, provision is made to redress against remuneration through forfeiture (pre-vesting forfeiture) or clawback (post-vesting recovery). The forfeiture and clawback provisions apply to cash awards, deferred awards (SDRS), share incentive awards, long-term incentives and related dividends and notional dividends.

The trigger events relating to forfeiture and clawback includes the following:

- **the group's audited accounts or financial results which were relevant to this award** or to the assessment of the performance criteria applicable to this award **contain a material misstatement** (as defined in the International Financial Reporting Standards) or are otherwise inaccurate in any respect which were material to this award or the performance criteria;
- **the award or the assessment of any performance criteria** applicable to this award was based on an **error, or information which was inaccurate or misleading** in any respect which was material to this award or the performance criteria;
- **any act or omission where the recipient contributed to any inaccuracy, error or misleading information** referred to above or any act or omission where the recipient contributed to events that lead to the censure of a group company by a regulatory authority or had a detrimental impact on the reputation of any group company;
- **the recipient commits a breach of any risk limitation** or mitigation policy or any compliance policy of the group;
- **any action or conduct which the recipient engaged in which amounts to gross misconduct.**

Revised STANLIB short-term incentive scheme

Short-term incentive scheme changes were introduced from 2020 to create a better link to STANLIB's performance as an investment management business. A bonus pool equal to 30% of audited, PBITI (profit before interest, tax and incentives) is utilised for incentives, set for each financial year. A modifier range of 80-120% is considered to recognise certain business imperatives such as investment performance quality, client metrics, conduct and risk management outcomes with Remco retaining discretion to deal with unexpected anomalies.

The investment franchise pools are calculated separately for each franchise to ensure remuneration is aligned to the underlying success of the franchise. These bonus pools are allocated to participants based on performance. Base incentives for start-up businesses are guaranteed for a limited period and reduced to zero over the agreed period. The period ranges between one and three years depending on the nature of the business. This period is agreed upfront with the business unit or franchise. Similarly, the rest of the business pool is calculated at a pre-defined share of PBITI of STANLIB. Individual incentive awards are based on individual KPIs and business performance.

Background statement (continued)

Remuneration governance

Remco comprises non-executive board members with the majority being independent non-executive directors, to ensure sound governance. All committee members possess the relevant and necessary skills and knowledge to fulfil their duties. The group chief executive and other members of the executive attend committee meetings by invitation. Executive directors are not involved in deciding their own remuneration and are not present in meetings during committee deliberations of executive director remuneration. Remco met five times in 2020.

The overall purpose of Remco is to govern remuneration by setting the direction for how remuneration should be approached and implemented on a group-wide basis and report thereon to the board, enabling the board to discharge its responsibilities relating to the following:

Determining the policy for executive remuneration and, on an annual basis, approve the entire individual remuneration packages for each of the executive directors, other senior executives, key persons in control functions and major risk-taking personnel (personnel with responsibility for decisions from which significant uncertainties in the timing and likelihood of cash flows may arise), as appropriate

Ensuring that competitive reward strategies and programmes are in place to facilitate the recruitment, motivation and retention of high performance staff at all levels in support of realising corporate objectives and to safeguard stakeholder interests

Ensuring that reward structures do not drive excessive risk taking

Reviewing the design and management of salary structures and policies, incentive schemes and share option programmes to ensure they motivate sustained high performance and are linked to corporate performance

Developing and implementing a remuneration philosophy for disclosure to shareholders, through a remuneration report, to enable a reasonable assessment of reward practices and governance processes to be made by stakeholders

Recommending the level of non-executive directors' fees, including the chairman's fee, to the board after receiving inputs from executive directors and taking into account industry best practice for ultimate approval by shareholders

Overseeing the adequacy of retirement funding and healthcare benefits

Ensuring compliance with applicable laws and codes.

GOV *For more details regarding the composition and activities of Remco refer to our Governance at Liberty report available at libertyholdings.co.za/investor*

Shareholder engagement and feedback

The 2020 Remuneration Policy and the Implementation Report will be presented for separate non-binding votes at the AGM on 13 May 2021. The resolutions are detailed in the 2020 Notice of AGM. The voting results on remuneration related matters at the 2020 and 2019 AGMs is set out below:

Ordinary Resolution	2020 AGM	2019 AGM
On non-binding advisory vote on our **Remuneration Policy**	99%	92%
On non-binding advisory vote on our **Implementation Report**	99%	90%

Annual engagement with shareholders has become standard practice and engagement will continue during 2021. We believe that the voting outcome over the past three years reflects the recognition of our ongoing commitment to engage with our shareholders. If the remuneration policy or implementation report is voted against by shareholders, exercising 25% or more of the voting rights, the dissenting shareholders will be invited to engage with the company. The manner and timing of such engagement will be provided, if necessary.

Focus areas **for 2021**

FOCUS AREA 1

Review of pay levels in line with a revised job level framework

To ensure that pay levels aligned to the new structures and capabilities created in terms of the revised business strategy

FOCUS AREA 2

Digitisation of reward processes and practices

To ensure that remuneration and benefits aligned more closely to the revised employee value proposition

FOCUS AREA 3

STANLIB short-term incentive enhancements

Review the construct implemented in 2020 for possible enhancement

FOCUS AREA 4

Insurance operation short-term and long-term incentive performance conditions

Revision of the financial targets relating to the schemes in recognition of the impact of the COVID-19 pandemic and Liberty context

Statement on the remuneration policy and remuneration report

Remco is satisfied that the remuneration policy and additions included from 2020 support the principles contained in King IV™ and that the remuneration policy achieved its objectives. The committee received external independent advice and market information from 21st Century Pay Solutions, Old Mutual REMchannel, Mercer and Employment Conditions Abroad during 2020. Standard Bank is also engaged to ensure alignment where relevant. The committee is satisfied that the input from these sources is reliable, accurate, independent and objective.

Remco is further satisfied that its decision-making process is fair, responsible, and objective and that the committee considered stakeholder feedback and applied their minds practically and reasonably with regards to remuneration related decisions recommended to the board.

The committee remains committed to ensure that remuneration at Liberty has a substantial impact on retaining and attracting top talent which will drive the enhancement of performance standards and sustainable shareholder value creation. We endeavour to ensure that progressive and flexible remuneration decisions can be taken to mitigate against adverse economic conditions and to collectively achieve strategic business objectives.

We trust this report elicits a positive response from all stakeholders and we remain committed to improving our reporting standards and quality.

Simon Ridley
26 March 2021

PART 02

Remuneration **policy**

Our employees are the cornerstone of our business and its success. Therefore, Liberty strives to ensure that employees are paid competitively and that individual and collective performance is aligned to shareholders' interests, delivering sustainable growth, value creation and profitability. We believe that to operate our business aligned to our values and goals, we must invest in our people. To give effect to this philosophy, our remuneration principles have been designed to ensure fair and responsible remuneration:

Philosophy

1 Provide a highly competitive employee value position

TO

2 Attract and retain the best talent within the industry in which we operate

AND

3 Consistently achieve short-, medium- and long-term strategic outcomes to create sustainable value for all stakeholders

Principles

Attract and retain

- **Remunerate our employees competitively** based on skill set, experience and performance expectations
- **Position employee guaranteed remuneration** within appropriate market reference ranges
- **Differentiate an appropriate market position** for specialist and critical skills respectively
- **Provide for internal equity and individual salary progression** based on fair and transparent principles and practices
- **Offer benefits that are flexible** and accommodate a wide variety of employee profiles
- **Align remuneration practices** with the organisation's talent and performance management and transformation strategy

Enhanced performance culture

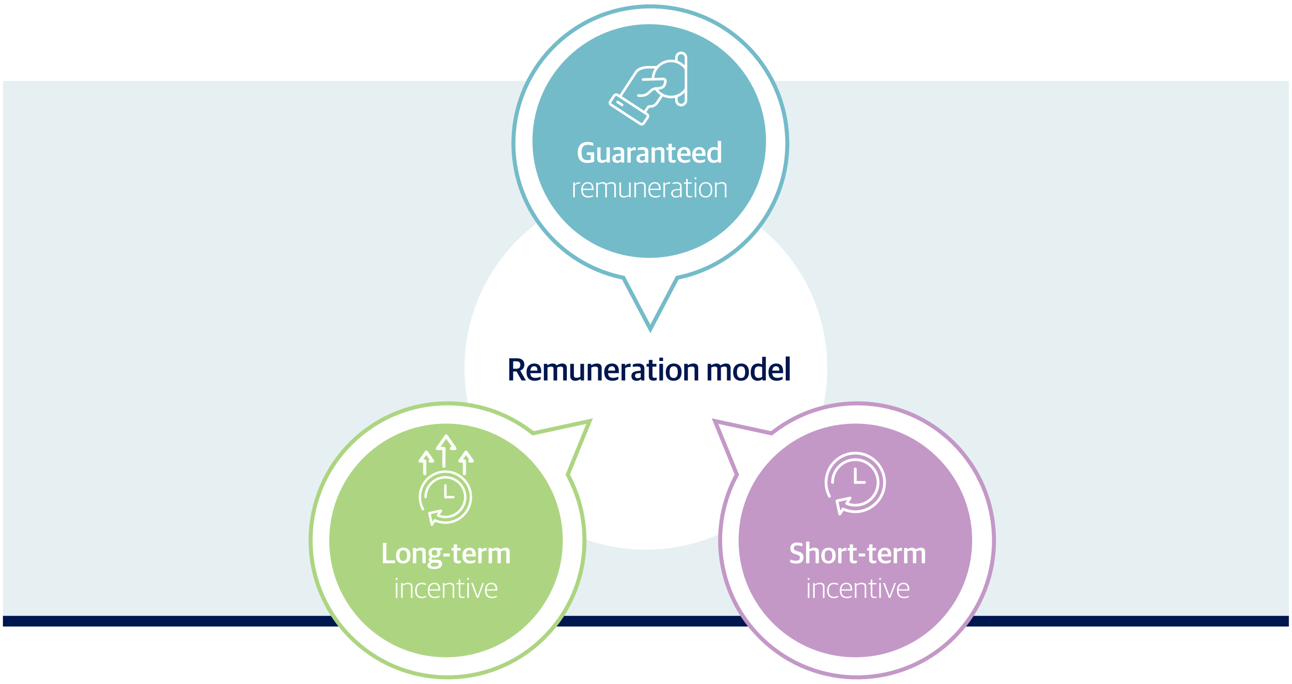
- **Create alignment and a direct link** between individual performance outcomes and incentive payments with the achievement of company objectives and sustained organisational performance standards
- **Incentive schemes** which drive collective behaviour and effort toward the achievement of annual strategic business objectives and longer-term sustainable value creation
- **Promote and foster a high-performance culture,** embodied by collaboration and optimal functioning of all employee segments within the company to drive the achievement of strategic objectives
- **Ensure that the pay mix ratio** between guaranteed pay and variable pay is structured appropriately toward individuals who have direct line of sight and impact on the achievement of overall group results

Underpinned by

Fair and responsible remuneration

- Remuneration practices which do not encourage excessive risk taking outside of the group's risk appetite
- Remuneration practices that accommodates internal and external parity
- Focus on total remuneration and reference to "like-for-like" market remuneration levels, adjusted for relative experience and responsibility levels
- The total reward model subscribes to principles of good governance and is morally and legally defensible
- Remuneration designs comply with tax and regulatory requirements
- Remuneration free from discrimination

Remuneration structure



Guaranteed remuneration	
Purpose	• To attract and retain employees in line with the scope, nature and skills requirements of the role
Link to strategy	• Position guaranteed pay at the market median of the financial services industry to ensure pay is competitive • Enable employees to save for their retirement and maintain a healthy lifestyle • Enhance the package available to employees and assist with retention and productivity
Components of guaranteed remuneration	• Base salary • Medical aid • Death and disability risk insurance • Retirement funding • Annual leave • Other benefits depending on local legislation and market practice which may include funeral cover, car allowances, spouse's life cover etc
Increases and pay progression	• Salary increases are scheduled annually, effective 1 April, and reflect a market-related adjustment based on inflation, market and financial sector trends. Individual salary progression through the pay scales is a function of individual performance and/or promotion. Other than promotion, employees will progress through the pay scales by way of annual salary adjustments related to the individual's performance and position in the pay scale relative to the midpoint of the pay range • Salary adjustments are made where an employee's salary is outside acceptable parameters or the nature of the role has changed warranting an adjustment. Salary adjustments require approval through the company's formal approval process
Pay differentiation	• Pay differentiation will occur on a fair and equitable basis. The following factors will determine the basis for pay differentiation between individuals: – The job grade as determined by the job evaluation policy and procedure – Individual performance as determined by the performance review procedure of the performance management system – The shortage of a specific skill which demands a market premium – The tenure or length of service, and – Demotion or promotion.

Remuneration policy (continued)

Variable remunerations short-term incentive	
Purpose	• To align employee and company interests to achieve stated objectives, while balancing short-term performance and risk taking with sustainable value creation for shareholders
Link to strategy	• Achievement of business objectives for each financial year • Enhanced collective performance across the organisation through strong individual performance • Links individual performance incentive quanta to individual, business unit and group performance
General design principles	• The schemes are performance based with a series of financial targets and non-financial objectives. Remco has discretion to moderate actual financial performance for any items they determine were not in management's control or where inappropriate risk was taken. Actual awards can further be adjusted for undue risk taking or risk breaches • Key principles include minimum qualifying service periods in the year, *pro rata* adjustments for service periods of less than a year and being in the employment of the group at award date

Short-term incentives

Senior management incentive scheme	Specialist incentive scheme
Eligibility	
Liberty Holdings executive and nominated executives Senior divisional executives Divisional executives Senior managers Entry level senior managers / specialist	Professional specialist Senior technical specialists Technical specialists Newly qualified technical specialists Entry level technical specialists
How it works	
Incentive pay-outs are determined using two sets of performance measures and targets. These measures are weighted within a range and applied to an employee's guaranteed remuneration	Incentive pay-outs are determined using two sets of performance measures and targets. These measures are weighted within a range and applied to an employee's guaranteed remuneration
Group financial targets 15% - 110% + **Individual non-financial KPIs 15% - 30%**	**Group financial targets 5% - 15%** + **Individual non-financial KPIs 15% - 45%**
Aggregate non-financial weightings form a discretionary pool available for allocation based on KPI and individual achievement	Non-financial weightings are capped and scored based on KPI and individual achievement
Group financial performance metrics IFRS operating earnings Group equity value generation Value of new business **Non-financial performance metrics** As per individual scorecard	**Financial performance metric** IFRS operating earnings Group equity value generation Value of new business **Non-financial performance metric** As per individual scorecard
Performance hurdle Under gate: 0% Target: 100% Out: 145% **Performance hurdle** Based on individual performance rating	**Performance hurdle** Under gate: 0% Target: 100% Capped at target **Performance hurdle** Based on individual performance rating
Performance achievement is scaled for under or out performance. The financial scale is capped at 145%. Out performance above 145% forms part of a discretionary pool for allocation, subject to Remco discretion and approval. 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.	

Bonus calculation

Guaranteed remuneration X { **Financial target achievement %** + **Non-financial achievement %** } = **Annual incentive**

Deferrals

Cash bonus amounts that exceed the below thresholds, as determined by Remco, are subject to the mandatory deferral into the Restricted Share Plan - Deferred Share Plan, with vesting instalments in 18, 30 and 42 months with no financial performance conditions. (See details on the Deferred Share plan under the variable remuneration long-term incentive section below).

- A minimum of R30 000 is applicable for bonus awards in excess of R500 000
- 20% of the bonus award greater than R500 000 is deferred
- 30% of the bonus award greater than R2 000 000 is deferred
- 40% of bonus award greater than R5 500 000 is deferred

Awards may be reduced or forfeited in full or in part, if in Remco's judgement, there has been misconduct or materially adverse misstatement of financial results.

Proposed changes

No changes were made to the plan in 2020.

Revision of the financial targets relating to the scheme in recognition of the impact of the COVID-19 pandemic and Liberty context to be undertaken in 2021.

Review of the weightings related to financial and non-financial components of the scheme to be undertaken in 2021.

STANLIB STANLIB short-term incentive scheme

Eligibility

The scheme is structured as a top-down bonus pool arrangement applicable to all STANLIB employees, with a profit-sharing component applicable to investment professionals and senior management. The scheme is applied to two employee groups, investment franchises and the rest of the business.

How it works

A bonus pool equal to 30% of audited, unadjusted PBITI (Profit before interest, tax and incentives) is utilised for incentives, set for each financial year. A modifier range of 80-120% is considered to recognise certain business imperatives such as investment performance quality, client metrics, conduct and risk management outcomes with Remco empowered to exercise discretion for unexpected anomalies.

The investment franchise pools are calculated separately for each franchise to ensure remuneration is aligned to the underlying success of the franchise. These bonus pools are then allocated to participants based on performance. Base incentives for start-up businesses that are loss making are guaranteed for a limited period and reduced to zero over the agreed period. The period ranges between one and three years depending on the nature of the business. This period is agreed upfront with the business unit or franchise.

Similarly, the rest of the business pool is calculated at a pre-defined share of PBITI of STANLIB. Individual incentive awards are based on individual KPIs and business performance.

Deferrals

Annual short-term incentive performance bonuses for investment professionals are subject to a mandatory deferral up to a maximum of 50%. The deferred bonus is invested in selected STANLIB managed unit trusts. The bonus vests after a three year period and is subject to applicable taxes.

Annual short-term incentive performance bonuses for the rest of the business are subject to the group deferral thresholds with the deferral split equally between STANLIB managed unit trusts and the Liberty Holdings group restricted share plan (deferred plan).

Proposed changes

The scheme was changed in 2020 to improve alignment with the group's performance, stronger focus on investment performance and the introduction of a more structured pool calculation methodology.

As this was the first year the construct was introduced, a review will be undertaken in 2021 to address possible shortcomings and enable possible enhancement.

LibFin LibFin Markets and LibFin management incentive scheme

Eligibility

All LibFin employees

How it works

The total market related package (combination of guaranteed and variable remuneration) is benchmarked against a similar role in the global markets business at Standard Bank and industry surveys.

Non-global markets roles are benchmarked against similar roles in the investment banking or appropriate industry surveys.

The variable component used for the total market related benchmark is short-term incentive and will be the balancing number to achieve the total market related package, subject to group, business unit and individual performance requirements being met.

The above methodology will apply to all roles and will be determined by each role's specific pay mix between guaranteed and variable remuneration.

Deferrals

Deferral arrangements at LibFin Markets align to the deferral treatment at Standard Bank and the LibFin Management scheme participants defer in line with the Liberty Senior Management Scheme deferral thresholds reflected on page 9.

Awards may be reduced or forfeited in full or in part, if in Remco's judgement, there has been misconduct or materially adverse misstatement of financial results.

Proposed changes

No changes were made to the scheme in 2020.

Remuneration policy (continued)

General staff incentive scheme

Eligibility

All general staff (excluding STANLIB and LibFin)

How it works

- The scheme is completely discretionary. It serves to reward general staff based on individual, business unit and group performance
- This scheme includes awards of between 4% - 20% of annual guaranteed remuneration
- Employees must be in service on the date the payment is made to be eligible for the award

Proposed changes

No changes were made to the scheme in 2020.

Annual determination of short-term incentive financial targets

Financial targets, both at group and business unit level, supporting the short-term incentive schemes are approved by the board annually, and are aligned to the group financial KPI measures of IFRS operating earnings, group equity value earnings and the value of new business.

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 are sufficiently challenging, are aligned to shareholders' interests and are within the group's risk appetite.

Liberty Holdings group executives have a significant portion of their short-term incentives linked to financial performance and a maximum of 30% of their annual guaranteed pay linked to individual KPIs. In 2020, the Liberty Holdings group executives (excluding the asset management executives) were fully aligned to the three group performance targets. The majority of the remaining participants of the senior management and specialist incentive scheme were also heavily weighted to group financial targets and a smaller portion of their incentives linked to individual performance.

Variable remuneration long-term incentive

Purpose	• The primary role of long-term incentive awards is to align management objectives closely to those expected by shareholders
Link to strategy	• Long-term plans supplement deferred short-term incentive awards to effectively assist in the recruitment, motivation and retention of key management and critical skills
General design principles	• All awards are discretionary and subject to performance conditions. The general policy is that awards are made annually taking into consideration total remuneration benchmarks. In addition, the role and performance of the individual and the need to retain their services are considered.

Group restricted share plan

Participation and award LTIP

- Awards are discretionary and are recommended by the group chief executive with approval by Remco. Awards are aimed at employees fulfilling key and critical roles
- 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 are forfeited if these conditions are not met
- No awards were made in 2020.

Participation and award deferred (DRS) and special deferred (SDRS) restricted share

- SDRS awards are discretionary and are recommended by the group chief executive and approved by Remco. Awards are granted to employees fulfilling key and critical roles and employees recognised as a Fellow of the Actuarial Society of SA and or Institute of Actuaries.
- Awards are in the format of fully paid-up shares in Liberty Holdings Limited which are held in a trust subject to vesting conditions.
- Annual short-term incentive performance bonus payments above thresholds are subject to mandatory deferral where the deferred portions are invested into Liberty Holdings Limited shares as part of the DRS plan.

Performance conditions LTIP

- Performance conditions under this plan are linked to the cumulative return on group equity value which must be in excess of the weighted average cost of capital for the relevant share vesting period.
- The return on group equity value is normalised for economic assumption changes and investment variances and is calculated on a cumulative basis.
- Performance conditions are tested at the date of vesting , over a three to five year performance measurement period. No re-testing of performance conditions is permitted.

Performance conditions DRS & SDRS

- Individual performance and service are tested on vesting
- Vesting occurs in equal thirds after 18, 30 and 42 months.

Maximum face value of awards

The quantum of the above awards at an individual level is guided by:

- publicly disclosed remuneration information as well as total remuneration benchmarks
- affordability and annual allowable number of long-term incentives available and
- the role, performance and future retention of an employee

Vesting of awards LTIP

Vesting of the award is subject to performance achievement against performance condition targets. A vesting scale for performance below target levels allows for proportionate vesting of long-term incentives. Awards vest in equal tranches over three years at the anniversary of the award and are subject to forfeiture based on performance conditions.

Number of shares awarded X **Performance achievement** = **Vested award** **1/3rd at anniversary of year 3, 4, 5**

Rules and rights

- Unvested shares are forfeited on termination of employment
- Applicable dividends are paid to participants as and when paid by Liberty
- No voting rights are attached to the shares held in trust
- Liberty executives can elect to take up to 50% of the LTIP award in share rights through the Equity Growth Scheme. A 10% premium is provided on such 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 must be acquired in the market
- Share award issue price is based on the Liberty Holdings Limited share price seven days prior to the last day to trade cum dividend on the JSE.

Proposed changes

Special deferred awards were introduced in 2020. All Liberty long-term incentive schemes were modernised during 2020 to align to best practice – see more details on this under "Changes to remuneration during 2020" section.

Remuneration policy (continued)

Performance reward plan

Participation and award

Executives and senior management who have been identified to significantly influence the long-term performance of Liberty.

Remco evaluated the effectiveness of the performance reward plan (PRP) awards made on 1 March 2020 which was awarded three weeks before the commencement of the pandemic lockdowns in South Africa and concluded that the financial conditions attached to the PRP scheme simply did not contemplate the severity of the effects of the pandemic, and that the awards would be more effective if implemented under a once-off equity growth scheme (EGS) award which is subject to individual performance and strategy execution performance conditions. The March 2020 award relating to 2019 was cancelled through a contractual process of voluntary cancellation and acceptance by participants under a "2020 Special EGS award". This award was effective from 6 November 2020. See Equity Growth Scheme mechanics noted on page 14.

The performance conditions associated with the Special award are noted below:

1. Individual performance:

   Awardees must achieve a "fully achieved" rating for their own personal KPI's, across each year between award and vesting.

2. Firm wide performance conditions:
   a. In the opinion of Remco, Liberty must have made substantial progress in respect of the five value drivers used to guide and monitor the execution of the strategy:
      i. Client and adviser experience
      ii. Employee experience
      iii. Risk and conduct
      iv. Social, environmental and economic impact
      v. Financial performance
   b. Progress will be assessed by Remco at the three-year anniversary of the award and vesting will be in the sole discretion of Remco.
   c. Remco's assessment of vesting will be applied to the all three vesting tranches.

Remco may, in its discretion, approve proportional vesting should the assessment of progress merit such.

Performance conditions

Awards are fully subject to performance conditions which are set annually by Remco. Conditions include a minimum threshold, a target and a stretch target to achieve any vesting with interpolation between targets. Once targets are set at commencement of the award these cannot be changed during the four year financial performance assessment period. No vesting occurs unless the minimum threshold is achieved and a maximum of 200% will vest on achievement of stretch targets.

Performance conditions 2020	Ranges	
• Performance conditions under this plan are linked to normalised[1] return on IFRS equity (RoE) and normalised[1] return on group equity value (RoGEV) • The performance conditions are weighted as follows: RoE – 60% of award RoGEV – 40% of award	**RoE** • Below 15% average return, no vesting of units • Maximum vesting of 200% of units if average of 19% return is achieved over the period	**RoGEV** • Maximum vesting of 200% of units if 13,5% average return is generated • Average return generated below 9,5%, no vesting of units

Performance conditions 2019	Ranges	
• Performance conditions under this plan are linked to normalised[1] return on IFRS equity (RoE) and normalised[1] return on group equity value (RoGEV) • The performance conditions are weighted as follows: RoE – 60% of award RoGEV – 40% of award	**RoE** • Below 14% average return, no vesting of units • Maximum vesting of 200% of units if average of 19% return is achieved over the period	**RoGEV** • Maximum vesting of 200% of units if 13,5% average return is generated • Average return generated below 8,5%, no vesting of units

[1] *These measures reflect the economic reality of the consolidation of the listed REIT Liberty Two Degrees (L2D) and the Black Economic Empowerment (BEE) transaction, as opposed to the required IFRS accounting treatment.*

Rules and rights

Shares vest after four years when 50% of the award will be settled in year four and 50% in year five. Cash will be paid at vesting dates equivalent to the dividends declared over the vesting periods times the numbers of shares that vested. Settlement of units on vesting will be honored by purchasing shares on the open market which will not have a shareholder dilutive effect. Practice has been that shares are not issued by the company but are acquired in the market.

Proposed changes

All Liberty long-term incentive schemes were modernised during 2020 to align to best practice - see more details on this under "Changes to remuneration during 2020" section.

The performance conditions and ranges relevant to this scheme will be reviewed in 2021 in recognition of the impact of the COVID-19 pandemic and the current Liberty context.

Equity growth scheme

Participation and award

Executives and senior management who have been identified as critical to business sustainability and capitalising on growth opportunities.

Participants are awarded share appreciation rights (SARs) linked to the Liberty share price at the grant date of the award. Awards are discretionary and subject to Remco approval.

Performance conditions

- Performance conditions relating to awards prior to 2020 are linked to achieving a cumulative return on group equity value in excess of cumulative weighted average cost of capital for the relevant share vesting period
- The return on group equity value is normalised for economic assumption changes and investment variances and is calculated on a cumulative basis
- Performance conditions are tested at the date of vesting, which has a five year performance measurement period. No re-testing of performance conditions is permitted.

Maximum face value of award

The quantum of the award at individual level is guided by:
- publicly disclosed remuneration information as well as total remuneration benchmarks
- affordability and annual allowable number of long-term incentives available
- the role, performance and future retention of an employee.

Vesting of award

Vesting of the award is subject to performance achievement against performance condition targets. A vesting scale for performance below target levels allows for proportionate vesting of long-term incentives. Awards vest in unequal tranches over three years.

Right value ÷ Share price at vesting = Number of shares X Performance achievement = Vested award

50% at anniversary of year 3
25% at year 4 and 5 anniversaries

Rules and rights

- Unvested shares are forfeited on termination of employment
- No rights are issued at a pricing discount and
- Right holders are not entitled to dividends and do not have voting rights
- Shares are not issued by the company but are acquired in the market and
- Share can be implemented up to ten years from original award date.

Proposed changes

All Liberty long-term incentive schemes were modernised during 2020 to align to best practice - see more details on this under "Changes to remuneration during 2020" section.

Remuneration policy (continued)

Long-term incentive vesting estimates based on performance to date

Long-term incentives are awarded annually to eligible participants under the various long-term incentive plans. Each long-term incentive award vests upon meeting performance targets. The performance measures and targets set for the long-term incentive scheme for 2020 are provided below:

Long-term incentive scheme	Future vesting estimate
Liberty restricted share plan (LTIP) [1] and equity growth scheme (EGS) The cumulative return on group equity value must be in excess of the weighted average cost of capital for the relevant share vesting period.	As the performance conditions are of a cumulative nature, the 2020 financial year performance results in 0% vesting of the 2016 tranches vesting in 2021. The 2019 financial year performance however allows for the partial vesting of 20% relating to the second tranche of the 2017 award and 25% partial vesting relating to the first tranche of the 2018 award vesting in 2021. It is likely that the future outstanding vesting of awards under the LTIP will be limited to partial vesting as follows: 2017 award 15% of the third tranche vesting in 2022; 2018 award 20% of the second tranche vesting in 2022; 2018 award 15% of the third tranche vesting in 2023.
2020 special equity growth scheme award (EGS) 1. Individual performance: Awardees must achieve a "fully achieved" rating for their own personal KPI's, across each year between award and vesting. 2. Firm wide performance conditions: a. In the opinion of Remco, Liberty must have made substantial progress in respect of the five value drivers used to guide and monitor the execution of the strategy: i. Client and adviser experience ii. Employee experience iii. Risk and conduct iv. Social, environmental and economic impact v. Financial performance b. Progress will be assessed by Remco at the three-year anniversary of the award and vesting will be in the sole discretion of Remco. c. Remco's assessment of vesting will be applied to the all three vesting tranches. Remco may, in its discretion, approve proportional vesting should the assessment of progress merit such.	The first tranche of this award will vest in 2023 with the performance conditions to be tested over the period 2020 – 2023.
Performance reward plan (PRP) [1] The 2019 vintage of the plan considers 60% weighting of normalised return on IFRS equity (ROE) and 40% weighting to normalised return on group equity value generated.	The first tranche of this vintage is due to vest in 2023 with the performance conditions to be tested over the period 2019 - 2022. At this stage the performance indicates that no awards will vest in the future. However, two financial performance periods remain for full assessment.

(1) No awards were made under these plans in 2020.

Company and individual limits

The maximum number of shares that may be acquired by all participants in terms of the Liberty share incentive schemes is 29 000 000 which is 10,13% of the issued share capital of Liberty Holdings Limited. The individual maximum number of shares that can be acquired by any one participant is limited to 2,5% of the 29 000 000, or 725 000 shares.

Minimum shareholding for executive directors

Executive directors are required to maintain a shareholding valued as a multiple of guaranteed remuneration. The chief executive officer is subject to a multiple of three times fixed remuneration and the financial director is subject to a multiple of two times fixed remuneration. In line with the change in leadership and structures during 2018, this holding requirement was changed to be applicable to executive directors only.

This long-term requirement is accumulated over time. Any vested shares are required to be held until the minimum holding level is met. This is monitored annually by Remco.

Remuneration scenarios for executive directors

Minimum reward scenario

The short-term incentive is formula driven based on financial and non-financial deliverables. This scenario assumes that no performance targets are achieved.

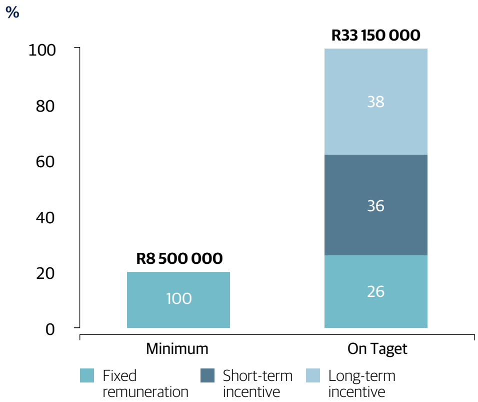
The long-term incentive award is at Remco's discretion and assumes that no performance targets are achieved.

On-target reward scenario

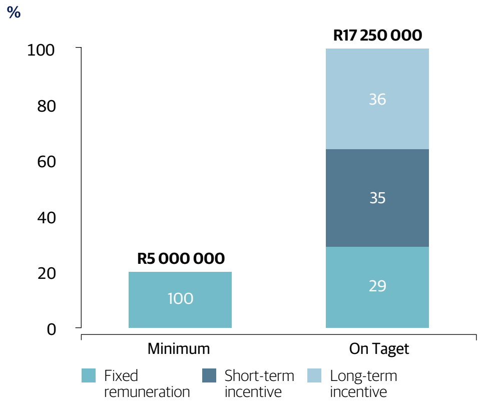
This scenario assumes performance at 100% of the financial target range and full non-financial component achieved (group chief executive: 140% of guaranteed pay; financial director: 120% of guaranteed pay).

The long-term incentives are awarded at Remco's discretion and assumes that all financial and non-financial performance targets are met at target levels (group chief executive: 1 – 2 times salary; executive director: 1 – 2 times salary).

Minimum and on-target reward scenarios group chief executive



Minimum and on-target reward scenarios financial director



Stretch reward scenario

The short-term incentive is formula driven based on financial and non-financial deliverables. Individual performance ahead of 145% of the financial target slope is allocated to a pool that is distributed at the discretion of Remco.

The long-term incentives are awarded at Remco's discretion and under the PRP scheme out performance of up to 200% could be achieved. All other schemes have no out performance opportunity.

Remuneration policy (continued)

How we manage our remuneration

Liberty is committed to remuneration management and governance that conforms to industry best practice and governance regulations. Key to remuneration management is to drive performance behaviour, maintain externally competitive remuneration and sustain fair levels of internal equity within the group.

Remaining competitive

Benchmarking

Liberty employees are generally benchmarked to the 50th percentile as informed by market survey data. Where necessary, employees are paid closer to the upper quartile of the market to take cognisance of scarce skills. Proportionately higher guaranteed remuneration increases for lower staff levels have been implemented since 2010 to narrow internal pay gaps. Liberty's minimum entry level salary package exceeds R165 000 per annum.

For the 2020 performance year, the group adopted a portfolio remuneration approach, in terms of which remuneration structures are designed to reward employees appropriately for performance achieved in their respective business units in addition to the overall group performance. Consideration is given to the market sector, maturity and life cycle of the business units.

Liberty uses various independent remuneration consultants 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.

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. At 31 December 2020 there were no significant guaranteed bonus commitments in force.

Buy-out awards made on hiring

To attract key employees, it is sometimes necessary to compensate for the loss of unvested awards provided by the previous employer. 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.

Retention agreements

Retention agreements are only entered into in exceptional circumstances. Retention payments must be repaid should the individual concerned leave within a stipulated period. At 31 December 2020 there were no significant retention agreements in force.

Service contracts of executive directors and prescribed officers

All executive directors have permanent employment contracts with Liberty Holdings or its subsidiaries. The contracts prescribe notice periods of three months for the group chief executive, the financial director and prescribed officers. These contracts are regularly reviewed to ensure they remain aligned with governance and legislative requirements.

Termination payments

Although there are no long-term employment contracts in place in the group, severance benefits may be required to be paid on termination of employment. These are determined by reference to prevailing labour legislation and Liberty precedents.

Governance

There is an appropriate governance process in place to approve all types of payments listed above. This includes a set delegation of authority with package proposals for new hires and terminations being approved by the chairman of Remco or the full Remco when relevant or when warranted by the board.

Ensuring internally fair, equitable and responsible remuneration

Job levels

Jobs are sized or benchmarked, using stratified systems theory methodology and are linked to the appropriate band with underlying earning ranges per band. Indicators that are considered in the determination of the job level include factors such as knowledge, experience, problem solving, and accountability.

Internal remuneration levels

The internal salary scales provide a framework for management to maintain internal pay equity and provide a broad guide to the market rates associated with the level of a position. Salary scales would typically overlap to accommodate people high in a particular broadband. Internal salary scales are developed with reference to the financial services industry.

Fair and responsible remuneration

Remuneration programmes support the organisation's talent management strategy, which is driven by its business strategy, and foster an environment of career flexibility and mobility. Investing in people initiatives through talent mapping, employee development and training courses creates a work environment and culture conducive to an employee's growth, career progress and earning potential. Since 2010, the earnings potential of lower level employees has been aligned to settlement percentages of collective bargaining councils, even though Liberty staff are not members of these bargaining councils. These percentages have been higher than those granted to management and executives, thereby narrowing pay gaps between the highest and lowest paid employees.

Responsible remuneration is achieved through

- Linkage to value creation over the short, medium and long term
- Evidencing the linkage between value creation and remuneration to stakeholders, and
- Independent oversight and approval of remuneration by appropriate governance forums.

Fair remuneration is achieved through

- Transparent pay differentiation processes and performance measurement, and
- Alignment to the principle of equal pay for work of equal value where pay decisions are impartial, free from discrimination, self-interest, favouritism or prejudice.

Remco undertakes the following activities to ensure fair and responsible remuneration

- Seeking the input of shareholders via shareholder engagement
- Continuously improving transparency of remuneration reporting, and
- Continuous monitoring of pay gaps.

Pay for performance

Individual reward is determined on a pay for performance principle. Liberty is committed to effective performance management which includes:

- A performance contract for every employee to define and clarify the objectives and outputs required to meet the organisation's objectives
- Continuous assessment and regular reviews of performance by managers of their direct reports ensure transparent performance feedback, identifies development needs and corrective action is agreed
- Formal performance and development reviews, where applicable, ensure performance feedback and any agreed action is recorded
- Personal development plans for all employees ensuring that development needs are identified and addressed through joint action between employees, their managers and the organisation as a whole
- Performance and incentive contracts, particularly for managers, identify and clarify measurable job objectives against which performance can be measured over defined periods.

It is Liberty's intention to ensure that there is a strong correlation between objectively measured performance and levels of remuneration. Differentiation will be considered for performance that is "outstanding" versus "meets expectations". Outstanding performers are rewarded more than performers who only meet expectation. The performance ranking as per the performance management system is a key input into the level of adjustment for the individual.

Ensuring alignment of remuneration with risk taken

The chief risk officer reports to Remco on any excessive risk taking or performance issues that the committee should be aware of. This is considered when determining short- and long-term incentive awards. This reporting confirmed that the group operated within risk appetite and that all risk breaches had been considered for all incentive awards approved by Remco.

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 period.

Remuneration practices of non-South African group subsidiaries

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

Remuneration of tied agents

Liberty distributes insurance and investment products via 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 client retention, quality and volume incentives are offered to promote sales and client retention targets.

Based on performance and grading, certain tied agents in South Africa qualify for a cash-settled unit scheme linked to Liberty's share price payable after three years. Awards 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.

Employee transfers between Liberty and Standard Bank

The remuneration policies of Liberty and Standard Bank allow for portability between group entities and for the continuation of certain benefits including past unexercised equity-settled or cash-settled grants. Unless agreed otherwise, 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 by 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 a Standard Bank group business unit. Once transfers are effective, employees are only eligible to receive further long-term incentives from the new employer.

Non-executive directors

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

Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive schemes. Fees are annually benchmarked to equivalent responsibilities in the financial services sector. Considering 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.

The remuneration committee considered the business context of Liberty and proposed that the 3% pay increase is applied to all non-executive directors' fees for 2021.

Indirect interests

By virtue of either directorships in or material shareholdings held directly or indirectly by Standard Bank Group Limited's 53,6% (2019: 53,6%) in the issued ordinary share capital of Liberty, Jacko Maree and Sim 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 (2019: 153 461 712) ordinary shares in Liberty at 31 December 2020.

PART

03

Implementation **report**

The implementation report provides a breakdown of executive director and non-executive director remuneration for 2020. The remuneration breakdown as applied within the group's remuneration policy is provided in line with King IV™ reporting requirements and complies with the Companies Act and related legislation on disclosing prescribed officer remuneration.

Executive directors' remuneration

Prescribed officers

The Companies Act and associated regulations introduced the concept of prescribed officers and related remuneration disclosure. The directors' affairs and remuneration committees considered the Act and obtained legal opinion. These committees assess the prescribed officer definition annually from a specific company rather than a group perspective. David Munro and Yuresh Maharaj were assessed as meeting the prescribed officer definition for Liberty Holdings Limited in line with policy. Their remuneration details are detailed in this section.

Guaranteed remuneration

Executive director guaranteed pay is made up of a cash component (monthly salary), medical aid contributions, retirement and risk benefits and applicable allowances.

The board approved an average 3% (2019: 10,4%) increase for members of the executive committee which considered an inflation related adjustment. The annual remuneration package of the executive committee will be adjusted with effect from 1 April 2021.

Short-term incentives

The short-term incentive is conditional on the achievement of two sets of performance criteria (as noted under section 2 of this report) a financial component linked to group financial targets and a non-financial component linked to individual performance scorecards. The performance measures and targets set for the short-term incentive scheme FY2020 did not deliver any value mainly due to the implications to the business of the COVID-19 pandemic as noted below:

Executive directors' remuneration (continued)

Group financial performance scorecard	Weighting	Result
IFRS operating earnings [1]	40%	0%
Group equity value generation [2]	40%	0%
VoNB (Value of new business) [3]	20%	0%
Overall achievement	**100%**	**0%**

[1] *Defined as 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 has the most direct influence over.*

[2] *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, share buy-backs and other capital transactions. 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.*

[3] *The value of new business target is adjusted to normalise for changes in economic assumptions.*

Individual non-financial performance scorecards Weighting
D Munro
SA retail focus on various channels to improve productivity and volumes and continue simplification efforts
STANLIB to deliver compelling investment performance and integrate remaining Africa operations
Grow umbrella and volumes in Liberty Corporate and continue with the remediation of unclaimed benefits
Grow the Kenya business aggressively and maintain other Africa operations
Continue to invest in and improve the employee experience so as to drive productivity, motivation and commitment and employee wellness
Manage the risk and control environment to continue do the right business the right way and to manage financial and other resources responsibly
Continue to make a positive impact on society, the environment and the economic circumstances where Liberty operates
Overall achievement: An assessment against the above KPIs delivered a fully achieved result
Y Maharaj
Appraise shareholders and analysts of remediation and restoration efforts at Liberty
Cost management and reporting
Enhance the deployment and functionality of financial management systems
Strengthen the financial control environment and financial architecture
Overall achievement: An assessment against the above KPIs delivered a fully achieved result

The annual short-term incentives paid to executive directors for FY2020 are set out below:

Executive directors	Annual short-term incentive R'000	Percentage of guaranteed remuneration %	Deferral into Liberty restricted shares R'000
D Munro	2 167	25%	350
Y Maharaj	1 425	28%	185

Long-term incentives

Mr Munro and Mr Maharaj were awarded PRP awards totalling R13,5 million and R6,5 million respectively in March 2020. These PRP awards were subsequently voluntarily cancelled and replaced with equivalent EGS awards as described under page 13 of this report. The PRP scheme remains the preferred long term incentive instrument for senior executive awards and the 2020 financial year awards considered the need to incentivise business recovery and restoration of shareholder value where Mr Munro and Mr Maharaj were awarded PRP awards totalling R15,5 million and R7,5 million respectively which represents an increase of 15% in aggregate as compared to the 2019 financial year awards.

The long-term incentive awards granted to Mr Munro and Mr Maharaj referenced the guidance range of one to two times annual guaranteed pay (refer Remuneration scenarios for executive directors on page 16) and the actual awards are noted in the additional disclosure table on page 21 of this report.

Implementation report (continued)

Single figure disclosure

Executive directors' remuneration

Remuneration, including incentives, is calculated *pro rata* to the period served as a prescribed officer. The presentation of the remuneration components below reflect the award values in relation to the performance period to which they relate. Single figure disclosure is in accordance with King IV™. Additional disclosure is provided for purposes of completeness and comparability with information provided in previous periods. Not all components are immediately settled and are linked to the ordinary share price of Liberty Holdings Limited as well as being contingent on performance and service periods.

	2020		2019	
R'000	**DC Munro**	**Y Maharaj**	DC Munro	Y Maharaj
Single figure disclosure				
Fixed remuneration[1]	8 335	5 000	7 844	4 023
Cash portion of package	7 440	4 335	7 001	3 464
Other benefits	195	85	184	95
Retirement contributions	700	580	659	464
Variable remuneration awards[2][3]	2 167	1 425	8 815	4 672
Cash	1 817	1 240	6 139	3 570
Restricted share plan	350	185	2 676	1 102
Long-term awards	1 173	654	2 175	878
Equity growth scheme partial vesting[4]	260	43	1 529	
Restricted share plan partial vesting[5]	337	242		207
Dividends	576	369	646	671
Total remuneration	11 675	7 079	18 834	9 573
Additional disclosure				
Fixed remuneration[1]	8 335	5 000	7 844	4 023
Cash portion of package	7 440	4 335	7 001	3 464
Other benefits	195	85	184	95
Retirement contributions	700	580	659	464
Variable remuneration awards[2][3]	2 167	1 425	8 815	4 672
Cash	1 817	1 240	6 139	3 570
Restricted share plan	350	185	2 676	1 102
Long-term awards	15 500	7 500	13 500	6 500
Performance reward plan/2020 special equity growth scheme award[6][7]	15 500	7 500	13 500	6 500
Total	26 002	13 925	30 159	15 195
Accrued and settled	10 152	6 240	13 983	7 593
Deferred in terms of short-term incentives policy[2]	350	185	2 676	1 102
Deferred in terms of long-term incentives policy and contingent on future performance[6]	15 500	7 500	13 500	6 500

(1) *Fixed remuneration includes all guaranteed amounts and value of benefits granted only conditional to services rendered to Liberty. Generally fixed remuneration is adjusted annually for inflation and market conditions effective 1 April each year.*

(2) *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.*

(3) *Short-term incentives were approved based on the group results for the 2020 financial year and payable in the 2021 financial year. Incentives are calculated as a percentage of total guaranteed package as at 31 December 2020. Comparatives have been calculated on a similar basis.*

(4) *The second tranche of the 2017 and first tranche of the 2018 Equity Growth Scheme award were assessed against the relevant financial performance conditions and a 20% partial vesting was achieved relating to the 2017 award and 25% partial vesting was achieved relating to the 2018 award. (2019: The first tranche of the 2017 Equity Growth Scheme award was assessed against relevant financial performance conditions. A 25% partial vesting was achieved.)*

(5) *The third tranche of the 2016 LTIP (Restricted Share Plan) was forfeited due to the performance condition not being met. The second tranche of the 2017 and first tranche of the 2018 LTIP (Restricted Share Plan) award were assessed against relevant financial performance conditions. A 20% partial vesting was achieved relating to the 2017 award and 25% partial vesting was achieved relating to the 2018 award. (2019: Mr Y Maharaj had three tranches of LTIP (Restricted Share Plan) awards vesting relating to the financial performance of 2019. Two of these tranches were forfeited due to the performance condition not being met and a 25% partial vesting of the first tranche of the 2017 award was achieved.)*

(6) *The awards are fully subject to vesting conditions and performance conditions which were approved by the remuneration committee in February 2021 and 2020 in order to align to the performance periods of 2020 and 2019. Conditions include a minimum threshold to achieve any vesting a target and a stretch target, with interpolation between targets.*

(7) *The remuneration committee (Remco) evaluated the effectiveness of the Performance Reward Plan (PRP) award made on 1 March 2020 which was awarded three weeks before the commencement of the pandemic lockdowns in South Africa and concluded that the financial conditions attached to the PRP scheme simply did not contemplate the severity of the effects of the pandemic. Remco agreed that the PRP awards would be more effective if implemented under a once-off Equity Growth scheme (EGS) award which are subject to individual performance and strategy execution performance conditions. The March 2020 award relating to 2019 was cancelled through a contractual process of voluntary cancellation and acceptance of an equivalent EGS award by participants under a "2020 Special EGS award".*

Summary of past long-term awards not exercised

Equity-settled schemes

Liberty rights under option

D Munro (R'000)	Date granted	Price payable per share	Date fully vested	Opening balance	Shares/ rights granted/ (exercised)/ forfeited	Shares/ rights at the end of 2020	Value on grant date (R'000)	Value on settlement 2020[1] (R'000)	Fair value at year end 2020[2] (R'000)
Equity-settled schemes				725 000	640 500	1 365 500	25 365	–	18 113
	30 May 2017	R110 790	30 May 2022	500 000	(187 500)	312 500	16 198		1 735
	1 Mar 2018	R138 000	1 Mar 2023	225 000		225 000	9 167		972
	6 Nov 2020	R55 850	6 Nov 2025		828 000	828 000	–		15 406
Restricted share plan (long-term plan)				65 218	–	65 218	9 000	–	4 042
	1 Mar 2018	R138 000	1 Mar 2023	65 218		65 218	9 000		4 042
Restricted share plan (deferred plan)				26 073	31 318	57 391	4 413	571	3 556
	1 Mar 2018	R138 000	1 Sep 2021	4 530	(2 264)	2 266	313	137	140
	1 Mar 2019	R99 140	1 Sep 2022	21 543	(7 180)	14 363	1 424	434	890
	1 Mar 2020	R65 650	1 Sep 2023		40 762	40 762	2 676		2 526
				816 291	671 818	1 488 109	38 778	571	25 711

Y Maharaj (R'000)	Date granted	Price payable per share	Date fully vested	Opening balance	Shares/ rights granted/ (exercised)/ forfeited	Shares/ rights at the end of 2020	Value on grant date (R'000)	Value on settlement 2020[1] (R'000)	Fair value at year end 2020[2] (R'000)
Equity-settled schemes				80 000	399 000	479 000	3 259	–	7 770
	1 Mar 2018	R138 00	1 Mar 2023	80 000		80 000	3 259		346
	6 Nov 2020	R55 850	6 Nov 2025		399 000	399 000	–		7 424
Restricted share plan (long-term plan)				71 408	(22 647)	48 761	6 334	–	3 023
	1 Sep 2015	R128 800	1 Sep 2020	10 352	(10 352)	–	–		–
	1 Mar 2016	R138 400	1 Mar 2021	9 634	(4 817)	4 817	667		299
	1 Mar 2017	R111 430	1 Mar 2022	22 436	(7 478)	14 958	1 667		927
	1 Mar 2018	R138 000	1 Mar 2023	28 986		28 986	4 000		1 797
Restricted share plan (deferred plan)				12 368	12 052	24 420	1 882	287	1 513
	1 Mar 2017	R111 430	1 Sep 2020	623	(623)	–	–	38	–
	1 Mar 2018	R138 000	1 Sep 2021	1 144	(572)	572	79	35	35
	1 Mar 2019	R99 140	1 Sep 2022	10 601	(3 533)	7 068	701	214	438
	1 Mar 2020	R65 650	1 Sep 2023		16 780	16 780	1 102		1 040
				163 776	388 405	552 181	11 475	287	12 306

(1) *Value of cash flow is calculated by multiplying the vesting share price by the total units vesting and applying performance conditions where applicable.*

(2) *The fair value is calculated by multiplying the LHL share price as at 31 December 2020 by the total unvested units. A Black Scholes valuation has been applied to the EGS awards and the restricted shares have been assumed to deliver full value and no performance conditions have been applied.*

Implementation report (continued)

Directors' remuneration (single figure disclosure)

No increases were applied to the 2019 non-executive directors' fees in respect of Liberty Holdings Limited, Liberty Group Limited and STANLIB Limited. Fee increases for 2020 ranged between 6% - 11% to align to fees of a broader comparator group.

Directors[1] (R'000)	Executive directors of LHL and LGL	Non-executive directors of LHL and LGL	Committee fees	Ad hoc fees	Directors of STANLIB Limited	Directors of Liberty L2D Limited	Total Liberty group	Other SBG[2]	Total remuneration
2020									
JH Maree[3] *(chairman)*		3 065					3 065	1 929	4 994
YGH Suleman *(appointed lead independent director 14 May 2020)*		725	1 041	133			1 899		1 899
AWB Band *(lead independent director) (resigned 13 May 2020)*		351	257	27		372	1 007		1 007
N Criticos		375	406	54	190		1 025		1 025
AP Cunningham[4] *(resigned 13 May 2020)*		1 045		54			1 099		1 099
MW Hlahla		375	201	27	190		793		793
N Khan		375	865	54			1 294		1 294
Y Maharaj	7 079						7 079		7 079
DC Munro	11 675						11 675		11 675
SP Ridley		375	722	54			1 151		1 151
CL Roskruge Cele		375	462	27			864		864
SP Sibisi *(resigned 13 May 2020)*		141	235	27			403		403
T Skweyiya		375	250	80	190		895		895
JH Sutcliffe[5]		3 289		106			3 395		3 395
SK Tshabalala[6]								24 049	24 049
H Walker		375	676	80	190		1 321		1 321
Total	18 754	11 241	5 115	723	760	372	36 965	25 978	62 943

(1) *Ms LN Hartnady and Mr P Mhlanga were appointed to the board of directors on 26 November 2020 and did not receive any directors fees in the current year.*

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

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

(4) *Mr AP Cunningham is an international director and received a composite fee of £55 013 as a member of the board, committees and subsidiary boards. 2020 rand equivalent of director's foreign currency fees paid is R1 099 226.*

(5) *Mr JH Sutcliffe is an international director and received a composite fee of £157 300 as a member of the board, committees, subsidiary boards and chairman of a committee. 2020 rand equivalent of director's foreign currency fees paid is R3 394 929.*

(6) *Mr SK Tshabalala, a non-executive director of Liberty, as CEO of Standard Bank Group was a full time employee of the Standard Bank Group and therefore did not receive director's fees or other remuneration from Liberty.*

Directors[1] (R'000)	Executive directors of LHL and LGL	Non-executive directors of LHL and LGL	Committee fees	Ad hoc fees	Directors of STANLIB Limited	Directors of Liberty L2D Limited	Total Liberty group	Other SBG[1]	Total remuneration
2019									
JH Maree[2] *(chairman)*		2 894					2 894	1 753	4 647
AWB Band *(lead independent director)*		935	604	26		903	2 468		2 468
SL Botha *(resigned 30 April 2019)*		115	159				274		274
N Criticos *(appointed 1 September 2019)*		115	96		45		256		256
AP Cunningham[3]		2 661					2 661		2 661
MW Hlahla		347	102		180		629		629
N Khan		347	425				772		772
Y Maharaj	9 573						9 573		9 573
DC Munro	18 834						18 834		18 834
SP Ridley		347	344				691		691
CL Roskruge Cele		347	239				586		586
SP Sibisi		347	602				949		949
T Skweyiya		347	76		120		543		543
YGH Suleman		347	1 011	26			1 384		1 384
JH Sutcliffe[4]		2 921					2 921		2 921
SK Tshabalala[5]								49 196	49 196
H Walker		347	383		180		910		910
Total	28 407	12 417	4 041	52	525	903	46 345	50 949	97 294

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

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

(3) *Mr AP Cunningham is an international director and received a composite fee of £142 450 as a member of the board, committees and subsidiary boards. 2019 rand equivalent of director's foreign currency fees paid is R2 661 092.*

(4) *Mr JH Sutcliffe is an international director and received a composite fee of £152 750 as a member of the board, committees, subsidiary boards and chairman of a committee. 2019 rand equivalent of director's foreign currency fees paid is R2 921 010.*

(5) *Mr SK Tshabalala, a non-executive director of Liberty, as CEO of Standard Bank Group was a full time employee of the Standard Bank Group and therefore did not receive director's fees or other remuneration from Liberty.*

Implementation report (continued)

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

	Number of shares	
(R'000)	**2020**	**2019**
Executives' shareholding		
DC Munro	95 127	90 037
Y Maharaj	6 599	4 051
	101 726	94 088
Non-executives' shareholding		
JH Maree	100 000	100 000
T Skweyiya	2 455	455
JH Sutcliffe	4 000	4 000
SK Tshabalala	43 000	43 000
	149 455	147 455
Total	251 181	241 543

Deviation from policy

There were no material deviations from the remuneration policy. Remco is satisfied that all remuneration practices are in line with the group remuneration policy.

Advisory vote on implementation report

The implementation report is be tabled annually at the AGM for a non-binding advisory vote by shareholders. Liberty commits to engage with shareholders and address any part or parts of the remuneration policy or its implementation in the event of votes against the policy and its implementation by 25% or more of the votes exercised.

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