



MUTUAL SOCIETY

***We're here
for you[®]***

2022

Integrated Annual Report

ABOUT OUR REPORT

REPORTING BOUNDARY AND SCOPE

This Integrated Annual Report (IAR) covers our performance between 1 July 2021 and 30 June 2022 (the reporting period). The report also contains statements that relate to **AVBOB**'s future operations and performance. These statements do not guarantee future operating, financial or other results and involve uncertainty, as they rely on future circumstances – some of which are beyond our control.

APPROVAL

The Board accepts ultimate responsibility for the integrity and completeness of the IAR. The Board confirms that this report represents a fair and balanced view of our integrated performance. We believe this report shows that we are creating and sharing achievable and sustainable value and prosperity with our stakeholders in the short, medium, and long term.

The Board approved this 2022 Integrated Annual Report on 28 September 2022.

The past financial year brought with it significant turmoil, tragedies and triumphs. As our country and the global community continued to adapt to socio-economic, environmental and political challenges, the **AVBOB** family was again able to rely on steadfast support from **AVBOB** and our mutual model of shared value.

Our foundation of mutuality, our 104-year-old commitment to sharing our value and being here for all South Africans, is borne from our founding humanitarian spirit – the guiding force that directs our initiatives, decisions and actions.

One of the most significant and lasting effects of the COVID-19 pandemic is its impact on the global economic landscape and an already struggling local economy. With over 6.25 million COVID-19 deaths reported to the World Health Organisation (WHO) as at May 2022, the need for compassion, care and dignity, combined with affordable, reliable and quality funeral insurance and services, has not been this great since our founding in 1918.














During the past century, **AVBOB** has become entrenched in communities across the country and a part of most South African families. This is due to our extensive national network of funeral branches and insurance offices that enable and support our corporate social investment initiatives to improve lives. It is this pervasive presence that enables us to recognise, understand and respond appropriately to the different challenges and resulting needs of **AVBOB** members.

From innovative environmental sustainability measures to supporting and developing literacy and basic education to emergency relief in cases of disaster, **AVBOB** remains in the service of the people of South Africa.



Our social contract with our **AVBOB** family, to always be here, is what drives our commitment to them, and their trust in us drives **AVBOB** to be a beacon of hope and support, no matter what life brings.

IAR KEY – NAVIGATIONAL ICONS

Capitals

	Financial capital
	Manufactured capital
	Human capital
	Social and relationship capital
	Intellectual capital
	Natural capital
	Integrated thinking
	Capitals and value creation
	Objectives and goals
	Risks, opportunities and performance
	Materiality
	Business model
	United Nations Sustainable Development Goals

Material matters

	Improving turnaround times on claims payment
	Enhancing our policyholder benefits
	Our commitment to Broad-Based Black Economic Empowerment (B-BBEE)
	Corporate social responsibility

Stakeholders

	Employees
	Policyholders/members
	Government and regulators
	Media
	Suppliers



“ AVBOB 2022 INTEGRATED ANNUAL REPORT: **HERE FOR YOU.**”

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OUR MEMBERS ARE
THE AVBOB FAMILY.



1

OVERVIEW

BEING A MUTUAL SOCIETY, **AVBOB** HAS NO EXTERNAL SHAREHOLDERS BUT INSTEAD **MEMBERS** WHO **RECEIVE A SHARE OF AVBOB'S SURPLUS PROFITS**. OUR MEMBERS ARE OUR POLICYHOLDERS – **THE AVBOB FAMILY**. IT IS THE FOUNDATION OF OUR MUTUALITY; TO CREATE AND SHARE MUTUAL VALUE WITH OUR FAMILY AND BE HERE FOR ALL SOUTH AFRICANS. *ALWAYS.* ”



OVERVIEW

VISION, MISSION AND VALUES

Our vision, mission and values are an integral part of the mutual management component of our shared value model, which serves to embed the principle of good governance in all aspects of our operations.

VISION

To provide our customers with **dignity** and **financial security** through our **shared value mutual model**.

MISSION

To **empower** our **members** by providing them with **affordable integrated funeral and financial services products** and by **sharing** with them and their communities the **value we create**.

VALUES

■ Customer focus

We have internal and external customers, and we are committed to their wellbeing through professional service. We communicate with and update our customers, demonstrating that we are always there for them.

■ Integrity

Integrity is key to who we are. We strive to be honest and ethical in all our dealings. We respect ourselves and others and are accountable for all we do.

■ Teamwork

We are one team and each person has a special function within the team. We work together, demonstrating mutual respect, loyalty and diligence, to get things done.

■ Excellence

We strive for excellence, always looking for ways to improve our systems, processes and products. We understand we are not perfect, but we are on a journey to eliminate waste and bureaucracy, while building quality standards. Excellence is an attitude.

■ People

Our business is about people. Whether in life or death, we care for people. Our people should be challenged, learn new things, grow, and take ownership of the things they do.





THE ORGANISATION

AVBOB Mutual Assurance Society

The Society is incorporated in terms of the **AVBOB** Mutual Assurance Society Incorporation (Private) Act, No 7 of 1951 (**AVBOB** Act) and governed by its regulations. As an insurer, the Society complies with and is a licensed life-insurer in terms of the Insurance Act, No 18 of 2017 (Insurance Act) and all other applicable insurance regulations.

As a mutual society, **AVBOB** has no shareholders but instead members who share in its surplus profits. The defining feature of a mutual society is that it is there for its members during times of need and everything is done for the benefit of its members.

The Group

The **AVBOB** Group comprises the **AVBOB** Mutual Assurance Society, which provides insurance products, and two subsidiaries, namely **AVBOB** Funeral Service that provides funeral services and **AVBOB** Industries that manufactures coffins and funeralware.

Members

In line with the **AVBOB** Act, our members share in our profits. Profits are given back to our members in the form of increased policy value and continually enhanced **FREE** funeral benefits.

Policyholders

A policyholder is someone who owns an insurance policy and to whom an insurance obligation exists. Policyholders are entitled to policy benefits, whereas members receive member benefits.

Branches

AVBOB has 379 branches nationwide of which 213 are funeral arrangement offices and funeral agencies. During the year under review, our footprint grew by 11 insurance offices and four funeral agencies. Our insurance offices are a base from which our insurance agents provide comprehensive client services to our policyholders. Our funeral agencies are focused on providing accessible, one-stop funeral care to all communities in South Africa. They also offer limited insurance services to our clients.

As far as possible, we aim to provide a full-service offering at every **AVBOB** site.

Employees

PROVINCE	FEMALE	MALE	TOTAL
Corporate Office	465	320	785
Gauteng North	761	279	1 040
Gauteng South	772	346	1 118
Free State	250	249	499
KwaZulu-Natal	1 215	471	1 686
Eastern Cape	579	235	814
Limpopo	718	195	913
Western Cape	289	130	419
Grand total	5 049	2 225	7 274

GOVERNANCE

It is only through strong corporate governance and a commitment to our **AVBOB** family that we remain focused on our goal to be South Africa's funeral insurer and service provider of choice. Our oversight structure is essential to consistently create value for our **AVBOB** family.

MATERIALITY

We carefully analyse all the factors that may have a negative or positive impact on our ability to create value in the short, medium and long term. This enables us to adapt our strategy to continually increase the value we create and share with all our stakeholders.

The following material matters have the greatest potential impact on our ability to create and share value:



Improving turnaround times on claims payment



Enhancing our policyholder benefits



Our commitment to Broad-Based Black Economic Empowerment (B-BBEE)



Corporate social responsibility

OVERVIEW Continued

STRATEGY



To achieve our vision and mission, we leverage our strategic differentiators – our mutual status, funeral service footprint, and integrated insurance and funeral service offering. The Group’s primary objective is to generate sustainable growth in the Society and to return value to our members. The scope of our operations is in financial and funeral services, within South Africa, to all demographic and socio-economic measure (SEM™) groups with the following specific focus areas:

<p>We will diversify our insurance distribution channels and broaden our product range to our existing target market. We will also simplify client servicing.</p>	<p>We will aggressively expand our funeral service footprint into high growth-potential locations.</p>	<p>We will leverage the combined insurance and funeral service offering to differentiate ourselves from our competitors.</p>	<p>We will use our mutual status to provide unparalleled products and services to our members and communities.</p>
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We measure and report our progress in terms of our strategy across four dimensions: growth, societal impact, service excellence, and operational capability.





AVBOB AT A GLANCE





ACCOLADES AND RESULTS

Our achievements during the year under review:


 <p>Rapport Readers' Choice Platinum Award – Funeral Policy category, September 2021</p>	 <p>PMR.africa Diamond Arrow Award – Northern Cape, September 2021</p>
 <p>Die Burger Jou Keuse award, November 2021</p>	 <p>PMR.africa Diamond Arrow Award – KwaZulu-Natal, November 2021</p>
 <p>City Press Platinum Award – Funeral Cover category, August 2021</p>	 <p>Best of Bloemfontein Best Funeral Service Provider, October 2021</p>
 <p>PMR.africa Diamond Arrow Award – Western Cape, November 2021</p>	 <p>The Group was certified as a TOP EMPLOYER for the fifth consecutive year, November 2021</p>

RESULTS


Policyholder benefits

An additional R2,3 billion was set aside for the improvement of policyholder benefits during the year under review. **FREE** funeral services and products to the value of R483 million were provided to members by **AVBOB** Funeral Service, and the Society paid out R2,7 billion to policyholders in the form of policy benefits.


Growth during the past financial year


 The number of policyholders **increased to 2.5 million** and the number of lives assured to **8.2 million**.


 Total assets **increased by 23.8%** to **R35,1 billion**.


 Premium income **increased by 10.5%** to **R5,7 billion**.

Profitability

 The Society achieved a **52.1% return on capital** before the improvement of policyholder benefits.

 Our net income for the year was **R2,5 billion** before improvement of policyholder benefits and taxation.

 **AVBOB** Funeral Service achieved a profit of **R66,4 million** before taxation.

 **AVBOB** Industries achieved a profit of **R23,3 million** before taxation, despite not increasing sales prices.

General

 Our national footprint expanded by **15 new funeral and insurance offices**.



**“ FAIRNESS, ACCOUNTABILITY,
AND TRANSPARENCY.**

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LEADERSHIP

THE BOARD OF DIRECTORS (THE BOARD) SUBSCRIBES TO THE KING IV REPORT ON CORPORATE GOVERNANCE™ FOR SOUTH AFRICA. THIS GOVERNANCE FRAMEWORK IS BASED ON **FAIRNESS, ACCOUNTABILITY, RESPONSIBILITY, TRANSPARENCY, AND AN ETHICAL CODE OF CONDUCT.** WE REMAIN RESPONSIVE TO THE EVOLVING TRENDS AND THE MOMENTUM THAT GLOBAL STANDARDS DEMAND, AT BOTH A STRATEGIC AND OPERATIONAL LEVEL. ”



BOARD OF **DIRECTORS**



JJ VENTER
Chairman



CR VAN DER RIET
Chief Executive Officer



D PILLAY
Commercial Director

TA COOPER
Financial Director

NG PILANE
Business Development Director

- Chairman
- CEO
- Executive Director
- Non-Executive Director and Independent Non-Executive Director



LC CELE
Deputy Chairperson



PA DELPORT
Independent Non-Executive Director



JF RADEMAN
Non-Executive Director



DP SEMENYA
Independent Non-Executive Director



MPP NYAMA
Independent Non-Executive Director



HA LAMBRECHTS
Independent Non-Executive Director



LB DLAMINI
Independent Non-Executive Director



NA COWIE
Independent Non-Executive Director

EXECUTIVE COMMITTEE



CR VAN DER RIET
Chief Executive Officer



D PILLAY
Commercial Director



TA COOPER
Financial Director



NG PILANE
Business Development Director



M PEDRA
Group Secretary



A BESTER
GM: Corporate Affairs



KD MOSWEUSWEU
GM: Alternative Distribution



C SCHMIDT
GM: Insurance Administration



TH DÖNGES

GM: Insurance Sales



PD VAN DER WESTHUIZEN

GM: Funeral Service



NT NXUMALO

GM: Human Resources



GGS LUNDALL

GM: Industries



C VAN SON

Chief Risk Officer



H CONSTANTINIDES

Chief Information Officer



MM VAN ZIJL

Chief Financial Officer



LM ERASMUS

Assistant GM: Insurance Sales



SERVING NEEDS **BEYOND**
OUR **CORE PURPOSE.**



CHAIRMAN'S REPORT

VALUE CREATION UNDERSCORES
OUR **PURPOSE IN SOCIETY** AND
RELEVANCE AS A BUSINESS. ”

– JJ VENTER



JJ VENTER CHAIRMAN

OVERVIEW

The 2022 financial year was characterised by our country and our business dealing with significant public and social challenges. We transitioned through the COVID-19 pandemic and came to terms with its aftermath and longer-term impact. We also experienced unprecedented social unrest and natural disasters that tested our resolve but also highlighted the ability of **AVBOB** to navigate through difficult times. It is said that the true nature of a person is revealed in stressful situations, but the same can be said of business. We can reflect with pride on how **AVBOB** conducted itself under pressure.

The COVID-19 crisis has brought forward years of change in the way companies do business, which has led to a shift in customer expectations. Businesses need to stay in sync with the modern customer and position themselves for an era marked by growing customer enlightenment. The needs of our employees have also evolved, and companies must respond in a manner that will attract and retain talented staff.

The pandemic was no doubt a global disruptor. Amid the pandemic, we stood by our purpose and the crucial role we play in society. The Group had to adapt swiftly while maintaining the confidence of our members, backed by our strength and the trust earned over 104 years. While it may be safe to say that the worst of the COVID-19 storm is over, its impact can still be felt in our lives and livelihoods as it continues to leave its socio-economic imprints on daily life.

The social unrest in KwaZulu-Natal was a symptom of the strain our society has been experiencing. The flooding shortly afterwards compounded matters. These events had a significant impact on our business and staff, and it is with pride that we reflect how well **AVBOB** responded both in our business and through the donations made to alleviate the strain.

In this report we describe our business model and how we adapt to meet the needs of our customers, the markets we serve, and our strategic focus areas. We also explain how we serve the interests of the communities in which we operate and take care of the environment.

OUR APPROACH IS INTEGRATED INTO **HOW WE LEAD AND MOTIVATE OUR PEOPLE AND USE OUR FINANCIAL, PHYSICAL AND HUMAN RESOURCES.** ”





OUR PURPOSE

Our impact on lives and livelihoods proves the relevance of what we do and our purpose and place in society. The need for the creation of value and sustainable economic growth in South Africa requires no justification. With one of the highest income differentials between rich and poor in the world and an unsustainably high level of youth unemployment, our country faces some daunting challenges.

There is a significant need for mutual societies such as **AVBOB**. South Africa has a limited number of mutual societies, having lost some over time through demutualisation. In Europe, Asia and South America it is much more common and the organisations that were started by the people for the benefit of the people have proven to play a critical role in socio-economic upliftment. It is much harder today to start a mutual society, due to the competitive landscape as well as capital and regulatory requirements. This sets **AVBOB** apart from its competitors – everything we do is for the benefit of our members, and this creates a unique culture of customer centricity that is difficult to replicate elsewhere.

Our primary focus is to build relationships with our members and provide value that can help them achieve their goals. We furthermore aim to serve the needs of South Africans, and these needs extend beyond the Group's core purpose as a provider of funerals and funeral insurance. The Society must remain agile to continue to create and share value with our members and society in general.

THE BUSINESS ENVIRONMENT

Our differentiator of being able to offer an integrated funeral insurance product and funeral service sets us apart. As a key player in the funeral insurance and funeral service industry, we continue to build business strategies that cater for the current and future needs of customers.

Companies have accelerated the digitisation of their customer and supply chain interactions by embracing the right mindset to navigate the digital economy. Business had to evaluate its approach to the customer, and modernisation and growth have become common themes.

According to leading business consultants, the consumer of the future – the enlightened customer – is already among us. Over the past two years, businesses have spent more on digital investments than on any other business continuity measure. Customer expectations are developing fast, and in an environment that changes quickly, disruption is no longer driven by technology, but by change itself.

The post-pandemic business environment has been characterised by the following features:

- Investment markets have been volatile and future growth prospects remain under pressure.
- Customer behaviour has changed due to financial pressure arising from job losses or income reduction. This we have to manage with responsibility to the business and with empathy to our members.
- Supply chain security and the sustainability of manufacturing inputs have become an increasing challenge.
- Distribution channels have continued to face disruption with a decline in new business and pressure from non-traditional competitors.

Companies that truly stand out from their competitors are those that go the extra mile to offer an exceptional customer experience. This is an important factor for customers when they make purchasing decisions. Customers want to feel that they are investing their time and money with a business or entity that sincerely cares about their wellbeing.

However, if we are to secure the future of our business, it is vital that we contribute to the sustainability of our planet, the home we all share. It is about managing the relationship between our business, society and the environment.



LEADERSHIP Continued

SOCIAL IMPACT

As a responsible corporate citizen, we are invested in serving the needs of South Africans beyond our core business. We have fostered a culture of empathy that aims to support and build sustainable South African communities for over a century.

As a mutual society, we recognise and accept the responsibility to ensure that our activities and operations remain beneficial to our **AVBOB** family and the communities in which we operate. Our biggest commitment to our members is that every member is entitled to **FREE** funeral benefits provided by **AVBOB** Funeral Service, irrespective of the monetary value of the policy. In addition to the bonuses we have declared over the years, we have implemented flexible premium payment terms for our policyholders to assist during these trying times.

AVBOB's sustainability initiatives are a major differentiator in how we give back to society. We partner with communities to ensure tangible benefits and value over the long term and by doing so, we boost the economic engines of tomorrow by improving the lives of all our stakeholders today.

Some of the highlights of our commitment to our brand promise 'We're here for you®' are:



We have entered a strategic partnership with the **Tears Foundation** to provide **support and service** to victims of gender-based violence.



We have provided nearly **R6 million in relief aid to flood victims in KwaZulu-Natal** and **conducted 63 free funerals** for those who lost their lives.



We offered our assistance and conducted **free funerals for the 22 young people** who died in the Enyobeni tavern tragedy in the Eastern Cape.



The **AVBOB Poetry Competition** reached a grand total of **144 187 poems** entered into the competition by the end of its fifth year.



The **58th container library** was donated in May 2022.

Transformation and inclusivity is in focus throughout the world and our commitment is underlined with our Level 2 B-BBEE rating. Our growing and increasingly diverse portfolio of social investment initiatives is covered extensively throughout this Integrated Annual Report.

ENVIRONMENTAL IMPACT

Globally, the depletion of natural resources continues to place a strain on the environment. Going green not only makes the entire planet sustainable and habitable but also helps everyone, as it enables humanity to preserve the environment by adopting new ways of living in harmony with nature.

At **AVBOB** we know that we have both a direct and indirect impact on the environment and that is why we are deeply committed to preserving our natural resources. In the running of our operations, we measure our impact on the environment constantly and go to great lengths to reduce any negative impact.

GREENER INDUSTRIES AND ADMINISTRATIVE OFFICES AS WELL AS THE PIONEERING AQUAMATION FACILITIES BEAR TESTIMONY TO OUR EFFORTS. ”

Our areas of environmental impact are detailed in the Sustainability report on page 45.

CORPORATE GOVERNANCE

AVBOB's commitment to the highest standards of corporate governance has contributed to sustainable value creation for 104 years. Good governance is essential for our long-term success, as it is accepted that good management without effective governance does not add value.

Our philosophy is to embed good corporate governance practices in our culture, and not just tick boxes. Strong corporate governance and our commitment to the communities in which we operate ensure that we maintain focus on our goal to be the funeral insurer of choice. During the financial year under review, we have undertaken critical reviews and implemented measures to further strengthen the governance framework, promote independence of oversight, and increase transparency to stakeholders regarding adherence to best practice.

A STRONG AND DIVERSE BOARD IS KEY TO VALUE CREATION

We have a diversified Board, also in respect of race and gender, with strong commercial and technical skills to deliver on our responsibilities to the Group and for the benefit of our stakeholders. The knowledge, skill, experience, diversity and independence of our Board are critical for sustainable value creation.

We have reviewed the composition and size of the Board to comply with our fiduciary and statutory responsibilities. The Board currently consists of 13 members, four of whom are executive directors. The remainder of the Board are non-executive directors.

The Board, Board Committees and individual directors are evaluated every year. An extensive evaluation of the Board composition, functions and effectiveness was conducted in November 2021 and April 2022 and, based on this review, I am satisfied that the Board and its committees, as well as the directors individually, are performing efficiently.

Further information is provided in the Leadership and governance report on page 31.

OUR PEOPLE

The growth of our business depends on having the right people with the right skills to provide the best quality services to our customers. We are committed to staff training and support at all levels of the organisation, with the specific objective of improving capabilities, service excellence and effectiveness.

From a human resource perspective and as the future of work changes, **AVBOB** is placing a bigger emphasis on the upskilling of staff to acquire new skills to enrich our service offering. Shared value holds the key to unlocking the next wave of business innovation and growth. It will also reconnect company success and community success in ways that have been lost in an age of narrow management approaches, short-term thinking, and deepening divides among society's institutions.



APPRECIATION

AVBOB exists because of the more than 7 200 employees who work every day to add value to our 2.5 million policyholders. I am grateful for their dedication and ongoing commitment to embrace change, thus ensuring **AVBOB** leads the competition while living a strongly ethical culture.

I extend my appreciation to my fellow Board members for their diligence and dedication to the Group during disruptive times and for their ongoing support and commitment to do their best for **AVBOB** without fear, favour or prejudice. A special word of appreciation to Professor Piet Delpont and Mr Neil Cowie whose tenure with the Society comes to an end this year. I would like to thank them both for their dedication and leadership over the years. They have made invaluable contributions to the business and for this, I thank them.

I also wish to thank all our stakeholders, including our policyholders, colleagues, regulators and communities for their steadfast support and commitment.

WE REMAIN COMMITTED TO A SUSTAINABLE FUTURE DOING ALL WE CAN TO CREATE LONG-TERM VALUE FOR YOU AND ALL THOSE CONNECTED TO OUR BUSINESS. ”





“
DELIVERING **GROWTH**
THROUGH **SHARED VALUE.**



CEO'S REPORT

WE ARE CONSOLIDATING THE
SIGNIFICANT GAINS OVER THE PAST
YEAR, **BUILDING CAPACITY** FOR
FURTHER GROWTH, AND **EVOLVING
OUR WORKFORCE.** ”

– CR VAN DER RIET



CR VAN DER RIET CEO



OVERVIEW

AVBOB Mutual Assurance Society entered its 104th year on a strong note off the back of the record performances of the previous year. We are pleased to present another set of solid results for the 2021/2022 financial year. Funeral Service, Industries and Insurance production performed well, showing growth under challenging circumstances with costs firmly under control. In line with industry trends and reflecting the difficult economic times in which our members find themselves, we have endured headwinds in the form of pressure on the persistency levels of our insurance policy book and volatility in investment markets. In response to these challenges, our leadership team has unpacked the performance and a number of changes to the business have already been implemented. The business remains exceptionally financially strong and well able to endure the current market turbulence.

STRATEGY

Our core business strategy has remained consistent over time. The ability of the business to adapt to the rapidly changing environment, while retaining our strategic focus, has enabled us to accelerate our growth, despite the prevailing headwinds.

Our mutual status remains the cornerstone of our ethos, our purpose, and our competitive differentiation. We offer our members the opportunity to participate in the value we create, whereas other insurers are mandated to create shareholder wealth.

Having successfully navigated the COVID-19 pandemic, our focus for the near future is to consolidate the gains we have made, build capacity for further growth, and transform our workforce to meet the agile demands of the workplace of the future.

CONSOLIDATING OUR GAINS

In line with the accelerated adoption of digital channels and platforms by our customers, we have rolled out a number of self-service digital engagement platforms. We have also bedded down our digital insurance sales application solution to enable our financial associates and brokers to process new business faster and more effectively. We are targeting a 100% adoption rate of this new technology by the end of the coming financial year.

The significant growth we have experienced in our total assets has led to a review and restructuring of our investment portfolios and asset management agreements.

To remain the leaders in the funeral industry and consolidate the recent growth in market share, the Group continues to invest in expansion of the national office footprint. As part of our expansion drive, we have opened three new client service centres in shopping malls in urban areas and 12 new funeral service and insurance branches nationwide. We have continued to invest in our fleet and have successfully grown the repatriation services business we started in the previous financial year.

AVBOB Industries, our manufacturing business, has remained at the forefront of many non-traditional projects and has been a credit to the brand. We have invested in upgrading the plant and machinery to enable future innovation in products and improve efficiencies.

Our Information Communication Technology (ICT) platforms are the chassis on which our businesses are built. We have continued to invest in the modernisation of our core systems and platforms to improve agility and service levels.



BUILDING CAPACITY FOR THE FUTURE

In order to sustain the growth trajectory of the business and continue to create and share value with all our stakeholders, we recognise the need to invest in capacity – both financially and in terms of management focus.

Accordingly, we have reconfigured a number of areas of the business to better align with our future growth initiatives. We have consolidated our insurance sales functions through a realigned provincial management sales structure. We have created senior management capacity for future growth initiatives through a dedicated business development capability.

TRANSFORMING OUR WORKFORCE FOR THE FUTURE

The ways of work are changing rapidly, and **AVBOB** is moving with the times. The year 2022 is very special for **AVBOB**, as it marks the breaking of new ground for a new office building. The Group has committed to investing over R400 million in a state-of-the-art building at our future premises situated at the Irene Link Precinct in Centurion. The new building will provide **AVBOB** with a modern, fit-for-purpose working environment suited to the future requirements of both the business and our hybrid workforce.

We have continued to invest in our workforce. As a future-focused organisation, we embarked on an employer branding journey to position and establish **AVBOB** as an inclusive and attractive career destination for people who share our values and purpose. We believe that initiatives such as these are critical and will positively impact the future of **AVBOB**. We value our talent and we are putting substantial focus on our people development by offering postgraduate bursaries to employees. During the reporting period, we invested **R36 million in 33 408 training interventions**. The Group was furthermore successfully certified as a Top Employer for the fifth time by the Top Employers Institute. Participation in the Top Employer initiative requires that we, as an employer, hold ourselves accountable to an independent benchmark to ensure we continue to offer a world-class working environment to our employees.



SOD-TURNING CEREMONY

From left: Adriaan Bester (**AVBOB**), Regardt Scharrighuisen (Giflo), Jannie Venter (**AVBOB**), Jurgens Prinsloo (Abland), Carl van der Riet (**AVBOB**) and Coenie Bezuidenhout (SOM).



RENDER: NEW AVBOB OFFICES

Irene Link, Centurion

LEADERSHIP Continued

OUR SHARED VALUE MUTUAL MODEL

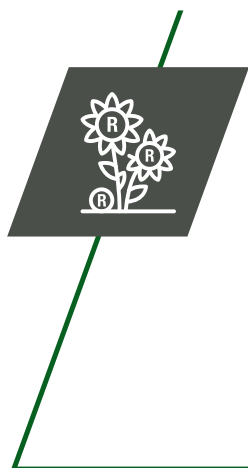
As a mutual assurance society all the value generated in the business is for the ultimate benefit of our members. Our mutual model is distinct from other corporate models in that we do not have shareholders, which creates a different dynamic within the organisation. Essentially, there is no dichotomy between profit and purpose in **AVBOB**. In our structure, all profit is specifically for the benefit of the people that we serve; our policyholders and members. This provides the foundation of our shared value model.

Our mutual structure is what sets us apart and makes us unique in the South African financial services space. The concept of uplifting our members is fundamental to who we are and underpins everything we do. We are deeply committed to serving and making a meaningful impact in the communities in which we operate. We deliver on this commitment by consistently deploying the profits of the organisation into initiatives that benefit our members and their communities.

Our performance for the year is described in detail in the Sustainability report on page 45.

However, it is worth highlighting the following:

- During the year under review, **AVBOB** Funeral Service provided funerals to the value of R483 million to our members at no cost.
- R788 million of our assets are invested in infrastructure and black business growth funding opportunities to support the development of emerging businesses and the economy.
- We continued to invest in literacy by donating more container libraries to deserving schools. To date, we have donated 58 container libraries valued at R36 million, and 180 trolley libraries valued at R3 million.



FINANCIAL HIGHLIGHTS

In respect of the financial year ended 30 June 2022:

- Our total assets grew by **23.8%** to **R35,07 billion**
- Premium income increased by **10.5%** to **R5,74 billion**
- New business equivalent annual premium increased by 5.9% from the previous year to **R2,02 billion**
- Policyholder benefits reduced by **1.1%** from the previous year to **R2,68 billion**
- The number of policyholders increased by **5.7%** to **2.5 million** with 8.2 million individual lives assured as at 30 June 2022
- The number of funerals conducted decreased by **5.5%** to **53 631** over the year
- Our national footprint was expanded by **15 new funeral, insurance and client service offices**
- Our business remained well-capitalised with a statutory solvency capital cover ratio of 2.6 times the regulatory minimum requirement

The Group continues to deliver strong results and all businesses within the Group achieved growth and positive operating results.

TOTAL ASSETS (Rm)



The contribution from investment returns to the Group's performance for the year was negatively impacted by volatility in the value of the investment markets. Net investment income of R2,0 billion was achieved during the reporting period compared to R3,7 billion in the previous year.

The insurance division performed moderately well, with premium income growing by 10.5% to R5,7 billion.

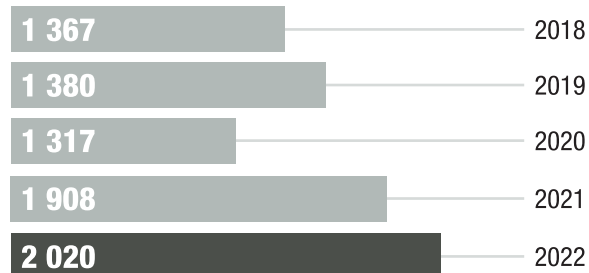
PREMIUM INCOME (Rm)





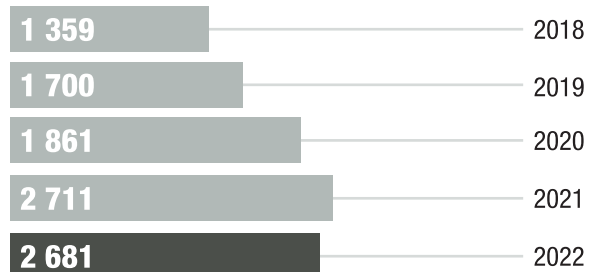
The number of policyholders and the lives assured under our policies increased, as we continued to enhance the value of the **FREE** funeral benefits offered by **AVBOB** Funeral Service. The new insurance business issued during the year achieved increases across all insurance sales channels. Our investment in diversifying our distribution channels has created significant new business growth during the year.

NEW BUSINESS (Rm)



Benefits paid to policyholders reduced despite the increase in the number of policyholders. The number of claims decreased by 6.1% compared to the exceptionally high number of claims experienced during the 2020/2021 financial year.

POLICYHOLDER BENEFITS (Rm)



SUSTAINABILITY, CORPORATE CITIZENSHIP AND THE AVBOB FAMILY

As a mutual society, the Group recognises that we need to manage the relationship between our business, society and the environment. If we are to secure a future for our business, it is vital that we contribute to the sustainability of society and our world.

Our specific initiatives in this regard are set out in detail in our Sustainability report (page 45). **AVBOB** is working towards aligning our sustainability goals with the United Nations (UN) Sustainable Development Goals (SDGs), in particular SDG 4 which speaks to education, SDG 5 which speaks to gender equality, and SDG 7 which speaks to clean and affordable energy.

Becoming eco-friendly is top of mind for consumers and businesses alike, and the funeral industry is no exception. I would like to highlight that **AVBOB** Funeral Service is proud to have established two state-of-the-art aquamation facilities in South Africa, and we intend to roll out this service to multiple locations across South Africa in the next five years. Aquamation is a green alternative to flame-based cremation. Through the aquamation processes we not only decrease our carbon footprint but also eliminate the direct emission of greenhouse gases or mercury into the environment, while ensuring an energy saving of 90% when compared to flame-based cremation.

CLOSING

Times may have changed, but **AVBOB** remains a resilient and innovative South African heritage brand. Despite the short-term turbulence, I am confident in the Group's ability to remain strong and deliver on our promise to our customers and South Africa. The Group will remain a constant and trusted presence for generations of the **AVBOB** family to come.

We remain responsive to the evolving trends and the focus that is demanded on both strategic and operational levels. We remain committed to finding innovative ways of enhancing value for all our stakeholders, while remaining true to our corporate identity as a mutual. We remain the only organisation that can provide funeral insurance and funeral services and products as a one-stop service. Continuous technology-driven innovation will ensure that we create closer communication with our members and closer integration with our member community by interacting seamlessly through both digital and more traditional channels.

I would like to thank my fellow directors on the Board, management, business partners, intermediaries and our pensioners that have supported me in leading this organisation.

It is with sadness that we announce the retirement of two of our long-serving Non-executive Directors, Professor Piet Delpont and Mr Neil Cowie. They have been an integral part of the **AVBOB** family and have served on the Board for a combined 33 years. I would like to express my deep appreciation for their material contributions to the business and to my own personal journey. We honour them today for their dedication and passion to the **AVBOB** Group. Many generations to come will build on the legacy that they leave behind.



“

HERE TO SHARE **VALUE.**

3

VALUE CREATION

CHAPTER HIGHLIGHTS



Premium income grew by **10.5%**.



We have **four strategic focus areas** that drive the activities in our value-creating business model.



R2,3 billion was set aside for policy and member benefits.



AVBOB Funeral Service achieved a profit before taxation of **R66,4 million**.



The number of policyholders grew to 2.5 million, with **8.2 million lives assured**.



AVBOB Industries achieved a profit before taxation of **R23,3 million**.



AVBOB Funeral Service remained a **market leader** in the funeral industry.

VALUE CREATION

VALUE-CREATING BUSINESS MODEL



INPUTS

Six capitals

This section provides insights into the resources and relationships used by the Group (our six capitals) and how we interact with our external environment with the aim to create shared value over the short, medium and long term.



Financial capital

- Assets
- Investments
- Net income
- Surplus from insurance operational activities
- **AVBOB** Funeral Service profits
- **AVBOB** Industries profits
- Liabilities



Social and relationship capital

- Working with suppliers who understand and share our commitment to uncompromised integrity and excellence
- Our corporate social investment (CSI) programme with its primary focus of investing in education and literacy
- Aligning our CSI programmes with the principles of the United Nations (UN) Sustainable Development Goals (SDGs)
- Our offer of member benefits that has become synonymous with our brand



Manufactured capital

- Insurance offices
- Funeral agencies
- Fleet
- Raw materials
- Manufactured products
- **AVBOB** signage
- **AVBOB** vehicle wrapping



Intellectual capital

- Synergy between our three divisions (Insurance, Funeral Service, Industries)
- Innovative products that serve every segment of our market
- Enhancing our existing, and developing new, products and services
- Our employees' knowledge, skills and experience



Human capital

- Employees
- Learners



Natural capital

- Natural energy resources (photovoltaic solar panels)
- Augmented water supply
- Natural wood resources
- Identified UN SDG principles
- Two aquamation facilities that reduce our energy usage



VALUE CREATION Continued

OUTPUTS

Products

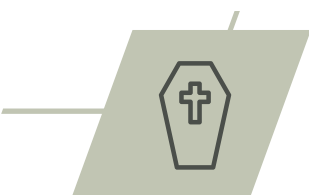
- Coffins
- Caskets
- Dome caskets
- Ash coffins
- Lowering devices
- Church trolleys
- Stretch tents
- Marquee tents
- Container and trolley libraries
- Container ablation facilities
- Cashback Funeral
- Extended Family Insurance
- Cashback Lifestyle
- Pensioners Funeral Plan
- AVBOB Family Saver
- Assured Outcome

Services

AVBOB Funeral Service offers a comprehensive funeral service that includes coffins and caskets, wreaths, modern hearses, tents, family vehicles, gravestones, catering, and other services and products that our clients may require.

By-products and waste

Our waste, which is a by-product of our manufacturing, mainly includes offcuts and saw dust of chip wood and medium density fireboard (MDF) that we dispose of responsibly at a designated landfill site.



RISKS AND OPPORTUNITIES

At AVBOB, we continuously assess and analyse the environment in which we operate in relation to our mission and vision. This process enables us to identify risks and opportunities for our organisation, including our strategy and business model. **This also relates to our ability to create shared value in the short, medium and long term and to our use of and effects on our capitals.**

Our success in creating and sharing value with our AVBOB family is a direct result of our key differentiator – our mutual status. All our profits are for the benefit of our members, the ultimate owners of the AVBOB Mutual Assurance Society. It is what sets us apart from our competitors and what reinforces our culture of continuous improvement in service excellence.

OUTCOMES AND PERFORMANCE

These outcomes serve to indicate whether our business activities and outputs led to a capital erosion (net decrease), capital increase (net increase) or capital preservation (no net change). It also demonstrates the interrelation with the value we create for our stakeholders and society at large as well as our ability to create value for the Group.

Financial capital outcomes

- Assets of **R35,1 billion** as at 30 June 2022
- Total investments: **R30,4 billion**
- Total liabilities: **R28,7 billion**
- The number of policyholders increased to **2.5 million** as at 30 June 2022
- Premium income increased by **10.5%** to **R5,7 billion**
- New business increased by **5.9%**
- Funerals conducted declined by 5.5%, due to lower mortality
- **52.5%** return on capital before the improvement of policyholder benefits
- Net income of **R2,5 billion** before improvement of policyholder benefits and taxation
- AVBOB Funeral Service achieved a profit before taxation of **R66,4 million**
- AVBOB Industries achieved a profit before taxation of **R23,3 million**
- Total cash and cash equivalents: **R2,4 billion**

Manufactured capital outcomes

Insurance offices and funeral agencies

- Our national footprint expanded by **11** insurance offices.
- We built **four** new funeral agencies.
- We spent **R20,4 million** upgrading our offices.

Fleet

- We have replaced and expanded our fleet to the value of **R51 million**.

Raw material

- We used **184 171 m²** of chip wood, **78 930 m²** of MDF wood, and **1 162 m²** of solid wood.
- We used **5 892** linear metres of steel for our mortuary racks.

- We used **738** linear metres of steel for our lowering devices.
- We used all our offcut material to manufacture moulded trimmings for the coffins.

Products

- We manufactured **31 436** coffins, **13 504** caskets, **11 183** domes, **2 344** children's coffins and **14 504** ash coffins.
- We manufactured and donated our **58th container library** in May 2022.



Human capital outcomes

- **7 274** employees
- **R36 million** invested in **33 408** training interventions



Social and relationship capital outcomes

- Responsible procurement.
- We donated **one container library** during the year under review.
- We remain invested in the Schools Infrastructure and Schools Sanitation projects and completed improvements at three schools in the Free State, Gauteng and Limpopo.
- Various enterprise development projects.
- **R6,3 million** invested to provide free and discounted funerals in disadvantaged communities (during the year under review).
- **FREE** member benefits to the value of **R483 million** provided by **AVBOB** Funeral Service.
- **FREE Personal Protection Equipment** to the value of **R13 million** was provided to our clients during the year.
- We paid **R72,6 million** to our members in respect of their **AVBOB** Reward Accounts.
- An additional **R2,2 billion** was set aside for the improvement of policyholder and member benefits.
- A **R6,5 million** donation for disaster relief, including the KwaZulu-Natal floods.



Intellectual capital outcomes

- Investments in employees' intellectual capital contributions.

- **AVBOB** Industries is continuously innovating to manufacture and develop products that serve every segment of the market. Products are refreshed yearly based on feedback from our agencies and external customers.

- We drove innovation by enhancing our existing products and services to the benefit of our members.



Natural capital outcomes

- We have a borehole to augment our water supply.
- We have photovoltaic solar systems that supplied 608 902 kWh during the financial year, amounting to an annual saving of **R2,1 million**.
- We have a fuel-efficient delivery fleet.
- We have two aquamation facilities that provide a more energy-efficient alternative to cremation.



OPERATING ENVIRONMENT

We know that the environment in which we operate significantly impacts how we conduct business and affects our ability to create value in the short, medium and long term.



Impact of COVID-19

AVBOB Funeral Service retained its position as a market leader in the funeral industry during the year under review. The pandemic subsided substantially and the last real peak in COVID-19-related deaths was in July 2021. There was a small increase in deaths during December 2021, but due to the substantial investments made during the previous financial year, **AVBOB** Funeral Service was able to handle this with ease. The recently opened repatriation hub continues to grow, and we are transporting an average of 500 deceased people across South Africa on a monthly basis.

Environmental impact

To minimise our carbon footprint, a decision was taken to invest in a fleet of electric vehicles in the near future. Furthermore, the second aquamation facility was launched during June 2022. At these facilities, we deploy a water-based process for the purposes of cremation, as opposed to the traditional flame-based process. We are planning to establish 10 more of these facilities to offer a more planet-friendly alternative to clients who are conscious of environmental impact.





“

HERE TO BE **TRANSPARENT.**

4

LEADERSHIP AND GOVERNANCE

CHAPTER HIGHLIGHTS



As at 30 June 2022 the Board consisted of **13 members** of which **six are black** and **four are female**.



The annual performance assessment revealed that the **Board functioned effectively**.



The Board's delegation to its committees promotes **independent judgement**, provides an appropriate **balance of power**, and the effective discharge of its duties.



No director had a **material interest** in any **contract** or **transaction** with the Group that could have affected the integrity of the Board's decisions.



The **Board and its six sub-committees adequately discharged their duties** and **responsibilities** in terms of their charters and the relevant legislation.



The Compliance Department confirmed that it continues to enjoy **full support from the Board, executive and management**.

LEADERSHIP AND GOVERNANCE

INTRODUCTION

The Board of Directors (the Board) subscribes to the King IV Report on Corporate Governance™ for South Africa (King IV™). This governance framework is based on fairness, accountability, responsibility, transparency, and a code of ethical conduct.

As part of our mutual status, which is a key pillar of the AVBOB shared value model, we accept the responsibility to continually evaluate our existing governance structures and value chain. Where the current financial and economic conditions, digital platforms, and industry disruptions demand re-alignment, we actively pursue this through adaptation and upskilling.

We assume responsibility for the governance of technology and information by setting the direction for how these should be approached and addressed at AVBOB.

The Board's view is that it maintains an adequate and effective governance framework that enables sound governance practices throughout AVBOB that are aligned with the recommended practices set out in King IV™.

“ THE BOARD’S VIEW IS THAT IT MAINTAINS AN ADEQUATE AND EFFECTIVE GOVERNANCE FRAMEWORK THAT ENABLES SOUND GOVERNANCE PRACTICES THROUGHOUT AVBOB.

BOARD COMPOSITION AND DIVERSITY

The Board believes that diversity in all its expressions is important to remain relevant and sustainable. Furthermore, studies have shown that entities that embrace gender, race and ethnic diversity achieve better financial performance. AVBOB is committed to promoting diversity at Board level and we consider diversity and inclusivity as fundamental considerations in our Board selection processes. We strive for a transformed Board that closely reflects the demographics of our country and our members as we continue to meet our diversity targets at Board representation level.

At 30 June 2022 the Board consisted of 13 members, of which six are black and four are female.

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

The Board's ethical leadership in the execution of its duties is based on AVBOB's approved Board Charter. Directors hold each other accountable to act in the best interests of AVBOB and the AVBOB family. As a collective, they thoroughly interrogate the Group's plans and actions,

ensuring proper decision-making in all areas of strategy, performance, accountability and responsibility. Various mechanisms are in place to ensure all ethics-related matters are regularly evaluated and managed. It is through active oversight of our core purpose, strategy, values and conduct that we maintain good corporate citizenship.

STRATEGY, PERFORMANCE AND REPORTING

The Board, with input from management, determines the short-, medium- and long-term strategic direction needed to achieve our objectives and continue to create value. In conjunction with management, the strategy, budget and identified targets are reviewed and agreed on annually.

Material risks, threats and opportunities are considered alongside contingency plans to mitigate possible failure to meet targets. This includes clearly articulating how the continued availability, quality and affordability of significant capitals contribute to the Group's ability to achieve its strategic objectives in the future and create value.

The Board, assisted by the Actuarial and Risk Committee and Audit Committee, is responsible for all statutory reporting, including the Integrated Annual Report (IAR) and financial statements. Accordingly, the Actuarial and Risk Committee and Audit Committee ensure that the necessary controls are in place to safeguard the integrity of the annual financial statements and other disclosures.

GOVERNANCE STRUCTURES AND DELEGATION

Governance structures

The Board has arranged its structure to ensure that its delegation to committees promotes independent judgement, with the appropriate balance of power and the effective discharge of its duties. Without abdicating responsibility, the Board has delegated responsibilities to the following six structured committees:

The roles of these sub-committees are contained in their respective charters, which the Board reviews at least once every three years.

In addition to the Board and Board committees, the governance structures within the organisation include the following:

- Executive Committee
- Information and Communications Technology (ICT) Steering Committee
- Management Actuarial Committee
- Management Investment Committee
- Management Product Committee
- Management Risk Committee
- Management Transformation Committee
- People Practices Committee

Control functions

- Actuarial
- Compliance
- Internal audit
- Risk



LEADERSHIP AND GOVERNANCE Continued

The Board

As the ultimate custodian of good corporate governance, the Board operates according to an approved charter, in terms of the **AVBOB** Mutual Assurance Society Incorporation (Private) Act, No 7 of 1951 and common law, that clearly defines its mandate, role and responsibilities.

The charter also defines the roles relating to the operation of the Board and oversight responsibilities. The primary responsibility of the Board is to act in good faith in the interest of **AVBOB** and of its members. The Board's delegation of authority to the chief executive officer (CEO) is reviewed at least once every two years.

The Board has a unitary structure, led by an annually elected independent non-executive chairperson. Fit for purpose, the Board comprises members with an appropriate balance of knowledge, skills, experience, expertise, diversity and independence. These qualities, as prescribed by law, have enabled the Board to discharge its role and responsibilities objectively and effectively. In addition, the Board also applies the mandatory requirements of the Prudential Standards promulgated in terms of the Insurance Act, No 18 of 2017 (Insurance Act).

The Board has an approved Board Rotation and Tenure Policy and Succession Plan. Retiring directors and new nominees are elected in terms of the regulations. Our governance structure enhances decision-making procedures with a focus on complying with responsibilities.

Of the 13 directors who serve on the Board, four serve in an executive capacity and nine in a non-executive capacity.

The diversity of the Board from a transformation perspective is specifically considered in the nomination of new Board members. The Remuneration and Nominations Committee advises the Board on the succession planning of Board members.

Chief executive officer

The Board appoints the CEO. The Board delegates authority to the CEO, who is responsible for ensuring that management executes and implements the Board's strategy, operational plans, procedures, and all its policies.

The role and responsibilities of the CEO are clearly outlined in the Board Charter and the authority of the Board, its committees and the CEO are defined in the Board-approved Strategic Delegation of Authority. Mr CR van der Riet serves in the position of CEO.

Group secretary

The Group Secretary, Ms M Pedra, was appointed on 1 March 2022. Ms Pedra has the required knowledge and experience to execute the duties of the Group Secretary in ensuring that the directors remain aware of all relevant laws and regulations. She is charged with providing professional and independent guidance on corporate governance and ensuring that the Board and its individual directors fulfil their statutory duties. The Board has empowered the Group Secretary with the necessary authority and support to enable her to execute her duties effectively.

Performance appraisal of the Board

The Board's performance is assessed every year. An assessment was conducted during the 2022 financial year. The results indicate that the Board continues to function effectively.

TRAINING SESSIONS
ARE SCHEDULED FOR
FEBRUARY AND AUGUST
EACH YEAR TO ENSURE
THAT DIRECTORS REMAIN
**INFORMED OF THEIR LEGAL
DUTIES, RESPONSIBILITIES
AND STRATEGIC ROLES.** ”





Disclosure of interests

Board members must declare any potential or actual conflicts of interest annually. They are reminded to disclose any conflicts regarding matters tabled for discussion and decision at every Board meeting. During the period under review, no director had a material interest in any contract or transaction with the Group that could have affected the integrity of the Board's decisions.

Meetings

The Board meets on a scheduled quarterly basis with latitude to arrange special meetings as and when necessary. Two Board training sessions were held during the year under review.





















































































LEADERSHIP AND GOVERNANCE Continued

The Board and sub-committees

The Board

During the year under review, the Board formally met on six occasions. Two training sessions were held (11 August 2021 and 16 February 2022).

		 In attendance	 Apology received	 Not yet a member	 Not a member		
EXECUTIVE DIRECTORS	MEETINGS	11/08/21	29/09/21	17/11/21	16/02/22	30/03/22	29/06/22
Mr CR van der Riet (CEO)	6/6						
Ms TA Cooper (Financial Director)	6/6						
Mr D Pillay (Commercial Director)	6/6						
Ms NG Pilane (Business Development Director)	6/6						
NON-EXECUTIVE DIRECTORS							
Mr JJ Venter (Chairman)	6/6						
Ms LC Cele (Deputy Chairperson)	6/6						
Mr NA Cowie	6/6						
Prof PA Delport	5/6						
Mr LB Dlamini	6/6						
Prof HA Lambrechts	6/6						
Ms MPP Nyama	6/6						
Mr JF Rademan	6/6						
Mr DP Semanya	6/6						

Sub-committees

While remaining ultimately accountable, the Board has delegated authority to six sub-committees, each of which operates within defined parameters contained in their respective charters. Each sub-committee is adequately mandated in its terms of reference to assist the Board in discharging its fiduciary and other duties.

The terms of reference of each sub-committee sets out its purpose, membership requirements, scope of operation, and reporting obligations. The sub-committees report to the Board at its quarterly meetings, or as and when required.

ACTUARIAL AND RISK COMMITTEE

The Actuarial and Risk Committee oversees the enterprise-wide risk management function and the operations and governance of the actuarial function.

Actuarial and Risk Committee functions include

- ensuring the effectiveness of the actuarial function by overseeing its activities and approving its framework and models;
- reviewing and approving the actuarial valuations of policyholder liabilities for financial and regulatory reporting purposes;
- reviewing and approving the Group's capital and financial risk appetite based on model risk assessments;
- setting the tone and driving the risk culture and behaviours by integrating risk management into our strategic objectives and decision-making;
- reviewing our risk management strategy, appetite and tolerance levels, risk management framework, and risk controls;
- monitoring all material risks; and
- reviewing and approving product development and pricing proposals.

During the year under review, the Actuarial and Risk Committee formally met on three occasions.

✓ In attendance

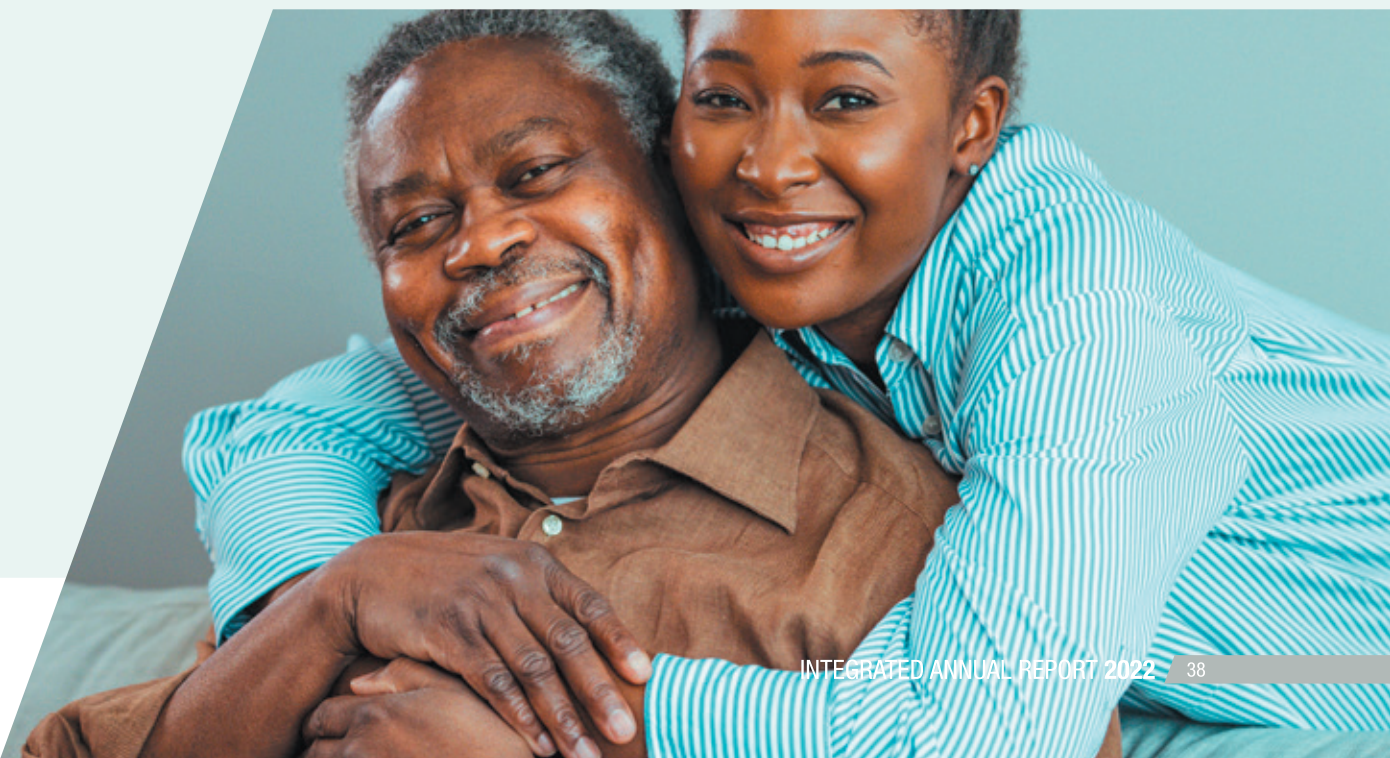
✉ Apology received

○ Not yet a member

★ Not a member

MEMBERS	MEETINGS	15/09/21	09/03/22	15/06/22
Prof HA Lambrechts (Chairman)	3/3	✓	✓	✓
Mr CR van der Riet	3/3	✓	✓	✓
Ms TA Cooper	3/3	✓	✓	✓
Ms NG Pilane	3/3	✓	✓	✓
Ms LC Cele	3/3	✓	✓	✓
Mr DP Semanya	3/3	✓	✓	✓
Mr JJ Venter	3/3	✓	✓	✓

The Actuarial and Risk Committee is of the opinion that for the period under review, it discharged its duties and responsibilities in terms of its charter.



LEADERSHIP AND GOVERNANCE Continued

AUDIT COMMITTEE

The Audit Committee assumes oversight over the audit function. As a statutory committee that operates in terms of the Companies Act, No 71 of 2008 (Companies Act) it is concerned with the whole of the Group's business, including the effectiveness of financial reporting and accounting systems, management information systems, compliance, and internal and external audit. PricewaterhouseCoopers conducted the external audit for the year ended 30 June 2022.

The Audit Committee's functions include

- monitoring the integrity of financial reporting by considering the appropriateness of accounting treatments, significant unusual transactions and accounting judgements, and adherence to recent legislation;
- recommending the appointment of an independent registered auditor, confirming their terms of engage-

ment, and approving the fees to be submitted to the AGM for audit and non-audit work to be undertaken;

- monitoring the effectiveness of internal controls;
- assessing the appropriateness of the resources and experience of the finance function, including the expertise of the Financial Director;
- providing oversight of the legal and compliance functions;
- reviewing arrangements for employees to raise concerns, in confidence, on possible wrongdoing in financial reporting and other matters, including the whistle-blowing process; and
- providing oversight of the internal audit function by monitoring and reviewing its effectiveness.

During the year under review, the Audit Committee formally met on three occasions.

		✓ In attendance	✉ Apology received	○ Not yet a member	★ Not a member
MEMBERS	MEETINGS	16/09/21	02/03/22	25/05/22	
Mr NA Cowie* (Chairman until 14 February 2022)	3/3	✓	★	★	
Mr DP Semanya (Chairman from 25 May 2022)	3/3	✓	✓	✓	
Mr LB Dlamini	3/3	✓	✓	✓	
Ms MPP Nyama	3/3	✓	✓	✓	

*Mr NA Cowie stepped down as the Chairman of the Audit Committee on 14 February 2022. He was succeeded by Mr DP Semanya.

The Audit Committee is of the opinion that for the period under review it discharged its duties and responsibilities in terms of its charter.





INVESTMENT COMMITTEE

The Board relies on the Investment Committee to oversee the ongoing management of the investment portfolio. The investment portfolio is managed by a selection of external asset managers. The principal long-term objective of the investment portfolio is to fulfil all short-term and long-term obligations to policyholders and maximise policyholders and members' investment returns.

The Board-approved investment strategy seeks to achieve an appropriate balance between

- investment income;
- growing fund values for future declaration of special bonuses;
- liquidity and cash flow; and
- funding policyholder reserves.

The Committee makes recommendations to the Board regarding the investment strategy, the Investment Policy Statement, Derivative Usage Policy, the appointment of asset managers and – where applicable – the approval of investment opportunities.

The investment portfolio operates within current legislation. The Group has a separate investment portfolio aligned to the Financial Sector Code (FSC).

The portfolio consists of both targeted investments and black business growth funding investments as defined in the FSC. Our investment approach is that the target risk and return considerations and investment merits must supersede all other investment considerations when determining investment viability.

During the year under review, the Investment Committee formally met on five occasions.

✓ In attendance

✉ Apology received

○ Not yet a member

★ Not a member

MEMBERS	MEETINGS	12/08/21	03/11/21	09/02/22	15/03/22	11/05/22
Mr JF Rademan (Chairman)	5/5	✓	✓	✓	✓	✓
Mr CR van der Riet	5/5	✓	✓	✓	✓	✓
Ms TA Cooper	5/5	✓	✓	✓	✓	✓
Mr D Pillay	5/5	✓	✓	✓	✓	✓
Prof HA Lambrechts	5/5	✓	✓	✓	✓	✓
Mr DP Semanya	5/5	✓	✓	✓	✓	✓

The Investment Committee is of the opinion that for the period under review it discharged its duties and responsibilities in terms of its charter.



LEADERSHIP AND GOVERNANCE Continued

PLANNING COMMITTEE

The Planning Committee is entrusted with overseeing the business plan and annual budgets. It ensures, among others, that

- funds and resources are appropriately and effectively allocated;
- performance objectives are met and appropriate forecasts determined; and
- market changes and movements are monitored.

During the period under review, the Planning Committee met formally on two occasions.

MEMBERS	MEETINGS	03/03/22	08/06/22
Mr JJ Venter (Chairman)	2/2	✓	✓
Mr CR van der Riet	2/2	✓	✓
Ms LC Cele	2/2	✓	✓
Mr NA Cowie	2/2	✓	✓
Prof PA Delport	2/2	✓	✓
Mr JF Rademan	2/2	✓	✓

The Planning Committee is of the opinion that for the period under review it discharged its duties and responsibilities in terms of its charter.

REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee (Remcom) assists the Board in executing its duties in respect of the Board's composition and the Group's remuneration policies. The Remcom

- reviews and makes recommendations to the Board on the Group's framework and policy for the remuneration packages of directors, general managers, managers, heads of control functions and employees;
- ensures that the Remuneration Policy is aligned to the Group's strategic objectives;
- assesses the performance of the chief executive officer;

- ensures that the Group's executives are competitively rewarded for their individual contributions to the Group's overall performance;
- considers and reviews long-term incentive plans;
- monitors the implementation of the Group's transformation plan, specifically relating to management control; and
- considers retiring, non-executive directors for nomination and identifies, considers and makes recommendations regarding vacancies.

During the previous financial year it was identified that the nomination forms for certain non-executive directors elected between 2017 and 2019 were incomplete. The Board implemented a number of actions to address the matter. The matter has now also been closed with the Prudential Authority, which levied an administrative penalty in this regard.

During the period under review, the Remcom met formally on five occasions.

MEMBERS	MEETINGS	01/09/21	20/10/21	14/02/22	03/03/22	08/06/22
Ms LC Cele (Chairperson from 17 November 2021)	5/5	✓	✓	✓	✓	✓
Mr NA Cowie*	5/5	✓	✓	✓	✓	✓
Prof PA Delport	5/5	✓	✓	✓	✓	✓
Mr JF Rademan	5/5	✓	✓	✓	✓	✓
Mr JJ Venter	5/5	✓	✓	✓	✓	✓

*Mr NA Cowie stepped down as Chairman of the Remcom from 17 November 2021. He was succeeded by Ms LC Cele.

The Remcom is of the opinion that for the period under review it discharged its duties and responsibilities in terms of its charter.



SOCIAL AND ETHICS COMMITTEE



The Social and Ethics Committee performs the same duties as a committee established in terms of the Companies Act. Its terms of reference contained in its charter are to review and oversee compliance by the Group with regard to the Group's social and ethical responsibilities. It does this by overseeing management's activities to comply with relevant legislation and regulations to ensure that the Group complies with the prescripts that underlie B-BBEE.

The Social and Ethics Committee is also responsible for

- guiding, reviewing and monitoring the Group's commitment to transformation;
- overseeing and reporting on organisational ethics; and
- monitoring the Group's activities in matters relating to
 - environmental issues;
 - socio-economic development;
 - good corporate citizenship;
 - consumer and stakeholder relationships;
 - the recognition of, and adherence to, the terms of the International Labour Organisation's protocol on decent work and working conditions; and
 - the Group's contribution towards the educational development of its employees.

During the year under review, the Social and Ethics Committee met formally on three occasions.

		✓ In attendance	✉ Apology received	⊖ Not yet a member	★ Not a member
MEMBERS	MEETINGS	25/08/21	23/02/22	18/05/22	
Ms MPP Nyama (Chairperson)	3/3	✓	✓	✓	
Ms TA Cooper	3/3	✓	✓	✓	
Ms NG Pilane	3/3	✓	✓	✓	
Mr D Pillay	3/3	✓	✓	✓	
Prof PA Delport	3/3	✓	✓	✓	
Mr LB Dlamini	3/3	✓	✓	✓	

The Social and Ethics Committee is of the opinion that for the period under review it discharged its duties and responsibilities in terms of its charter.





LEADERSHIP AND GOVERNANCE Continued

FUNCTIONAL GOVERNANCE AREAS


Technology and information governance

COVID-19 has accelerated the adoption of digital and online insurance services and technologies for members, insurance sales people, and employees working from home across the Group.

 Our business is reliant on information technology. The Group embraces technology and the opportunities it presents for members, employees and partners.

 Technology is, however, accompanied by risks that can impact the integrity and availability of information assets and the security of personal information.

Information security measures enable us to ensure the protection of the Group's information; particularly, the personal information of our members. Cyber and information risk is closely monitored by the Information Communication Technology (ICT) Department.

 Key to satisfying customers' expectations in this digital age is to continuously find new ways to enhance the accessibility of services and solutions. As such, technology remains a strategic priority at **AVBOB**.

The Group's Chief Information Officer (CIO) is represented at relevant executive forums and oversees all digital modernisation efforts to core applications, as well as the integration of people, technologies, information and processes across the Group.

ICT utilises a variety of governance instruments, including a charter that defines the way in which ICT is managed as well as policies and standard operating procedures that guide and specify behaviour and activity. These include:



- A governance framework
- An ICT strategy that clarifies the intention of investment
- A cyber risk process

The aforementioned ensure the safety of our information assets and the privacy of data entrusted to us.

The Board is responsible for the governance of ICT and the Audit Committee has been tasked with assisting the Board in discharging this responsibility.

The ICT Steering Committee is chaired by the CEO and focuses on key business initiatives and the value that we require from our investment in technology. The development of risk frameworks and taxonomies includes ICT risk, which is monitored by the Audit Committee.

Our model is to deliver an integrated, intelligent approach to technology risk that incorporates security intelligence, analytics, and external threat intelligence. This helps us to build a strong risk and security strategy that can reduce costs, improve service, and enable innovation. We use a variety of governance instruments to ensure confidence in the controls. These include:

-  A charter that defines the way in which ICT is managed
-  Policies that guide and specify behaviour and activity
-  A governance framework
-  A strategy that clarifies the intention of ICT investment
-  An information security strategy that ensures the safety of our information assets and the privacy of data entrusted to us



The Board as governing body and the following committees contribute to achieving and maintaining standards of ICT governance:

- Board
- Audit Committee
- Executive Committee
- ICT Steering Committee

Compliance and regulatory governance

Compliance risk involves legal or regulatory sanctions, financial loss, or loss of reputation that **AVBOB** may suffer due to non-compliance with applicable laws, regulations, codes of conduct, and standards of good practice.

The Compliance Department is an independent core risk management function that plays a key role in the evaluation, implementation and monitoring of existing and new legislation that is relevant to **AVBOB**. It therefore assists the Board in ensuring that we comply with all regulatory and supervisory requirements relating to our business operations. This is done by

- providing formal and structured compliance monitoring;
- facilitating the establishment of a compliance culture in the **AVBOB** Group; and
- coordinating all communication matters relating to changes in legislation.

The Compliance Department has a Board-approved charter in line with the standards prescribed by the Compliance Institute of South Africa. The head of the compliance control function reports at all Audit Committee and senior management meetings and has been approved by the Prudential Authority as fit and proper to function as the statutory compliance officer in terms of the Insurance Act. The Compliance Department works in conjunction with the Internal Audit and Risk Management Departments to ensure that compliance issues are combined with assurance models within the organisation.

An appropriate and robust Compliance Coverage Plan is in place and the department achieved 100% coverage against the approved plan. Compliance recommendations are adopted by management and control improvements identified during compliance reviews are implemented as part of a continuous improvement process. The compliance function confirmed that it enjoys full support from the Board, executive and management.

During the year under review, the Compliance Department played an important role in assisting business with regulatory engagements, in guidance on implementing legislation, and in coordinating various submissions on proposed future legislation, regulations and standards.

The Compliance Department is also involved in product development and plays an important role in assessing products and distribution channels against the relevant standards of conduct.

THE COMPLIANCE
DEPARTMENT HAS A
**BOARD-APPROVED
CHARTER** IN LINE
WITH THE STANDARDS
PRESCRIBED BY
THE **COMPLIANCE
INSTITUTE OF
SOUTH AFRICA.** ”





HERE TO DO GOOD.



5

SUSTAINABILITY
REPORT

CHAPTER HIGHLIGHTS



To date, we have spent R5 million in usage fees for poems selected for publication in the **AVBOB** Poetry Competition, and by the time the fifth successful year of the **AVBOB** Poetry Competition came to a close, a total of over 17 000 poems had been accepted for publication into the online **AVBOB** Poetry Library.



We paid benefits of **R2,7 billion** to our policyholders.



96% of our total staff complement comprises previously disadvantaged groups.



We provided **FREE funeral services to the value of R483,4 million** to members, and allocated **R72 million** in value of the **AVBOB Reward Account** to active policies.



Through the #RoadToLiteracy Library Competition, we donated **180 trolley libraries**.



AVBOB's Disaster Relief Fund assisted **small businesses** affected by the July 2021 protest action and **victims of the floods** in KwaZulu-Natal in April 2022.



As part of our commitment to B-BBEE, we set aside a **R150 million** fund for the development of suppliers.



We invested **R36 million** in **33 408** training interventions.



We extended our reach by opening **11 insurance offices** and **four funeral agencies**.

SUSTAINABILITY REPORT

INTRODUCTION

To secure a future for our business, it is vital that we continue to increase the positive social, economic and environmental impacts arising from our business activities and minimise negative impacts.

As part of our mutual responsibility to create and share value, we recognise and accept the responsibility to ensure that our actions and operations are both acceptable to our **AVBOB** family and not harmful to the environment.

This responsibility comprises several components that must align with our legal and economic responsibilities as active market participants. As a mutual, our primary objective is to protect the financial wellbeing of our members and policyholders during life's hardships and to look after their long-term needs.

We acknowledge the extent of the work required to truly claim that sustainability. We also recognise that aligning our responsible business practices with our business priorities requires ongoing commitment and improvement. Refer to our Leadership and governance report (page 31) for more on this matter.

In this report, we describe the way we contribute to, and invest in, the communities we serve as part of our mutual responsibility to create and share value not only for our members but also for society at large. We share our progress in building relationships with our stakeholders, improving our workplace environment, and minimising our environmental impact.

“ AT **AVBOB** WE
SHARE THE VALUE
WE CREATE.

MUTUALITY

Sharing the responsibility

What sets us apart is what makes us unique: we're a mutual society and our business is underpinned by a shared value model. As a mutual society, we offer the opportunity to create and share member value, whereas other insurers are mandated to create shareholder wealth. Our mutual status has given us a very strong financial basis that allows us to provide additional benefits to our members in the form of **FREE** funeral benefits and **FREE** policy benefit enhancements.*

* FREE funeral benefits only apply if **AVBOB** Funeral Service conducts the funeral.

ENGAGING WITH THE AVBOB FAMILY

The ties that bind

No business can succeed without building and maintaining healthy relationships with suppliers, industry bodies, clients, and other stakeholders. Our relationship capital is one of our six capitals that directly relate to how we interact with our external environment with the aim to continue creating value. By creating loyalty and developing strong relationships with our clients our business transforms from being “just another company” into a brand they know and trust.

Relationships also create word-of-mouth advertising, which is why it is important that we forge a relationship of trust and mutual respect with all our stakeholders (policyholders,

members, clients, suppliers, and industry bodies). That is why we view our stakeholders as part of our **AVBOB** family, because at **AVBOB**, family comes first. *Always.*

Consistent engagement with the **AVBOB** family is an important aspect of our business, and we are committed to effective communication on issues of mutual interest. We are also mindful of our statutory and regulatory obligations to share information.

We have identified key stakeholder groups who may have an effect on, or can be affected by, our business strategy. Our stakeholder management strategy enables us to protect our reputation and ensure that our activities positively impact on that reputation.

AVBOB is a member of the International Cooperative and Mutual Insurance Federation (ICMIF). Our relationship with them provides us with the tools we need to promote our mutual society status to external stakeholders. Through them, we are kept informed of global mutual and cooperative trends.

Engagement with the **AVBOB** family extends beyond our members and policyholders, as it also includes our funeral agents. To this end, we often publish testimonials of successful agents who have made a direct impact on entrepreneurial development in their communities.

Building relationships

Open and honest communication is key for any relationship to stand the test of time. Our public relations strategy is aimed at actively building relationships with everyone engaged in, or influenced by, our initiatives and interventions. We regularly produce and publish articles in leading business-to-business magazines and consumer media that address the benefits of belonging to a mutual assurance society.

In our journey towards becoming a more client-centric society, we have established a holistic client relationship management strategy. It was designed to improve client service throughout **AVBOB** and is aligned with key Treating Customers Fairly (TCF) outcomes.

Sharing our recognition

In the 2021/2022 financial year, **AVBOB** was voted the winner, for doing most in stimulating the economic growth and development in both Funeral and Insurance within the Western Cape and Northern Cape, at the PMR.africa awards for the fourth year running. Die Burger's 2021 'Jou Keuse' Gold award was awarded to **AVBOB** in the Funeral Undertaker and Services category, as chosen by readers of the newspaper in the Western Cape. In September 2021, **AVBOB** was voted a Platinum winner in the Rapport Readers' Choice competition in the Funeral Policy category, and in August 2022 a Platinum winner in the City Press Readers' Choice competition in the Best Funeral Cover Administrators category. **AVBOB** was also announced as the winner of the Funeral Cover category in the 2022/2023 Ask Afrika Kasi Star Brands benchmark. The awards are testament to the reputation of the **AVBOB** brand and the dedication of our staff and funeral agents and their commitment to excellence and living the **AVBOB** family values.

THE AVBOB POETRY COMPETITION

Positively influencing brand perceptions

In July 2017, we embarked on an unusual journey to bring our brand promise, 'We're here for you®', to life. We announced a nationwide online poetry competition in all 11 official languages. The competition was open to all South Africans, with usage payments awarded to all poems published on the competition website (www.avbobpoetry.co.za). We identified a common thread among those facing loss, in that they seek words of wisdom or comfort and consolation when they bid a final farewell to their loved one/s.

In times of grief, people seek answers from wisdom that is expressed in language and, most often, in poetry. In addition, the inclusion of the mentorship programme, where published poets mentor and advise aspirant poets, links the campaign to our corporate social investment (CSI) mandate to focus on the education and development of talent in our country.

A fifth successful year

The entries for the fifth annual **AVBOB** poetry competition closed on 30 November 2021, and the winners were announced at a prestigious gala event that took place on 21 September 2022, which was simultaneously live-streamed. A cash prize of R10 000 and a R2 500 book voucher were awarded to the poets who wrote the first-prize poems in all 11 language categories. Volume 5 of the poem print anthology titled 'I Wish I'd Said...' was created from the website entries, together with specially commissioned poems from the country's top poets, as well as four poems in the languages of Khoi and San. All poems are accessible to the public through a branded **AVBOB** poetry website on which more than 17 000 poems have been published. A new series of online poetry workshops also commenced on 25 June 2022 to help inspire poets and provide them with tips to improve. To date, **AVBOB** has spent R5 million in usage fees for poems selected for publication in the **AVBOB** Poetry Competition.

Continued success with tactical competitions

On 18 March 2022, we opened a mini-competition, through social media, in which we asked for ecopoetry on the state of the Earth, and the winners were announced on International Mother Earth Day on 22 April 2022. These works saw poets reflecting on the impact of the environment on our daily lives. On Family Day (18 April 2022), the **AVBOB** Poetry Project announced another mini-competition, inviting South African poets to reflect on the loved ones closest to them.

A TOTAL OF OVER **17 000**
POEMS IN ALL **11 OFFICIAL**
SOUTH AFRICAN LANGUAGES
 HAVE BEEN ACCEPTED FOR
 PUBLICATION INTO THE ONLINE
AVBOB POETRY LIBRARY. ”



SUSTAINABILITY REPORT Continued

COMMUNICATION: THE KEY TO CONSISTENCY

OUR VALUES (CUSTOMER FOCUS, EXCELLENCE, INTEGRITY, PEOPLE AND TEAMWORK) INFORM OUR STRATEGY TO REINFORCE AND STRENGTHEN OUR CORPORATE REPUTATION, WHICH IN TURN INFLUENCES OUR COMMUNICATION STRATEGY. ””

As a responsible corporate citizen, we have made major strides towards the overall improvement of communication within the AVBOB family, and we remain committed to enhancing our communication practices, systems and methodologies.

Timely and relevant workplace communication is vital to ensure that all employees collaborate and share information, with the ultimate goal of achieving our vision to be the pacesetter in the funeral industry.

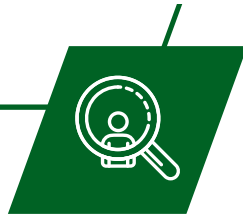
- Our internal employee magazine, *Die Onderling*, is published four times a year and is distributed to all employees. When the COVID-19 lockdown regulations were implemented, we took a decision to publish the magazine online. Our employees are sent links through SMS and email to access the publication. There are many benefits to having an online magazine, namely, increasing our reach (more of our employees are able to access the magazine), it's an environmentally friendly alternative to a printed magazine, and the information is current and relevant.
- The AVBOB Connect Facebook page continues to promote communication between our employees and – with over 1 300 members – is growing in popularity. Important Group messages are posted on a weekly basis. The Group's social media community is continually growing as we engage with them on AVBOB products and services, AVBOB's milestones and special days observed nationally and internationally. The Group's master brand Facebook page has over 190 000 followers, the Twitter page has over 4 000 followers and our LinkedIn page is steadily growing at over 12 000 followers.
- Our communication strategy with regard to our member benefits includes additional messaging to clearly distinguish between policy benefits and member benefits in five languages (English, Afrikaans, Sesotho, isiXhosa and isiZulu). To improve communication with our policyholders and clients visiting our branches, we stream audio-visual material to our nationwide network of offices through an innovative digital technology platform. This allows us to update content on the television screens at the branches in real time and have full control over what, when, and where content is shown. Content can also be personalised on request. We believe that this has enhanced the overall client experience at our branches.
- Our insurance intermediaries and call centre agents play a pivotal role in our communication with our policyholders, members, and the community at large.
- Senior citizens and pensioners are valued members of the AVBOB family. We have established structures and processes that enable us to communicate with our senior citizens and pensioners and ensure that we continue to create value and satisfy their specific needs.



DIE ONDERLING
Our internal employee magazine

Improving client experience by being there for everyone

Companies lauded for superior client service have a culture that supports excellence. Not only are their employees trained to render exceptional service, but a set of beliefs, values, and requisite behaviours are also interwoven into everything the company does. At **AVBOB**, client service excellence has become “the way things are done around here”. It is about meeting our clients’ expectations at every point of contact and must therefore be monitored regularly and consistently. We constantly monitor our internal and external service delivery, as we know it has a direct effect on our reputation. As brand ambassadors, we must embody our brand promise, which means:



increasing our brand equity and ability to provide market-appropriate products, superior service, and innovation;



the pursuit of client-centricity at all costs to protect the **AVBOB** brand and increase our funeral conversion rate, retention rate, and insurance sales;



increasing engagement and loyalty to establish lifelong relationships with our clients;



optimising administration processes and systems to resolve queries at the point of first contact;



a world-class inbound call centre infrastructure to cater for all our communication channels from telephone to digital and social media;



continually improving our service levels through the use of the Net Promoter System. This system enables us to measure client satisfaction based on their interactions with us through our internal support functions; and



a 24-hour call centre that enables our clients to contact us at any time of the day or the night. We also provide a 24-hour bereavement counselling helpline to **AVBOB** Funeral Service clients.



SUSTAINABILITY REPORT Continued

Knowing and understanding the AVBOB family

We are subscribed to Ask Afrika's Orange Index, which allows us to gain a deep understanding of South Africans' service-experience expectations. The Ask Afrika Orange Index research allows us to track our customers' experience and changing industry trends, which gives us insight into the service DNA of our business and highlights our strengths and weaknesses over time.

The research is done on a broad South African community basis but also provides narrower insights into the township communities, which are of particular importance and interest to us.

Welcoming feedback

Our centralised Complaints Department is key to improving client service to ensure that all complaints are dealt with swiftly and efficiently. Various indicators or metrics are monitored on a monthly basis to facilitate this.

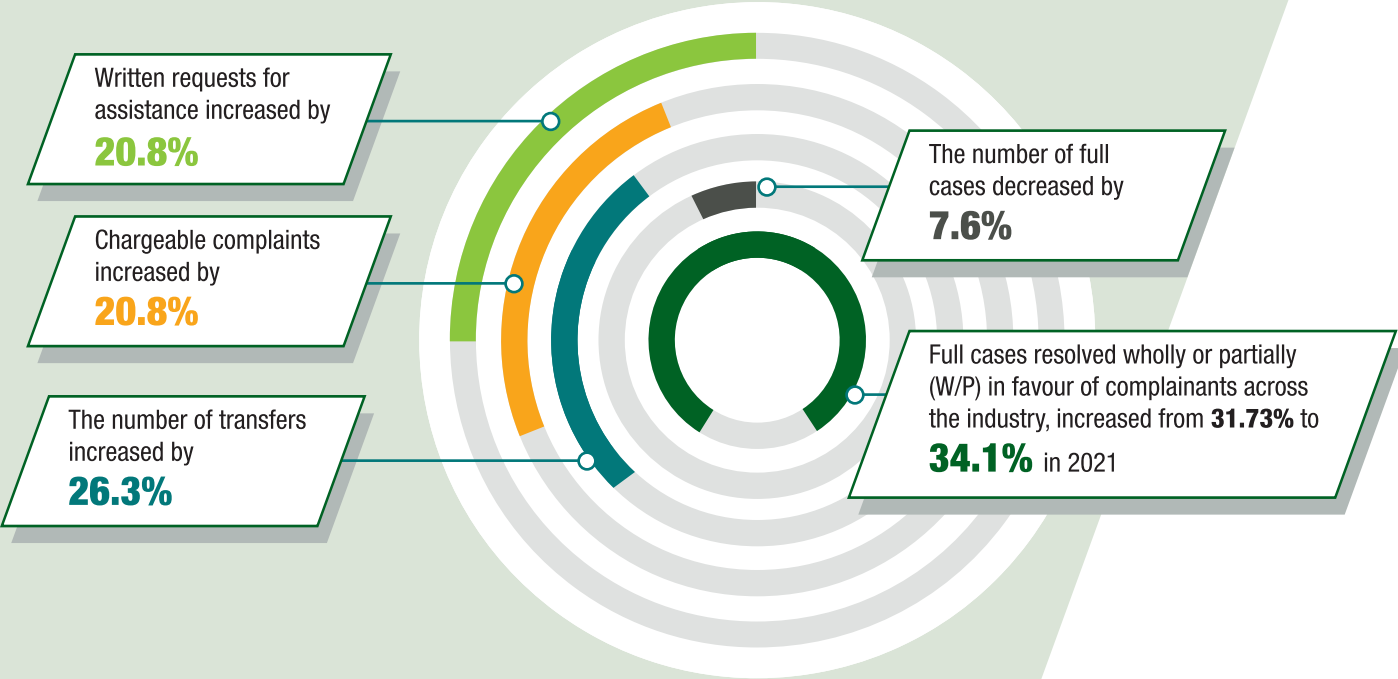
We monitor comments received on Hellopeter, Facebook, Twitter, LinkedIn, our website, email, media channels, and through the Ombudsman for Long-term Insurance (Ombudsman) to ensure appropriate and timely responses.

We continue to monitor other media channels, including radio, television, and print to ensure we respond timeously and appropriately to negative publicity.

Sharing the lessons we learn

The 2021 annual report of the Ombudsman was released on 17 May 2022. The results revealed the following about the funeral insurance industry for the year under review, compared to 2020:

Compared to our main competitors, **AVBOB** had the lowest number of complaints from clients referred to the Ombudsman in 2021.



A total of 53.2% of our W/P resolved cases were finalised in favour of the complainants. We also settled complaints with the relevant complainants before the Ombudsman issued recommendations. The complaints settled are not limited to the payment of a sum of money to a complainant only, as it can also apply to provision of services, reinstatement of policies, and adjustment or payment of benefits.



To improve our complaints handling and resolution processes, we continuously analyse the root causes of complaints to identify areas of improvement in both our products and services.

Keeping up to date and in contact

With the introduction and implementation of new and additional intensive statutory and regulatory obligations associated with the Financial Advisory and Intermediary Services Act, No 37 of 2002 (FAIS Act) and the TCF outcomes, we employ communication practices and systems that effectively engage our **AVBOB** family, both internally and externally. **AVBOB** maintains open lines of communication with the Financial Sector Conduct Authority (FSCA), the Prudential Authority (PA), the Ombudsman, and the Association for Savings and Investment in South Africa (ASISA).

BUSINESS ETHICS AND ORGANISATIONAL INTEGRITY

The **AVBOB** family codes of conduct

The success of a business is built on the trust of its customers, employees, and the general public. Legislation prescribes that businesses should operate with ethics and integrity; at **AVBOB**, we do this because it is the right thing to do and that is how we earn the **AVBOB** family's trust.

Through our statement of intent on ethics, codes of ethics, and core values, we strive to create a business environment free from unlawful and unethical business practices. By adhering to contractual obligations and operating instructions and educating our employees and representatives, we strive to ensure that our products and services are presented in an accurate and transparent manner.

Processes are in place to assess the integrity of prospective new employees and induction training on ethical behaviour is provided to new intermediaries. Our gifts policy states that no employee may offer or receive any gift, favour, or benefit that may be regarded as an attempt to exert influence on any party. Fraud and any unethical behaviour are dealt with as soon as it is identified.

We also have a whistle-blowing hotline for all members of the **AVBOB** family to report unethical conduct, fraud, etc. Whistle-blowers' anonymity is guaranteed in accordance with the provisions of the Protected Disclosures Act, No 26 of 2000.

All serious breaches are communicated to the Audit Committee, Actuarial and Risk Committee, Social and Ethics Committee, and the Board of Directors. Refer to our Leadership and governance report (page 31) for more information on the roles of these committees.



SUSTAINABILITY REPORT Continued

OUR EMPLOYEES

The immediate AVBOB family

Our values are woven into every aspect of our business and our employees are the brand ambassadors who embody these values. The following goals enable us to strive towards a high-performance work environment:

- Create a culture of high performance in support of our values
- Promote a learning culture that provides employees with training and development for their current roles, as well as the skills they need to take on new roles
- Attract, motivate, and retain high-calibre candidates by maintaining and improving remuneration and benefits
- Provide a working environment that fosters a culture of respect and tolerance for diversity

We are committed to being a profitable and sustainable industry leader with a multi-skilled and diverse workforce that embraces an inclusive corporate culture. To this end, we make every effort to recruit competent people, as well as to provide a workplace that stimulates and rewards distinctive performance.

Therefore, we aim to

- ensure fair, non-discriminatory practices that respect the rights and dignity of all our employees, irrespective of race, gender or disability;
- assess, train, develop, advance, and maximise the potential of all employees;
- enforce the focus on underrepresented people in recruitment and promotion in accordance with our Employment Equity Plan;
- support and accommodate persons with disabilities; and
- ensure that all training and development is done in line with the organisation's needs.

An employer's success is defined by its ability to maximise capabilities (such as responsiveness to market demand) and its agility in redesigning business processes, developing learning capacity, and optimising employee competence.

A competent and stable workforce is imperative to ensure business sustainability, and a number of projects have therefore been undertaken to improve our employees' competency levels.

Human capital management

The Human Resources Department recognises that the development of human capital serves not only our economic interests but also the broader requirements of society. Our human capital represents the combined human intelligence, skills, and expertise that give **AVBOB** its distinctive character.

Like most service organisations, our primary asset is our employees, and we have a vested interest in cultivating this vital asset. Our employees define our character, affect our capacity to perform, and represent our knowledge base. We know that if our employees are managed effectively, they become the cornerstone of our success.

Our intention is always to address these challenges by attracting and retaining talented employees. An integrated talent management process, linked to an e-recruitment system and performance management system, has been implemented to win the war for talent. We also strive to continuously promote inclusivity and embrace workplace diversity.

Employer of choice

AVBOB is a recognised market leader and a pacesetter. Like most employers, we are faced with the challenge of acquiring talent for management and executive positions in a candidate-driven market. To attract top candidates, we know we must distinguish ourselves as an employer of choice.

Research indicates that aggressive salary and benefit packages are no longer sufficient to attract and retain top talent, and that employers must develop unique human capital strategies to attract these candidates. That is why we have embarked on an employer branding enhancement process and continue to participate in the Top Employer certification process. The Top Employers Institute (TEI) certifies employers for exceptional recognition of sound human capital practices. The rigorous nature of the certification methodology ensures the exclusive value of this distinction. The leading-edge international research undertaken by the TEI determines whether an organisation meets the required standard for certification as a Top Employer.



“ AVBOB WAS SUCCESSFULLY CERTIFIED FOR EXCEPTIONAL PRACTICES IN HUMAN CAPITAL FOR THE FIFTH CONSECUTIVE YEAR.

As such, we continue to enhance our processes and keep abreast of new human resources processes and practices. In addition to maintaining our certification, we also conduct employee engagement and pulse surveys to measure our employees' perceptions of us and the industry at large.

In an effort to improve the AVBOB employer brand and align with market trends, the Group introduced a hybrid work model. This model allows employees the flexibility to work remotely or in the office. This flexibility will lead to work-life integration and will allow employees the ability to coordinate their responsibilities and schedules in a more functional way, thus providing a higher sense of satisfaction in every aspect of their lives.

Skills development and talent management

AVBOB recognises the need to develop our employees to deliver superior customer service and, in doing so, build a culture of excellence through learning. Our skills development and talent management objectives include:

- Improving our employees' skills and competencies
- Developing business acumen and competencies at management, regional, and representative level
- Developing and implementing HR practices to recruit, retain, and deploy capable people to meet market demands
- Developing decision-making competence regarding our products, services, and market segments
- Establishing high-quality customer service in support of product and service delivery
- Implementing succession planning in critical areas

We invest in different types of in-house and external training offerings, which cover a wide range of topics, to improve productivity and prepare a candidate pool from which to employ.

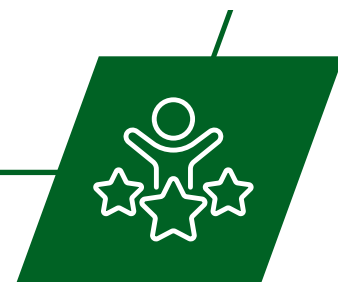
Significant transformative forces, such as regulatory requirements and the empowerment of a new generation of employees, are reshaping the way we deliver training. In addition, technology continues to have a substantial influence on the industry within which we operate. We understand and embrace the significant role of technology in aligning employee development with our strategic objectives. As such, we have made significant progress with our e-learning platform in the year under review. Our blended training approach (online and face-to-face) has provided us with an opportunity to embrace new technology trends and fulfil employee training expectations.

AVBOB submits an annual Workplace Skills Plan and Annual Training Report to the relevant sector authorities. These reports include all training and development concluded for the year under review, as well as proposed targets and training for the following year. At AVBOB, we know that our sustainability is dependent on human resource development. And to ensure this development, we must increase our employees' capacity through skills development. We therefore remain committed to upskilling our employees to help us achieve our business objectives, but, more importantly, to provide them with individual growth opportunities. All our employees, irrespective of disability, gender, educational level, seniority, or status, have access to the training interventions we offer.

Performance management

At AVBOB, we seek to align our employees' individual objectives with our strategy. All permanent employees are subject to biannual formal performance and development reviews. Rewards and incentives in the form of short-term incentives form part of our performance and talent management process. Personal development plans for all employees are initiated through this process and help to identify and develop future leaders and the skills required for further development.

Our performance management process is a critical tool that assists in identifying non-performing employees and ensures that appropriate interventions are implemented to improve their performance. This process is also used to identify high-performing employees and reward them accordingly.



SUSTAINABILITY REPORT Continued

Training programmes

It is our responsibility to constantly monitor the ever-changing business, regulatory, and legislative landscapes that affect our operations and to ensure that our employees are appropriately trained.

We continue to implement various initiatives to enhance skills development, talent management, and employee retention. Through our partnerships with the Insurance Sector Education and Training Authority (INSETA) and Services SETA, we embarked on several training and development initiatives over the past years, which included learnerships, internships and management development programmes.

The table below indicates the training interventions for the period from 1 July 2021 to 30 June 2022.

TRAINING DESCRIPTION	EE ATTENDEES	NON-EE ATTENDEES
Internal	31 756	242
External	1 381	29
TOTAL	33 137	271

Learnership programmes

Learnership programmes remain a high priority for us, and we are pleased to announce that our candidates achieved a 100% pass rate in the year under review.

As part of the Group's effort to create a culture of learning and upskilling unemployed youth, 47 candidates from Soweto and surrounding areas were employed on a 12-month programme. The candidates were given the necessary training and experience to perform in a sales environment. The Group has, to date, employed 30 of the 47 candidates permanently in different positions within sales.

In the 2021/2022 financial year, **R36 million** was invested in 33 408 training interventions.

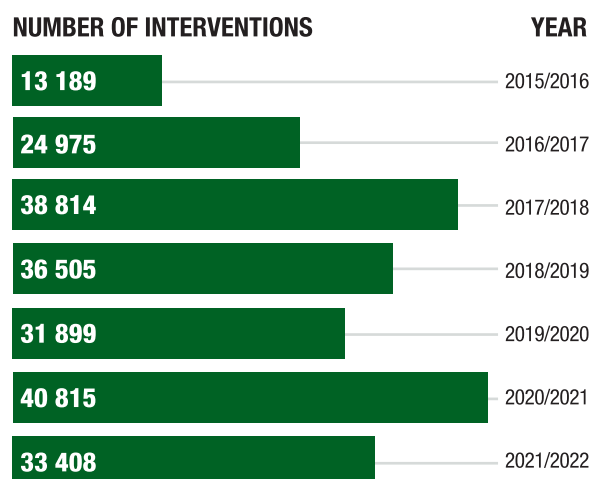
The following table highlights the progress we have made regarding learnerships.

LEARNERSHIP	2020	2021	2022
Long-term insurance learnerships (Unemployed)	71	25	40
Long-term insurance learnerships (Employed)	74	111	161
Persons with disabilities	3	7	10
Bursaries	-	8	4
Management development programme	11	-	12
Internship/workplace integrated learning programme	20	15	-
Rural learnerships	20	-	12
TOTAL	195	166	239

Training hubs

In line with legislation, and to facilitate an effective and appropriate understanding of our products, we established six regional training hubs. These hubs enable customised training, specific to the requirements of a region. The trainers have been upskilled to meet the changing requirements of our business and effectively operate as our business partners.

The graph below indicates the number of product training interventions that have taken place since the inception of the training hubs.



The following table provides a breakdown of the training interventions that were conducted during the year under review.

TRAINING INTERVENTIONS July 2021 – June 2022	%	ACTUAL
Induction and on-boarding	5	1 572
Industry and terminology	5	1 689
Product training	82	27 492
Soft skills	3	1 040
Funeral training	1	205
External courses	4	1 410
TOTAL	100	33 408

Internships, coaching, and mentorships

AVBOB continues to invest in the development of young talent. We have implemented an internship programme to bridge the gap between academic study and its practical application. A deliberate effort is made to deliver internships to unemployed youth and students in support of our country's commitment to skills development. We ensure that our interns are continually exposed to mentorship and job rotation opportunities. These programmes are furthermore used to ensure an effective succession planning process.

We have also continued to focus on the implementation of management development programmes for junior managers. We want to help develop them into strong business leaders who can grow and sustain our business into the future.

Employment equity and women in the workplace

Broad-Based Black Economic Empowerment (B-BBEE) and employment equity (EE) are critical business imperatives at **AVBOB**. We remain committed to improving our African management talent, and B-BBEE interventions form part of our business strategies. This includes:

- enforcing the focus on underrepresented individuals in recruitment and promotion in accordance with our EE plan;
- implementing alternative recruitment processes (including e-recruitment) to assist in the intensified recruitment, sourcing, and attraction of applicants from previously disadvantaged groups;
- ensuring that relevant training, coaching, and mentoring programmes are in place for previously disadvantaged groups as per our EE plan; and
- ensuring the appropriate training and support are sourced, made available, and rolled out to persons with disabilities.

All recruitment, transfer, and promotion endeavours are performed in accordance with our EE plan and the National Economic Active Population (EAP) guidelines. These activities are also aligned with the United Nations (UN) Sustainable Development Goal (SDG) 5: Gender equality. At 30 June 2022, 96% of our total staff complement consisted of previously disadvantaged groups as reflected in the following EE status table.

EMPLOYMENT LEVELS	2020	2021	2022	TARGET
Management	49	50	55	62
Specialist/skilled	96	98	98	90
General staff/clerical	92	94	94	93
EE% of workforce	95	96	96	90

Based on the EAP, we compare favourably in most of the categories. Despite good progress made, our overall challenge is the underrepresentation of black employees at senior management level. Furthermore, our aim is to uplift and encourage female leadership in the workplace and to foster gender equality. Our workplace currently comprises 70% female employees and 50% of our Executive Committee members are female.

Black economic empowerment

At **AVBOB**, we believe that it is our responsibility to help ensure a better future for our country by contributing to the economic empowerment of the previously disadvantaged groups. We are committed to increasing these individuals' participation in all levels and areas of our business. By doing this, we not only ensure our own sustainability but also contribute to the future growth and sustainability of the financial services sector and the South African economy at large.

Persons living with disabilities

We have made great strides to accommodate and invest in the development of persons living with disabilities. Our inclusive culture promotes the equal participation of persons with disabilities. In addition, we are always working to empower managers and supervisors with the necessary skills to manage employees with disabilities. We also focus on encouraging disclosure to ensure the reasonable accommodation of these employees.

SUSTAINABILITY REPORT Continued

Employee wellness

Our Employee Wellness Programme (EWP) is offered to all our employees because we are committed to creating and maintaining a safe and healthy work environment for all.

In the year under review, and in light of the global COVID-19 pandemic, the EWP proved invaluable in ensuring that employees and management did their part to contribute to a safe workplace and working environments at home.

The following initiatives were included in our EWP:

- Mental health interventions focused on stress management and resilience, as this was the highest driver for employees accessing EWP services
- On-site counselling was implemented for all employees at Corporate Office
- HIV/AIDS awareness sessions were arranged for all employees
- COVID-19 vaccination awareness sessions were arranged for all employees
- A dedicated COVID-19 information and support line is available. A healthcare professional assisted with medical advice on prevention, diagnosis and treatment, as well as telephonic risk assessments
- A dedicated email resource to address employees' COVID-19-related questions is available for all employees
- On-site COVID-19 vaccinations were arranged for all Corporate Office employees
- The new way of working presented its own set of challenges. Managerial resilience workshops were conducted to encourage managers to use the support services and to encourage their teams to do the same
- We produced an e-Academy wellness video that focused on
 - returning to work post-COVID-19;
 - staying safe during lockdown; and
 - coping mechanisms for working from home.

In 2022, we will continue to

- encourage ongoing activities to promote a comprehensive approach to employee health and wellness;
- intensify management training and encourage employee referrals;
- monitor incapacity cases;
- provide employees with stress, financial wellness, adjustment, and trauma counselling;
- provide employees with the necessary coping mechanisms and resilience support; and

- create awareness and provide education on health-related issues in general and COVID-19 in particular.

Occupational health and safety

Health and wellbeing for all is one of the UN's 17 SDGs. This goal speaks to employers' responsibility to ensure health and safety in the workplace, and it is integral to our environmental, social and governance (ESG) standards.

- **AVBOB** has designated safety, health and environmental (SHE) legal representatives who are certified and assigned on an ongoing basis, and all newly appointed health and safety representatives receive the required training.
- Maintenance of all firefighting equipment at our business premises nationwide occurs on an annual basis.
- Our mortuaries are fitted with generators to comply with the requirements of the National Health Act, No 61 of 2003.
- A nationwide service level agreement is in place for the correct storage, collection, and removal of medical waste from our mortuaries.
- Designated managers and employees attend basic first aid, fire marshal, and SHE-representative training courses on an ongoing basis, through an accredited training institution.
- We comply with all relevant legislation through applicable governance structures.
- Health and Safety Committees are established as required.
- Monthly regional health and safety reports are consolidated and addressed by the Safety, Health, Environment and Quality (SHEQ) Department.
- Quarterly Health and Safety Committee meetings are held and minutes with appropriate corrective measures are captured for identified problem areas.
- Internal Audit and Compliance Departments provide a SHEQ report as part of the combined assurance model on a nationwide basis.
- Biannual emergency evacuation drills are conducted at Corporate Office.
- SHEQ policies and procedures include lockdown procedures in case of protest actions and/or an unsafe environment outside the Corporate Office buildings to keep our employees and customers safe.

RESPONSIBLE INVESTMENT

Our policyholders have entrusted us with assets of R35 billion during the year under review. The bulk of these funds are managed by seven prominent asset managers according to segregated mandates.



We are committed to responsible business investment practices and ownership decisions, as we know these have both positive and negative potential impacts on our social and natural capitals.

Our approach towards responsible investment aims to integrate Environmental, Social and Governance matters (ESG) across all asset classes as a means of enhancing long-term policyholder value.

All our asset managers must comply with the Code for Responsible Investing in South Africa (CRISA), which states that institutional investors should

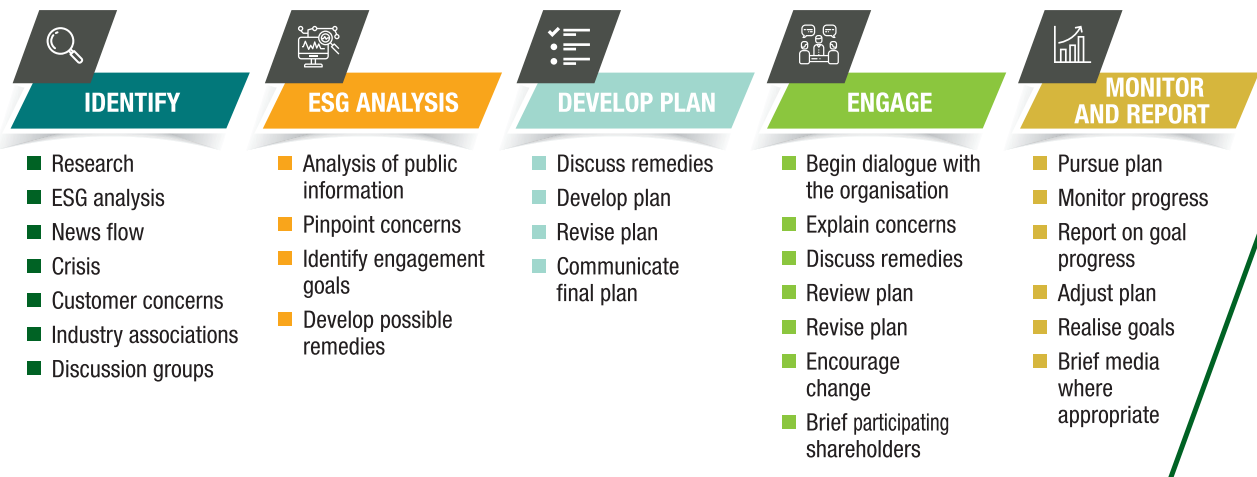
- incorporate sustainability considerations, including ESG, into investment activities as part of delivering superior risk-adjusted returns;
- demonstrate their acceptance of ownership responsibilities in their investment activities;

- consider a collaborative approach with other stakeholders to promote acceptance and implementation of CRISA as well as sound governance;
- recognise the circumstances and relationships that hold the potential for conflicts of interest and proactively manage these when they occur; and
- propose transparent policies and implement them in a transparent manner.

We know that traditional financial analysis provides an incomplete picture of a company's true competitive risks, value potential, and future performance. For their inclusion in our investment portfolio, the asset managers are therefore required to use ESG performance and sustainability analysis to provide critical insight into the quality of a company's management and strategic positioning.

The asset managers developed both quantitative and qualitative approaches to incorporate ESG matters into their valuation methodologies, which include ethical, targeted, and socially responsible investment approaches. In addition to achieving financial returns, these approaches are also aimed at achieving ethical or social outcomes through targeted or selected investments.

Our asset managers typically incorporate ESG matters in their investment decisions in the following ways:



In the interest of long-term sustainability, our asset managers use their influence as investors to persuade investee companies to adopt and actively implement policies and processes that advance



sound governance practices;



the health, welfare, and relationships with their employees, communities, and relevant stakeholders; and



the appropriate use and protection of natural resources.

Our asset managers have corporate governance policies that guide their approaches to proxy voting and set out their expectations of governance behaviour of investee companies. Proxy voting is used to support good governance practices, which we believe form the cornerstone of long-term member value. Where appropriate, they aim to engage with the investee companies on contentious issues. In addition to contacting companies prior to voting, they also formally address concerns after casting their vote. Our Investment Committee is informed on a quarterly basis of the votes that were exercised.

SUSTAINABILITY REPORT Continued

We have a separate Financial Sector Code (FSC) investment portfolio. The portfolio consists of investment in transformational infrastructure in underdeveloped areas, black business growth funding, as well as B-BBEE financing. Our investment approach is that the target risk and return considerations and investment merits must supersede all other investment considerations when assessing investment viability.

As part of this portfolio, the following investments were made:

- Financing to a company that provides loan financing to taxi association entrepreneurs
- Financing to a company that enables local, open access telecommunication fibre infrastructure
- Two private equity fund investments in greenfield and brownfield infrastructure projects:
 - The funds focus on renewable energy projects and other infrastructure projects, including toll roads and open access telecommunications infrastructure. One of the funds requires that at least 50% of the fund commitments be invested in renewable energy projects.
 - One of the funds is currently invested in four solar photovoltaic projects and one wind farm. All these projects have reached the operational stage and are providing power to the South African national grid. Each project is part-owned by the local community and has a CSI programme that focuses on community initiatives.

RESPONSIBLE PROCUREMENT

As part of our commitment to responsible procurement, we work with our suppliers to provide goods and services, and we make sure that everyone concerned has a common understanding that integrity and excellence will not be compromised.

As they represent one of our key capitals, our suppliers of products and services are selected carefully to ensure minimum adverse environmental and social impacts, without compromising price or quality.

We aim to contribute to socio-economic development through our procurement practices. We foster good business relationships with our suppliers and, in particular, with small black-owned enterprises who share our values. We include as many black entrepreneurs and women entrepreneurs as possible in our database of suppliers. We recognise that supplier development is important to build long-term sustainable relationships, specifically in respect of funeral operations. We encourage our suppliers to work with us and to continuously improve responsible procurement.

AVBOB's Tender Committee ensures that all significant procurement is ethical, efficient, fair and transparent. Social and environmental factors, as well as financial factors, are taken into consideration before tenders are awarded.

Transformation remains a social priority in South Africa. As such, the Tender Committee endeavours to ensure that the majority of suppliers to whom tenders are awarded are at least Level 4 B-BBEE contributors.

PRODUCTS AND SERVICES

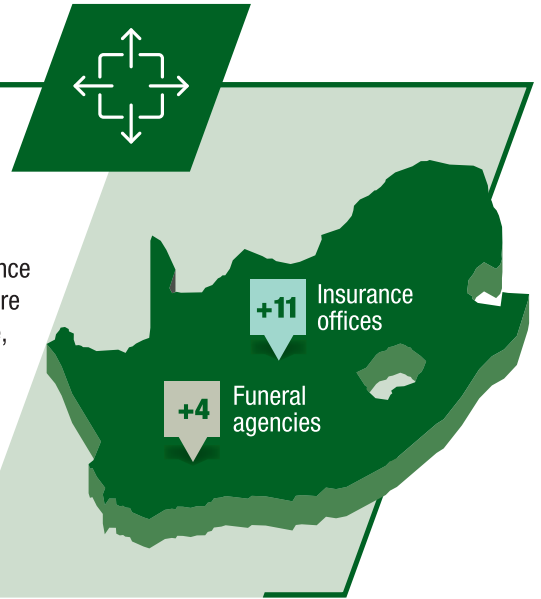
Innovation is key

As technology evolves and customer expectations and aspirations change, we recognise innovation as a sound business strategy. Refusing to innovate is a risk we can ill afford. A lack of incremental and disruptive innovation to fulfil existing or potential customers' needs will create the perception that we are becoming stagnant due to non-conformance to market needs.

Our specific challenge is that our core customer base is predominantly among the lower- and middle-income market, which means that we must be accessible through varied support platforms with which our customers are comfortable. This means that face-to-face and lower-cost digital communication must be monitored and updated often. The key is to innovate in areas that resonate with our market, to make doing business with **AVBOB** simpler, and to ease the burden on our customers when they need to transact and communicate with us.

**OUR SHARED
VALUE MODEL
PUTS THE CUSTOMER
AT THE CENTRE OF
OUR PRODUCT
DEVELOPMENT. ”**





Expanding the AVBOB family





During the year under review, we extended our reach by opening 11 new insurance offices and four funeral agencies. Expanding our footprint enables us to serve more communities across the country and provide a one-stop service (funeral service, funeral insurance, and funeral products). It also enhances distribution of our products and services to all target markets, especially to previously unserved markets. By increasing our national footprint, we have committed ourselves to creating more jobs within the communities in which we operate. Due to the growth in the middle class and increasing urbanisation, we have also made use of data analytics to become more customer-focused in meeting product and service expectations.

Product offering

Our insurance product offering aims to deliver products that add value and provide financial stability to our customers. As determined by our shared value model, we are committed to developing and promoting products with high added value, as they constitute a concrete response to the protection requirements and the growing and evolving needs of the society we serve. In the development of products, we consider not only financial, legal, and regulatory requirements but also the outcomes of TCF. This is a critical imperative of our shared value model, which aims to create and share value with both our members and society at large.

The Insurance Product Committee, a sub-committee of the Executive Committee, meets regularly to assess the adequacy of our product alignment to our customers' needs and the Group's strategic objectives and brand promise. We position our products and services in the market and determine the profitability of existing products and new product offerings. Our shared value model puts the customer at the centre of our product development. All new insurance products, as well as any enhancements made to existing products, are subject to a formal review and approval process.

To enhance our customers' experience and reduce post-sale barriers to changing a product, switching a provider, or submitting a claim, the following applies:

-  Product cooling-off period – exit at no charge
-  Waiver of the balance of the waiting period – upon switching product and provider
-  Product changes – considering customer needs and circumstances
-  Convenient claims processes – guarding against fraud risk

Our core products and services

Regarding our funeral service division, certain products and services are provided free of charge or at discounted rates to our members under certain conditions. Our policyholders and non-policyholders receive standard funeral services, but to ensure we meet all customer expectations, many additional services are contracted from external service providers. These include the rental of family cars, tents and chairs, catering, flowers, funeral service live-streaming, and more.

We recently added a new offering in response to customer demand. As a result, we now facilitate tombstone unveiling ceremonies for policyholders and non-policyholders.

Consistently moving forward

Our fleet

Our hearse fleet is one of the most visible aspects of our business and critical to our brand's reputation. For this reason, it is vital for us to continually invest in, and expand our fleet.

Repatriation services

A strategic decision was taken to establish a repatriation hub to transport mortal remains to, and from any destination around the world. The repatriation hub was officially opened in December 2019. Both our AVBOB Funeral Service customers and private clients make use of this service. We have invested in modern cooled vehicles to transport mortal remains across South Africa and into bordering African countries.

SUSTAINABILITY REPORT Continued

ONE AVBOB

We continue to leverage insurance and funeral services to enter existing markets. Regular Provincial Product Committee meetings ensure all personnel are kept informed of the services and products we offer. Functioning as ONE AVBOB strengthens our competitive advantage in the market and ensures we focus our collective attention on our strategic objectives and goals.

AVBOB Industries

The funeral service industry is fluid as there are constantly new entrants, products, and services. Innovation is thus key to remaining relevant and attracting and retaining customers. Our innovation agenda is driven by product and services renewal, expansion and innovation. Our funeral service product development framework, in collaboration with AVBOB Industries, allows us to be innovative and enables us to deliver the right products and services in the market, at the right time.

Our manufacturing division develops products that serve every segment of the market while employing industry-leading standards for optimal quality.

AVBOB Industries

- offers a wide range of coffins and caskets to meet customers' needs;
- has a robust quality management system in place; and
- employs lean manufacturing principles, modernisation, and mechanisation techniques to enable an ergonomically friendly workplace to save time and money.

Aquamation

Research was conducted into an alternative process for disposing of human remains. New technology called alkaline hydrolysis or aquamation has been implemented on a limited scale in the USA, Europe, and Australia as an alternative to the traditional options of burial or cremation. We engaged with national, provincial, and local government structures to secure the necessary permissions to implement this technology and to date, we have established aquamation facilities in Cape Town and Pretoria.

ENVIRONMENTAL STEWARDSHIP

Protecting our mutual natural capital

The depletion of our global natural resources is placing great strain on the environment, which creates major sustainability issues. At AVBOB, we know that we have both a direct and indirect impact on the environment. That is why we are committed to preserving our natural capital in the running of our operations.

Our primary business activities include the underwriting of life and assistance insurance, supply of funeral services, manufacture of funeral requisites, and owning and leasing of fixed property. However, employing sound environmental practices while performing these functions is a top priority. As part of our responsibility to the AVBOB family, we are committed to the disclosure, transparency, and measurement of our impact on the environment. The continuous evaluation of our operations is necessary to mitigate our physical, regulatory, reputational and brand risks. The sources of our environmental impact are indicated in the sections that follow.

ESG management

Our Corporate Office, with close to 810 employees, is our primary single-unit consumer of energy and water. Our secondary consumers comprise our funeral agencies and insurance offices (located nationally) and our manufacturing operation in Bloemfontein.

In line with our ESG objectives, which aim to reduce our carbon footprint, we have installed photovoltaic panels at our Corporate Office and have started to do the same at our agencies. Our investment fund managers are socially conscious and have developed ESG standards that they use to screen potential AVBOB investments. AVBOB Industries is continuously looking for ways to improve production processes to reduce the waste of raw materials, such as the recycling of off-cuts to make fire bellows, etc. AVBOB Corporate Office has also embarked on a recycling project, ensuring that all paper, cardboard boxes and printer cartridges are recycled.

We furthermore use a borehole to augment our water supply at Corporate Office, thereby reducing our demand on the municipal water supply.

AT AVBOB INDUSTRIES WE REDUCE OUR CARBON FOOTPRINT BY

- managing and monitoring the dust extraction systems at our manufacturing plant; and
- pursuing green building initiatives during planned building maintenance, on a national basis.



Environmental management administration and governance

We strive to

- conduct environmental awareness programmes for all internal **AVBOB** family members;
- conduct environmental skills audits;
- develop and maintain practical and best practice-based environmental management policies and procedures; and
- channel all environmental management issues through our SHEQ Core Committee.

CORPORATE EMPOWERMENT

Enterprise social development

As part of our commitment to B-BBEE, we set aside a R150 million fund for the development of suppliers and have already allocated R3 million. The investment return on this fund will be used to support a supplier development programme.

The programme is aimed at the development of small business owners from previously disadvantaged groups, with specific focus on those suppliers that provide goods and services to our funeral agencies.

The objective is to support start-up businesses to become financially sound, with the potential to create job opportunities within their communities.

CORPORATE SOCIAL INVESTMENT

A long-term investment

We believe that CSI requires more than a once-off donation to a worthy cause. It must be aligned with our long-term goals and objectives to create and share value with all our stakeholders.

We improve the quality of people's lives by making meaningful contributions to, and investments in, their future.

In delivering on our brand promise, we have been privileged to invest in communities across South Africa through our support of literacy and education programmes. This is also in line with UN SDG 4, which aims to “ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.”

When we speak of the **AVBOB** family, our mutual responsibility and care spreads far wider than our policyholders and members; it includes all stakeholders and, in particular, our communities.



SUSTAINABILITY REPORT Continued

PRIMARY PROJECTS

As a mutual society, we are bound by our brand promise to show compassion and to help others. *'We're here for you®'* finds application in our primary corporate social investments in basic education.

Literacy and education



AVBOB knows that education is a societal constraint. Nine years ago, through the **AVBOB** Foundation, we decided to invest in the future of young South Africans through the donation of fully functional container libraries to previously disadvantaged primary schools in all nine provinces of the country.

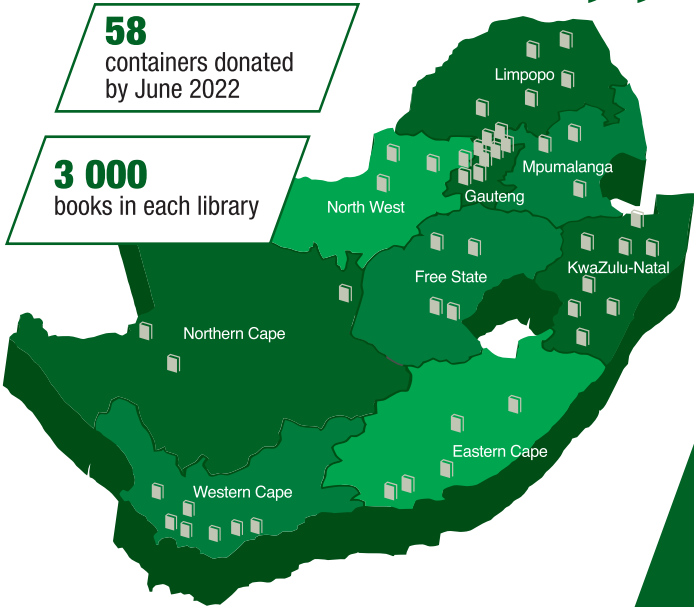
The first phase of the container library project was to place container libraries at selected primary schools. Manufactured by **AVBOB** Industries from old shipping containers, each container library is fitted with floors, shelves, tables, chairs, and solar panels. Best of all, each of these libraries is filled with over 3 000 books.

Our initial plan was to donate 10 container libraries but, due to the positive impact that this project has had, we have extended the scope of the project to 60 libraries. We donated our 58th container library in May 2022.

In the collaboration with Qhubeka, Ninety One, Alexforbes and Professional Provident Society (PPS) a further donation of 201 bicycles and 970 solar lights was made to schools in the small town of Calitzdorp in the Western Cape. Over 600 bicycles have been donated thus far.

In partnership with Oxford University Press (OUP) we launched the #RoadToLiteracy Trolley Library Competition in April 2022. The campaign donated 180 trolley libraries, each fully-stocked with 430 books. These libraries were donated to deserving primary schools and NPOs across South Africa. The competition received over 5 000 nominations.

3 000+ BOOKS IN EACH CONTAINER LIBRARY
430 BOOKS IN EACH TROLLEY LIBRARY





SUSTAINABILITY REPORT Continued

Infrastructure and safety

As part of our centenary celebrations, we announced our collaboration with the Department of Basic Education by donating R150 million towards the renovation, refurbishment, and building of schools across the country. We named the project the Schools Infrastructure Project. Three schools have been completed and handed over in the Free State, Gauteng and Limpopo.

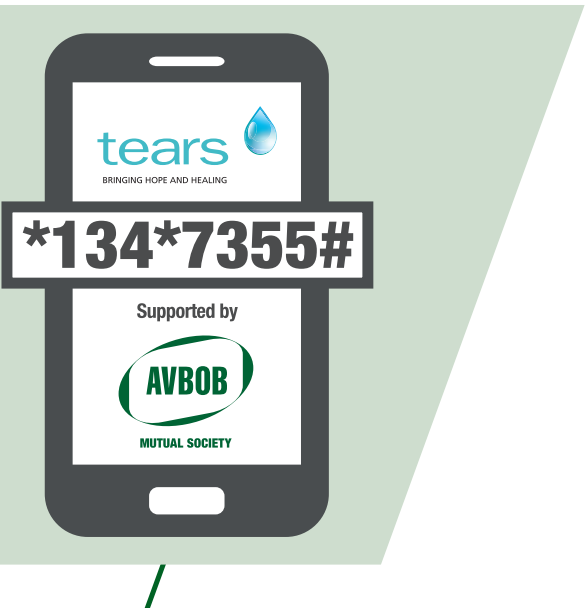
An additional **R30 million** was allocated to the eradication of pit toilets in KwaZulu-Natal, Eastern Cape and Limpopo. Our commitment to this project continues.



365+ CAMPAIGN AGAINST GENDER-BASED VIOLENCE (GBV)

AVBOB has partnered with the TEARS Foundation as a sponsor of their Help-At-Your-Fingertips Helpline®, a toll-free service that connects callers with resources that support victims of GBV.

In some cases, the first point of contact for GBV victims is with a TEARS Intervention Specialist. By extension, TEARS is deemed as the first witness in court cases; their case management system, called DAISY (Digital Access to Information System), often used as evidence as part of ongoing investigations and in court cases.



SECONDARY PROJECTS

Secondary projects are typically sustainable in nature, and thus receive more than a once-off donation from the **AVBOB** Foundation, but do not necessarily have to be related to education.

These projects include:

SA INC.

We were approached by SA INC. (Regency Global) to participate in a series of videos that showcases the positive progress taking place in South Africa. **AVBOB** has agreed to participate and join the ranks of other big corporates who have embarked on a storytelling journey.

Winter Warmer and Mandela Day

Our Winter Warmer and Mandela Day projects are enthusiastically supported by our employees. Initiatives range from delivering food, clothing, and blankets to needy communities to spending at least 67 minutes caring for children in hospitals and/or cleaning shelters for the homeless.

Gender-based violence

Our partnership with the TEARS Foundation commenced in August 2020. In our second year of funding, the TEARS' Help-at-your-fingertips Helpline® reported that it had 81 955 interactions with victims of gender-based violence during the period from July 2021 to June 2022.

Food security

AVBOB has partnered with Soul Food by sponsoring their Tshwane and Gqeberha branches. Soul Food is a logistics operation that collects surplus food from farms, hotels, restaurants, entertainment venues, food manufacturers, supermarkets and stores. The surplus food is distributed to needy communities in Tshwane, such as shelters, schools, hospitals and old age homes.

Lebone project

The 2022 Lebone project was a collaborative effort between the Thami Ngubeni Foundation and the Sacred Fest show. Grocery vouchers were distributed to families in need across the country. A call to action was initiated on social media whereby users were encouraged to nominate families or communities that were in need of basic necessities such as groceries or electricity. This initiative assisted 90 families.



Disaster relief

A special disaster relief fund was established in July 2021 to assist SMMEs who were uninsured during the July protest action. Twelve SMMEs benefited from this fund.

The fund also assisted initiatives by various organisations to support those who were affected by the floods that transpired in KwaZulu-Natal in April 2022, including: Rise Against Hunger, Gift of the Givers, and the NSPCA. Funeral assistance was also offered to families in the region.

Entrepreneurship

At **AVBOB**, we demonstrate our commitment to the development of entrepreneurship by empowering entrepreneurs in previously disadvantaged communities to manage and run their own funeral undertaking enterprises. We inspire them to become part of the **AVBOB** family and to render funeral services to policyholders with empathy and dignity.

Financial support

We also support community projects, sponsor cultural and education events, and provide disaster relief by means of financial contributions. We have invested R6,3 million to provide free and discounted funeral services in disadvantaged communities. In terms of B-BBEE financing requirements, R788 million was invested, as reflected in the responsible investment section of this report (page 58). To provide service and support job creation, offices and service centres are furthermore continually being established in previously disadvantaged communities.

Shaping tomorrow

What distinguishes **AVBOB**'s CSI initiatives from other organisations and moves it into the broader sphere of shared value, is arguably the fact that we are boosting the economic engines of tomorrow by improving the lives of all our stakeholders.

OUR MUTUAL MODEL
CREATES **TANGIBLE
ECONOMIC WEALTH AND
PARTICIPATION** FOR OUR
MEMBERS, **80% OF WHOM
ARE FROM PREVIOUSLY
DISADVANTAGED
COMMUNITIES.** ”

Sharing the benefits

Members get **FREE** funeral benefits, provided by **AVBOB** Funeral Service, of *up to R18 350 over and above* the value of their policy when a funeral for a life assured (for longer than two years) is arranged through **AVBOB** Funeral Service Limited.

During the year under review, **AVBOB** Funeral Service was able to provide our **AVBOB** family circle with **FREE** funeral benefits and discounted services to the value of R483,4 million.

This includes:



A **FREE** basic funeral (burial or cremation) valued at **R13 300**, which includes the funeral arrangements, a specified coffin, and a hearse



A **R2 500** immediate cash payment for initial expenses



FREE transport of the deceased in South Africa





“

HERE TO **MOTIVATE.**

6

REMUNERATION REPORT

CHAPTER HIGHLIGHTS



Our **short-term performance incentive bonuses** apply to all employees and recognise excellence in individual performance and company performance during the financial year.



Our **long-term incentive plan** applies to executive directors, senior managers, and managers and is in line with **South African** and **global best practice**.



In November 2021, we implemented an **average annual salary increase of 5.1% for general employees and 4.4% for management**.



We paid a once-off gratuity token to all general employees, insurance representatives, and funeral agents and their employees in November 2021 as a token of appreciation for their dedication and commitment in achieving the exceptional results in the 2021 financial year.

REMUNERATION REPORT

INTRODUCTION

The Remuneration and Nominations Committee (Remcom) is pleased to present the Group's Remuneration Report for the year ended 30 June 2022.

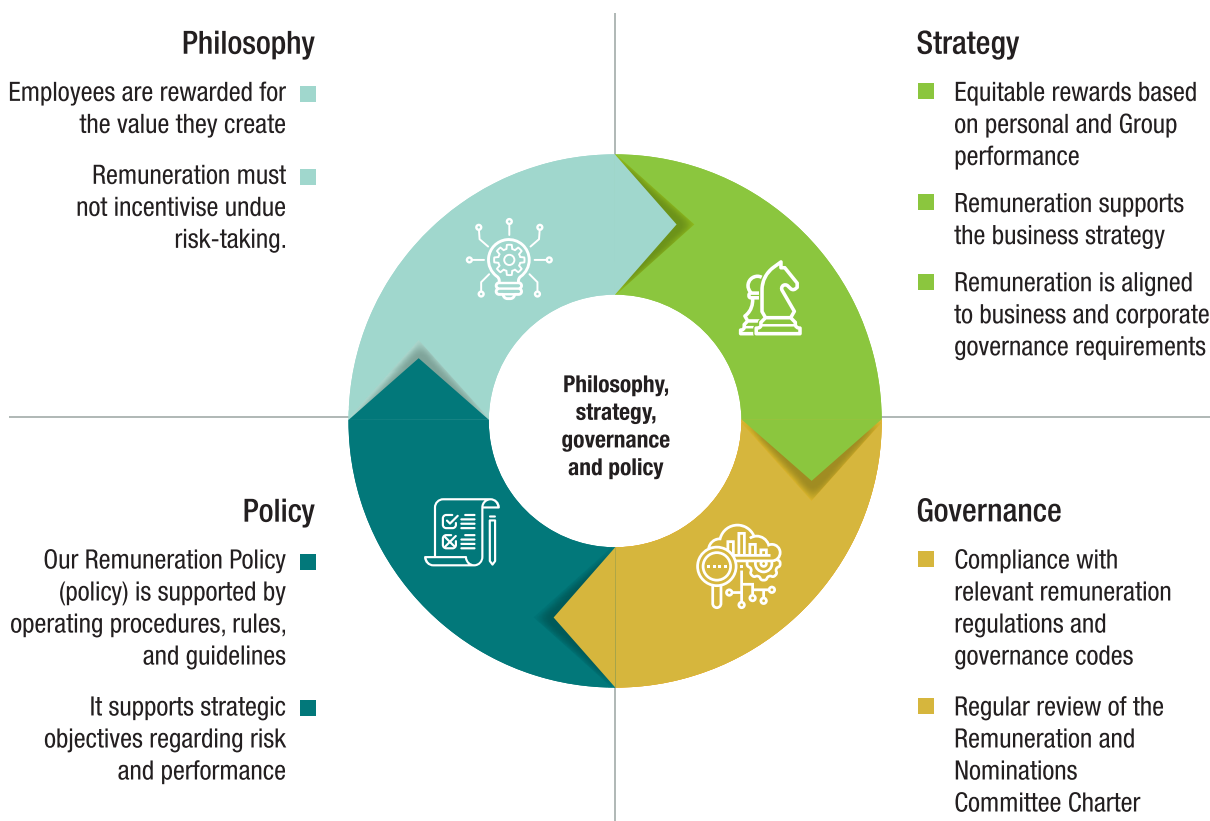
The Remuneration Report presents the key components and provides an overview of the Group's remuneration philosophy. This philosophy is reviewed annually to clearly articulate our stance on employee remuneration. Building a high-performance culture with fair and equitable reward levels attracts high-calibre candidates and retains and motivates our employees – a key focus of the remuneration strategy. This in turn supports our overall strategic objectives.

The Remcom is responsible for independently overseeing and recommending fair, equitable, consistent, and reasonable remuneration policies and practices for the Group.

The Group strives to remunerate employees competitively within relevant salary grades and occupational ranges that are benchmarked against national and financial service industry standards based on the size of the entity. This aids the Group in establishing market-related salary ranges to attract and retain high calibre talent.

We believe the key performance indicators (KPIs), which are used to measure and determine short- and long-term incentives in accordance with the scheme rules, are aligned with the Group's goals and strategies. The set targets enable scheme participants to reach its intended goals. We take great care in ensuring that our remuneration mix is market-related. We continue to make strides towards more even salary distribution by implementing higher percentage increments for lower-level employees compared with the percentage increments awarded to managers and executive management.

“ WE TAKE GREAT CARE IN ENSURING THAT OUR REMUNERATION MIX IS MARKET-RELATED. ”



REMUNERATION PHILOSOPHY, STRATEGY, GOVERNANCE AND POLICY

Remuneration philosophy

Our remuneration and retention philosophy is underpinned by the principle that employees must be rewarded for the value they create. For this reason, remuneration is fully integrated into the relevant management processes.

Our employee value proposition enables employee engagement and encourages a high-performance culture that inspires employees to strive for excellence in the execution of their duties. At **AVBOB**, our remuneration approach supports the organisation in minimising financial risk, which supports our solvency position.

Our reward, remuneration, and incentive policies take cognisance of fair customer outcomes and include consequences for Treating Customers Fairly (TCF) successes and failures.

Remuneration strategy

At **AVBOB**, we strive to reward our employees equitably and consistently, based on their performance and our performance as an organisation. We know that achieving our strategic objectives largely depends on our ability to attract and retain individuals with key, critical, and scarce skills. Therefore our strategy supports the appointment, development and retention of skilled, competent employees who contribute to our sustained business growth.

Our remuneration strategy aims to support our business strategy (refer to our business strategy on page 5). It promotes superior performance and conduct. It further aims to align remuneration processes to our business needs and good corporate governance practices. This, in turn, forms part of the mutual management pillar of our shared value model (refer to our Leadership and governance report on page 31).

To do that, our strategy

- reflects the dynamics of the market and the context in which we operate;
- embraces reasonable differentiation in remuneration to reward high levels of individual performance, attract and retain scarce skills, and promote diversity;
- aligns to our vision, mission and strategy;

- supports our risk management processes and overall long-term business objectives;
- delivers affordable and appropriate remuneration in terms of the value allocated to policyholders and employees;
- encourages behaviour that is consistent with our values of customer focus, people, integrity, excellence and teamwork; and
- entrenches the principles of TCF in all our remuneration and performance policies, practices and procedures. TCF deliverables form part of employee contracts and performance and are evaluated in terms of TCF competence and expectations.

Remuneration governance

Our Remcom operates according to an approved charter and is mandated by the Board to oversee and govern all aspects of remuneration. The Remcom is subject to a self-assessment every year to ensure it remains effective. We comply with the relevant statutory requirements, including the Employment Equity Act, No 55 of 1998 (Employment Equity Act).

Remuneration and Nominations Committee

The Board reviews the Remcom's charter every three years or at shorter intervals if required. The charter outlines the Remcom's composition and terms of reference. The Remcom comprises five non-executive directors. It is mandated by the Board and has an independent oversight role regarding all remuneration and related matters. Further details on the Remcom and meeting attendance are included in the Leadership and governance report (page 31).

The Remcom acts as a functionary of the Board in fulfilling the following duties:

- Ensuring that a competitive remuneration policy is in place that aligns with our strategy and performance goals.
- Reviewing remuneration policies and practices, including long- and short-term incentive schemes. This includes:
 - Assessing the potential impact of our policies on our risk profile and solvency
 - Ensuring that these are structured in a way that precludes manipulation and avoids negative incentives

REMUNERATION REPORT Continued

- Determining and recommending the non-executive directors' remuneration and fees to the Board for approval at our Annual General Meeting (AGM).
- Determining and recommending the executive directors' remuneration packages to the Board.
- Determining the criteria to measure the executive directors' and senior management's performance and thereby ensuring fair reward for individual contributions and performance.
- Approving the recommendations by senior management on annual increases allocated to senior and middle management and general employees.
- Succession planning regarding executive directors and senior management and making recommendations to the Board on the appointment of new Board members. As we are committed to transformation, the Remcom's recommendations take gender, race, and diversity in business and academic backgrounds into consideration.
- Any other matters concerning the remuneration of our directors and employees.

Remuneration Policy

OUR POLICY IS SUPPORTED BY **DETAILED OPERATING PROCEDURES, RULES, AND GUIDELINES** TO MANAGE REMUNERATION. ”

The policy supports our strategic objectives and is in line with our remuneration strategy, risk appetite, values, risk management practices, and long-term entity-wide performance objectives.

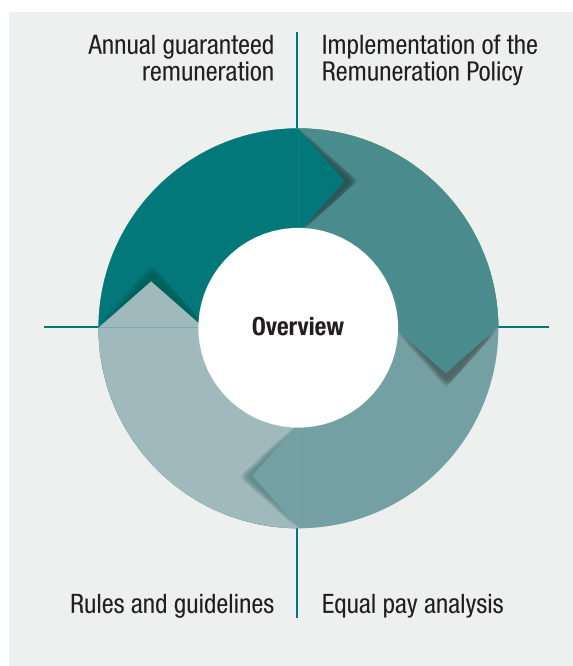
The policy is applicable to all employees, including senior management, employees in control functions, and major risk-taking employees, as well as members of the Board. Our policy is aligned to the Employment Equity Act, which requires equal pay for work of equal value. This best practice requirement enables us to reinforce, encourage, promote, and enhance superior performance.

Remuneration Policy principles

	Long-term interest
	Risk management
	Transparency
	Performance-driven remuneration
	Appropriate mix of short- and long-term pay
	Internal and external disclosures
	Legislative compliance
	Solvency

We review this policy at least every three years and the implementation thereof on a regular basis to ensure we remain aligned with changes in remuneration practice and applicable legislation and regulations.

Remuneration Policy overview



While market realities and talent requirements in different geographic locations influence our approach to remuneration, the types of benefits offered to all our permanent employees are aligned.

All our remuneration practices are benchmarked annually against data provided in national remuneration surveys, as well as information disclosed in the remuneration reports of similar organisations. We are confident that our policy aligns management's interests with those of policyholders and members by promoting and measuring performance that drives long-term growth and sustained policyholder value.

The annual guaranteed remuneration for all employees takes the following into consideration:

- The job grading level
- The competitive position of our salary and benefit structures relative to our defined market position, which determines the remuneration ranges applicable to each job level and skills pool
- The employee's position in the salary band range relative to competence and performance
- The employee's performance as assessed during the annual performance appraisal process

External compensation and benefit consultants have advised us on remuneration best practices, competitive positioning, and benchmarking strategic people issues. The outcome of this, together with the review of our human resource challenges, was used in the design and development of our policy, which is based on the following:

- Increased flexibility to meet different employee needs
- Our positioning as an employer of choice
- Enhanced capability to attract and retain the best talent
- Improved understanding of the employee value proposition

Our pay scale (salary structure) determines how much an employee is paid based on one or more factors, such as the employee's job level and position in **AVBOB** and the difficulty of the specific work. We apply salary structures with grades (including minimum, median and maximum levels) to define the ranges of pay available to our employees in each grade/range. We align our salary structures to the competitive value of jobs in the market.

The following rules and guidelines apply to salaries:

- We strive to remunerate on average at the median of the market (range).
- The sample data for remuneration is the South African general market and financial services sector.
- Not all employees are paid at the median, as there are other factors to be considered.

Generally, our salary range minimums are aligned to approximately the 30th percentile of market data and maximums are aligned to the 75th percentile of market data. We are also committed to employment equity regulations that provide for equal pay for work of equal value. We conduct an internal equal pay analysis annually to

- highlight the patterns of internal equity;
- investigate any instances of remuneration inequality; and
- highlight the sources of this inequality, if any, so we can address the issues and achieve a more equitable distribution of income.

The first analysis was conducted by an external compensation and benefit consultant, after which it has been conducted internally, using guidelines provided by the consultant. The analysis was done using our payroll data, which was compared with national equity benchmarks. The Remcom reviewed the outcomes and the areas for improvement. The Society compared favourably to the benchmarks, including the 10:10 and Palma ratios. Pay differentials by grade, race and gender were defensible and were mostly based on tenure, qualifications and specialisations. The report provided comfort that there was no systemic bias.

REMUNERATION STRUCTURE

Types of rewards



FIXED

- Total guaranteed package (TGP) including benefits



VARIABLE

- Short-term incentive (STI) bonus
- Management long-term incentive (LTI)

REMUNERATION REPORT Continued

REMUNERATION COMPONENTS

Our rewards framework

Our remuneration components define total reward as a combination of various types of rewards, including financial and non-financial, indirect and direct, and intrinsic and extrinsic rewards. It provides a framework for the management of total reward in **AVBOB** and supports our employee value proposition.

Total guaranteed package approach

The TGP approach is regarded as best practice in the South African market. TGP refers to the total annual guaranteed cost to company of an employee. The cost includes the total cash and non-cash fringe benefits. TGP forms the core element that reflects the market value of a position and individual experience. It is the basis of our ability to attract and retain the skills we require. To create a high-performance culture, we emphasise the variable/performance component of remuneration rather than the guaranteed component.

Retirement fund and medical aid contributions

Membership of our retirement scheme is compulsory for all permanent employees. The fund is a defined contribution scheme that is part of an umbrella fund. We carry no liability to the fund, except the payment of monthly contributions that are part of TGP. The fund also provides death and disability cover. The total contribution into the fund amounts to 19.5% of an employee's pensionable salary (retirement funding income).

Employees are encouraged to select the higher retirement funding levels and are made aware of the risk of selecting the lower contribution levels.

Our employees have the opportunity to review the structure of their remuneration packages once a year. The current retirement age is 63 and, under certain circumstances, 65.

Medical aid benefits are provided to our employees in the form of membership of a medical aid scheme or the payment of a monthly allowance as part of their TGP. Our current endorsed medical schemes are Discovery Health and Bestmed, and Health4Me is available to general employees. Membership of a medical aid scheme is compulsory for all managers and senior managers, and general employees only receive the allowance if they belong to a medical scheme.

Short-term cash-based performance incentive bonus

Our short-term performance incentive bonus (STI) is driven by our goal to achieve sustainable results within an agreed risk appetite framework. It also serves to encourage behaviours that are consistent with our values and aligned with the interest of the **AVBOB** family, our stakeholders.

Our STIs are primarily delivered through discretionary arrangements and there is no right to a performance incentive award during any given year. STI schemes are used, firstly, to recognise and reward work performance and secondly, to motivate improvements in proficiency and productivity. Pay for performance has become the norm.

We have developed robust performance outputs for all our employees that are in line with our performance management guidelines. The performance management process is an integrated process linking our strategic intent to daily execution through departmental and individual goals derived from key performance areas. Our approved Performance Management Policy and system provides for the setting of clear, quantifiable goals and objectives, as well as the assessment of individual performance against those measures.

There is a direct link between our success and the achievement of performance management objectives. At the heart of our activities is our commitment to render services to the **AVBOB** family circle, based on their needs. Our STI programmes are subject to high-level governance. Annual performance assessments are based on the results of the applicable assessment year.

“EMPLOYEES ARE GIVEN AN OPTION TO SELECT RETIREMENT FUNDING INCOME AT EITHER 50%, 60%, 70% OR 89% OF THEIR TGP.”





Long-term incentive plan

The Board approved the implementation of a long-term incentive plan (LTIP) in 2013. It applies to executive directors, senior managers and managers, and is in line with South African and global best practice.

The purpose of our LTIP is to attract, retain, motivate and reward managers who can influence our performance in a way that aligns their interests with that of the **AVBOB** family. The LTIP incentives are used to retain skills and are ideal in the sense that they vest over an extended period.

The LTIP scheme rules are tied into our strategic objectives, thereby driving correct behaviours. To reward long-term sustainable performance, a hybrid design architecture was implemented through which our management is offered a weighted combination of:

- appreciation units;
- conditional awards of (full value) performance units; and
- a grant of (full value) retention units.

The combination of appreciation and full value units serves to reward the required attributes of stakeholder alignment, retention of key talent, and long-term sustained performance, as well as business growth. All allocations are subject to the participant upholding a level of proficiency for the duration of the vesting period.

Annual allocations of appreciation units are made to qualifying managers. These are available (vest) in equal thirds on the third, fourth, and fifth anniversaries of the allocation, but need not be exercised for two years after they vest. Older units must be exercised by the seventh anniversary of the allocation or they lapse.

Full value units are offered in two formats:



Performance units that are awarded that only vest in the future to the extent that the performance criteria are met



Retention units that are granted based on the prior year's performance and have no future vesting criteria attached to them, except for continued employment

Although the LTIP delivers in the form of a long-term restricted cash bonus, it is not tied to future cash in rand but rather to units of value in **AVBOB**. This requires a valuation methodology. The approved valuation approach is based on the Society's net asset value. The valuation is undertaken annually, and the value is divided by a prescribed number of units to establish a unit value, which is reflected in the year-end annual financial statements.

The auditors provide assurance on the calculation by performing agreed upon procedures. The sixth allocation of units vested in November 2021.

REMUNERATION

Non-executive directors

Our non-executive director fees are based on the market norm, as we aim to identify and attract skilled Board members who can add significant value to our business. Non-executive directors receive an annual fee for their services and a set fee for each meeting they attend. These fees reward the directors fairly for their time, the responsibility they assume, and the service and expertise they provide.

The Remcom reviews the non-executive directors' remuneration annually, taking all relevant factors including market benchmark surveys into consideration. Non-executive directors do not participate in any incentive schemes.

Their remuneration is consistent with, and supportive of, them maintaining their independence. Non-executive directors are expected to perform all the tasks and duties in the **AVBOB** Mutual Assurance Society Incorporation (Private) Act, No 7 of 1951 and its regulations, as well as prudential standards and statutory and common law. An annual performance review is conducted to assess the effectiveness of our non-executive directors.

The Board and Board committees all function in terms of charters that stipulate their respective responsibilities. The Remcom recommends the fees payable to non-executive directors to the Board for consideration, and they are submitted to our AGM for final approval. Further details regarding meeting attendance, rotation, and election are provided in the Leadership and governance report (page 31). Non-executive director annual fees were adjusted, where necessary, in November 2021.

Executive directors and senior management

The remuneration packages of executive directors and senior management comprise a guaranteed (fixed) and a non-guaranteed (variable) portion in the form of short- and long-term incentives. The total cost of employment consists of a combination of the following:

- A TGP, including base salary, retirement savings, death, disability, and healthcare contributions
- An STI bonus
- An LTI

REMUNERATION REPORT Continued

A significant portion of our executive management team's remuneration is based on performance, as they have a material influence on our performance and growth. The TGP's are set using the annual benchmarking comparison of medium-sized companies in annual national remuneration surveys. The Remcom determines the annual salary increases during the annual remuneration review and, where required, submits recommendations to the Board for final approval.

The Remcom evaluates the performance of the chief executive officer (CEO), and, in turn, the CEO evaluates the performance of the executive directors and senior management.

The annual short- and long-term incentive schemes are based on individual performance, and financial and operational targets that are set by the Board and embedded in the budgets and strategic plans. Individual performance covers financial and non-financial performance areas. The Remcom reviews and approves the achievement of targets, determines incentive payments, and, for executive directors, submits them to the Board for final approval. Those who participate in our incentive schemes are measured on the specific performance of the division in which they work or which they support. STI bonuses for the 2021 financial year were approved in November 2021, and were based on the actual performance for the 2021 financial year.

The sustainability of our business is critical in determining remuneration. The Board is satisfied that the performance targets do not encourage increased risk-taking by senior management. Our performance targets comprise a combination of individual and Group performance elements. These include, among others, net new business growth and the management of administration and marketing costs.



The average annual **salary increase** for **senior management (Nov 2021)** was **4.3%** (Nov 2020: 3.1%).

Management

Our managers' remuneration packages comprise both guaranteed (fixed) and non-guaranteed (variable) portions in the form of short- and long-term incentives. The total cost of employment comprises a combination of the following:

- A TGP, including base salary, retirement savings, death, disability, and healthcare contributions
- Commission, where applicable
- An STI bonus
- An LTI

A PORTION OF OUR MANAGEMENT'S REMUNERATION IS BASED ON PERFORMANCE AS THEY INFLUENCE OUR PERFORMANCE AND GROWTH. ”

Their TGP's are set according to an annual benchmarking exercise and are subject to annual review by the Remcom.

The Remcom considers and approves salary increases for our managers and heads of control during the annual remuneration review.



The average annual **salary increase** for **management (Nov 2021)** was **4.4%** (Nov 2020: 3.2%).





General employees and insurance representatives

Our general employees' remuneration packages consist of:

- a TGP comprising a base salary, retirement savings, death, disability, and healthcare contributions (medical aid allowance if they belong to a medical scheme);
- commission for certain insurance sales employees; and
- an STI bonus.

Insurance representatives receive commission and minimum wage top-up payments if required. Eligible representatives also receive employer contributions to the retirement fund.

Our annual increase system is based on the principle of rewarding good performance and discouraging poor performance. The determining factor for increases, relative to inflation, is thus performance.

“ **THE AVERAGE ANNUAL SALARY INCREASE FOR GENERAL EMPLOYEES (NOV 2021) WAS 5.1% (NOV 2020: 4.4%).** ”

In addition to the STI, all general employees, irrespective of their performance outcome, received in November 2021 a special *ex gratia* bonus, as a token of appreciation for their effort and dedication in achieving the exceptional results in the 2021 financial year.

It is becoming increasingly difficult to negotiate remuneration packages, specifically in the financial services sector and for highly specialised positions.

The general employees' annual remuneration review in November not only supports synergy across the different payrolls, but also allows for increases and short-term incentives (performance bonuses) to be aligned to our financial reporting period.

JOB GRADING SYSTEM, DUAL CAREER PATHS, AND SPECIALIST GRADES

Our policy includes the implementation of a sound job evaluation and grading methodology. This enables credible remuneration benchmarking, alignment of grades to pay scales, and establishment of a benefit matrix that is aligned to the job grade level. We use the Paterson job grading system.

Our salary structure provides for the recruitment, placement, and retention of scarce and specialist skills. At the same time, dual career paths provide individuals the opportunity to pursue a career within their specialised/professional discipline. The general principle is that specialists are considered equal in status, based on job grade, but could draw additional remuneration based on scarcity or special skill level. A dual career path is a career development plan that allows upward mobility for employees without requiring that they are placed in supervisory or managerial positions. A well-managed and well-executed dual career path programme is a positive asset in attracting, retaining, and developing specialised technical skills.

TALENT MANAGEMENT (INCLUDING SUCCESSION AND CAREER MANAGEMENT)

Our strategic talent management process ensures that we have the right people, in the right positions, at the right time, to achieve our expected results. Our dependence on this process is a focal point, and we are continually developing a pool of high-potential employees to receive enhanced developmental experiences. By using a talent pool, we increase the number of employees who will be prepared to step into higher-level positions.

Succession planning forms an integral part of our people strategy. Our aim with this exercise is to identify potential management candidates with the right skills for progression to help us meet the future demands of the Group.

We have developed a formal succession plan for both management and senior management, in order to identify and develop talented employees for future promotion and more complex responsibilities. We also implemented a process to identify their specific training and development needs. Competency matrices were introduced for all **AVBOB** positions.



“

HERE TO **BE RESPONSIBLE.**

RISK AND CAPITAL MANAGEMENT

CHAPTER HIGHLIGHTS



Despite the substantial volatility in the equity market during the pandemic, **solvency remained strong** throughout the financial year under review.



As people are no longer afraid of the potential consequences of COVID-19, this resulted in a decrease in funeral policies being sold as well as a significant increase in policy withdrawals at early durations.



Following the third wave of the COVID-19 pandemic, a **hybrid working approach** was adopted, which comprises a combination of remote and face-to-face working.



The audit coverage for the year under review was sufficient to reassure the Board that the **internal controls are adequate**.



AVBOB has **adequate capital cover** on the basis of the Insurance Act as at 30 June 2022.

RISK AND CAPITAL MANAGEMENT

INTRODUCTION



At **AVBOB**, we recognise that effective risk and capital management is fundamental to our system of governance and the execution of our business strategy.

Risk management



New technologies, digitalisation, and artificial intelligence are changing the business landscape. There is an increase in the connectivity of information and integrated thinking, and consequently the types, complexities and inter-dependencies of risk require new approaches to risk management.

The pressure to evolve in order to continue delivering value is also increasing. Following the COVID-19 pandemic, a hybrid working approach was adopted, which comprises a combination of remote and face-to-face working.

Capital management

Despite the substantial volatility in the equity market during the COVID-19 pandemic, solvency remained strong throughout the financial year.

“OUR **COMPREHENSIVE PLANS AND PROCESSES** ARE IN PLACE TO SUPPORT THE **DELIVERY OF OUR OBJECTIVES AND ACHIEVEMENT OF SUSTAINABLE GROWTH.**”

RISK AND OPPORTUNITY MANAGEMENT



Risk management within **AVBOB** refers to the coordinated set of activities and methods adopted and used by the Board and management to direct our organisation and control the risks and opportunities that can affect our ability to achieve our strategic objectives and create and share value over time.

It also relates to the architecture used to manage risks, which includes risk management principles, frameworks and processes.

Levels of maturity in the risk-related activities in each line across the organisation improve each year, as risk management is reinforced and further embedded. The first line is the business manager who owns the risk, the second line is the support function that oversees the risk, and the third line assesses the effectiveness of the first two lines. The fourth line is the external assurance provider. The roles and responsibilities across the four lines are well defined in the end-to-end risk management process.

Enterprise Risk Management (ERM) objectives



To provide the Board with the assurance that significant business risks are systematically identified, assessed and managed.



To sustain the ERM approach, which is part of the four lines of defence model



To increase the likelihood that strategic objectives are achieved and shared value is preserved and enhanced



To sustain the tailor-made, enterprise-wide risk management framework and process that are reinforced by the Combined Assurance Committee



To entrench a robust risk appetite framework across our business, including the embedment of and monitoring against limits and thresholds as well as related management actions



To formally assign responsibilities and accountabilities



To ensure that all material risk exposures of the business, including those for which it is required to hold regulatory capital, as well as other risks are considered

To meet these objectives, and to fulfil its obligation to exercise oversight over risk management as required by the King IV Report on Corporate Governance™ for South Africa (King IV™) and the Governance and Operational Standards for Insurers (GOI), a dedicated Risk Management Department and risk management committees at various levels are in place throughout **AVBOB**.

Effective risk management is fundamental to our business model. While we remain committed to increasing member value by developing and growing our business within our Board-determined risk appetite, we are mindful of achieving this objective in line with the interests of the **AVBOB** family.

We seek to achieve an appropriate balance between risk and reward in our business, and we continue to build and enhance the risk management capabilities that assist in delivering our growth plans in a controlled and consistent environment.

Risk management is at the core of **AVBOB**'s operating structure. We seek to limit adverse variations in earnings and capital by managing risk exposures within agreed levels of risk appetite.

In the year under review, the Risk Management Department made good progress to achieve the abovementioned objectives through various interventions.

These include:

- The continued embedment of a common understanding of the risk processes to be followed
- Reinforcing the awareness of the importance that business units must identify and evaluate the impact of risk in accordance with the ERM approach and determine the correct treatment action and monitoring process
- Reinforcing awareness of ownership, responsibility and accountability for risk
- The updating of the Actuarial and Risk Committee Charter, the Risk Appetite Policy, and the Risk Strategy
- The ongoing refinement of risk appetite dashboards
- Conducting workshops with business units to consider and update the risks as currently identified, which are assessed, monitored, managed and reported on
- Conducting Combined Assurance Committee quality reviews
- Encouraging openness and transparency in comprehensive risk reporting and debate about risk at every level in our organisation
- Continual reporting of the level of risk within **AVBOB** to senior management and the Board in order to enable relevant structures to better execute their mandates

However, the continued embedment of risk management throughout **AVBOB** requires sustained commitment by all governance structures.

Our risk management approach includes:

Minimising undue concentrations of exposure

Limiting potential losses from stress events



Ensuring the continued adequacy of all our financial resources



RISK AND CAPITAL MANAGEMENT Continued

RISK MANAGEMENT PRINCIPLES

To achieve our ERM objectives, the following principles have been adopted at all levels of our organisation:

- Create and protect value
- Be an integral part of **AVBOB**'s processes
- Explicitly address uncertainty
- Be systematic, structured, timely and tailored
- Operate with the best available information
- Be transparent and inclusive
- Take human and cultural factors into account
- Be dynamic, iterative and responsive to change
- Continually facilitate improvements to our organisation
- Have a firm commitment from the chief executive officer (CEO) and the Board
- Have a framework that is integrated with the governance processes, such as strategic planning, operational planning, and management functions
- Be based on a strong culture and awareness of risk at all levels within **AVBOB**
- Designate clear ownership of risk accountabilities, responsibilities, duties and actions

RISK PROFILE

AVBOB is exposed to a wide range of risks due to the nature of its business and the environment in which it operates.

Our ERM Policy sets out the minimum standards and requirements to provide the Board with assurance that significant business risks are systematically identified, assessed and managed.

To enable a portfolio view and aggregation of risk across the business, all risks are categorised against a standardised risk taxonomy.

The consistent classification of risk contributes to a key capability required within the own risk and insolvency assessment (ORSA) required by the Insurance Act and the consistent identification, classification and assessment of enterprise-wide risks. **AVBOB**'s risk profile therefore comprises a combination of risks.



Our material risk profile



Strategic risk

Strategic risk is the risk of the current and prospective impact on earnings or capital arising from an organisation's inability to implement appropriate business plans, strategies and decisions or a lack of responsiveness to industry and other changes in the external environment.



Our governance structures and monitoring tools ensure that any events that affect the achievement of our strategy are escalated and addressed at the earliest opportunity. Our strategic direction and success are discussed and evaluated at specific strategic meetings.



Insurance risk

Insurance risk is the risk that claims and expenses will exceed the value provided for in the insurance liabilities. It includes underwriting, reserving and claim risks. Claim risks are managed by applying waiting periods for certain insured events. Reinsurance arrangements are in place to reduce the maximum mortality exposure per individual and for large groups.



Financial risk

Financial risk is the risk inherent in financial transactions that may impair the ability to provide adequate return or meet operational needs. It includes market, liquidity, credit and counterparty risk.

Cash flow requirements are monitored regularly to ensure sufficient liquidity.



Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and/or systems, or from external events. This definition includes compliance and regulatory risk but excludes strategic risk.

The major operational risks that were identified during the year are continuously monitored by line management. Material internal or external risk events are dealt with at management level and, if unresolved, escalated to the Management Risk Committee, Executive Committee

(Exco) or Actuarial and Risk Committee for treatment. We strive to strengthen the operational risk environment through regular evaluation of our risk assessments and control frameworks and by updating them with lessons learnt. **AVBOB's** Internal Audit, Risk Management, and Compliance Departments regularly evaluate the effectiveness of controls to mitigate key risks.



COVID-19

During the year under review, South Africa experienced a further three waves of COVID-19 infections and various responding alert levels and restrictions were implemented. The last two waves of infection resulted in lower numbers of claims, when compared to the first three waves. As vaccinations become more freely available, people are no longer afraid of the potential consequences of COVID-19. This has resulted in a decrease in funeral policies being sold, as well as a significant increase in policy withdrawals at early durations.

- A hybrid working model was implemented, and risk registers and standard operating procedures were updated to cater for the new way of work.
- Standard operating procedures for funeral agencies and insurance offices were updated.
- Higher coffin stock levels were held both at the funeral agencies throughout the country and at **AVBOB Industries** in Bloemfontein. This helped to meet the higher demand due to an increase in claims in the third wave.
- COVID-19 work procedures previously implemented for staff to follow became business as usual.

RISK AND CAPITAL MANAGEMENT Continued

RISK STRATEGY

Our risk strategy, which has been approved by the Board, describes how our strategic focus areas and business plans are related to specific exposures and their capital requirements. It is fundamental to the system of governance and the execution of our business strategy and sets out the relationships between the creation of value, the risks associated therewith, and ensuring adequate capital resources.

We conceptualise risk management in the following ways:

- Articulating a comprehensive and consistent view of risk (sought after, managed and/or avoided). The risk strategy enables us to take on preferred risks based on our understanding thereof, our ability to effectively monitor and manage such risks, and the risk versus return payoff.
- The strategy also allows for risks that are unavoidable in the course of our normal business and articulates how they are to be managed. It considers all of the material business risks, including those for which it must hold regulatory capital.
- Optimising the use of financial resources by understanding the risk-return profile and capital requirements

of its key risk exposures. Careful consideration is required of the implications that strategic decisions have for **AVBOB**'s risk and capital needs, ensuring that decisions are desirable, profitable and affordable.

- Establishing a risk-management strategy regarding the overall risk profile. This includes implementing appropriate controls, determining risk exposures, and setting aside appropriate capital to generate stakeholder value.
- Entrenching a robust risk appetite framework and management actions across **AVBOB**, including the embedment of and monitoring against limits and thresholds.

As part of our strategy, we integrate our risk preferences into the business and strategic planning process, which is centred on risk-based decision-making.

As an understanding of the relative price, reward and capability to manage risks matures, the relative preferences regarding which risks we should accept more or fewer of will develop over time. The current relative preferences, as captured by the outcome of the strategic planning process, are as follows:

RISK CATEGORY	RISK PREFERENCE	EXPECTED RETURN	CAPITAL INTENSITY (ECONOMIC CAPITAL)
Insurance risk	⬆️	⬆️	⬆️
Financial risk			
■ Market risk	⬆️	⬆️	⬆️
■ Credit and counterparty risk	⬇️	■	⬇️
■ Liquidity risk	⬇️	⬇️	□
Strategic risk	■	⬆️	⬇️
Operational risk	⬇️	⬇️	⬇️

⬆️ Very high
 ⬆️ High
 ■ Neutral
 ⬇️ Very low
 ⬇️ Low
 □ None



RISK APPETITE

The Board interprets risk appetite as the risk-based limits within which **AVBOB** operates when implementing its business objectives and strategy. It sets the boundaries that link strategy, target setting, and risk management. Where our risk exposure exceeds our organisation's limits, it is disclosed in the Integrated Annual Report. Risk appetite also specifies thresholds that highlight where risk exposure is in danger of exceeding limits and requires remedial action.

The Board has identified the following risk appetite measures to be adopted throughout **AVBOB**. These measures have been implemented and are measured and monitored.

Measure objectives and rationale

“OUR RISK APPETITE FRAMEWORK TRANSLATES RISK METRICS AND METHODS INTO **BUSINESS DECISIONS, REPORTING, AND DAY-TO-DAY OPERATIONS.**”

CAPITAL COVER

AVBOB wants to maintain a financial position such that, after a one-in-five-year stress event, we will still be able to maintain our long-term target solvency position of 2.6 times solvency capital requirement (SCR) cover, after having implemented appropriate management action.



EARNINGS AT RISK

AVBOB wishes to manage the medium-term volatility associated with our earnings to expect that cumulative operational earnings over any one-year period and investment earnings over any three-year period would be positive, given all but severe adverse experience.



OPERATIONAL RISK

At **AVBOB**, we maintain a high standard regarding the management, prevention and mitigation of losses caused by operational risk events. We have a low tolerance for operational risk, but recognise that it represents a cost of doing business. We wish to avoid losses arising from operational loss events by establishing business processes and controls and putting insurance cover in place.



RISK AND CAPITAL MANAGEMENT Continued

RISK FRAMEWORK AND APPROACH

Our risk management framework consists of five components that provide the foundation and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management.

The components are

Commitment and mandate

This represents the principal agreement to proceed with the framework and the implementation plan, including information technology systems, alignment of risk management, and our organisation's processes.

Communication and training

This relates to our process to report to internal and external stakeholders on the current state and management of risk and the development and roll-out of training strategies.

Structure and accountability

This relates to the committees and individuals accountable for risk management. Risk management is not a standalone function but is fully integrated into AVBOB's management, reporting, roles and responsibilities. The introduction of risk management and ensuring its ongoing effectiveness require strong and sustained commitment as well as strategic and rigorous planning to achieve commitment at all levels within AVBOB.

Risk management process

This relates to the systematic application of AVBOB's risk management policies, procedures and practices as well as the activities of communicating; establishing the context; and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

Review and improve

This relates to continual checking, supervising, critically observing, or determining the status to identify changes in the performance level expected. Based on the results, decisions are taken to improve and develop our risk management framework, policies and plan.



RISK GOVERNANCE MODEL

AVBOB relies on four lines of defence with regard to risk management. Responsibility and accountability have been established within each of the following lines of defence:



1ST LINE OF DEFENCE

DAY-TO-DAY RISK MANAGEMENT



Management and employees are responsible for the identification, assessment, monitoring, management and reporting of risks.

3RD LINE OF DEFENCE

INTERNAL ASSURANCE PROVIDER



Our organisation's Internal Audit Department and the head of control: internal audit provide assurance on the effectiveness of risk management processes.

2ND LINE OF DEFENCE

OVERSIGHT



The independent head of the actuarial control function, chief risk officer, risk management committees, and head of control: compliance provide assurance that risks are managed across the business units.

4TH LINE OF DEFENCE

EXTERNAL ASSURANCE PROVIDER



External audit provides assurance that the financial statements provide a fair reflection of the financial position and performance of our organisation in all material aspects.



RISK AND CAPITAL MANAGEMENT Continued

GOVERNANCE STRUCTURES

AVBOB's governance structures provide the framework, protocol and responsibility for decision-making on risk management issues. The governance structures pertaining to risk management and a summary of their responsibilities for the period under review are set out below.

AVBOB Board and Board Committees

- Actuarial and Risk Committee
- Audit Committee
- Investment Committee

Executive functions

- Executive Committee
- Management Risk Committee
- Management Actuarial Committee
- Combined Assurance Committee

Control functions

- Risk
- Actuarial
- Compliance
- Internal audit

The Board

Risk management governance starts with the Board, which is responsible for our risk management framework and policies as well as for its effectiveness and disclosure.

Actuarial and Risk Committee

As at 30 June 2022, the Actuarial and Risk Committee consists of four independent non-executive directors and three executive directors. The Committee is assigned responsibility by the Board for reviewing the risk management framework, monitoring its operation, and recommending improvements thereto in consultation with executive directors and senior management. It also oversees the operations and governance of the actuarial function of our organisation.

Investment Committee

As at 30 June 2022, the Investment Committee consists of three executive directors and three independent non-executive directors. The Committee's primary responsibility towards enterprise risk management is to oversee and manage the market risk, liquidity and credit and counterparty exposures related to **AVBOB's** investments.

Audit Committee

As at 30 June 2022, the Audit Committee consists of four independent non-executive directors and one executive director. The Audit Committee assumes oversight over the audit function. As a statutory committee that operates in terms of the Companies Act, No 71 of 2008 (Companies Act) it is concerned with the whole of the Group's business, including the effectiveness of financial reporting and accounting systems, management information systems, compliance, and internal and external audit.

Executive Committee

The Exco consists of individuals on senior management level. Its primary responsibility is to monitor strategic initiatives that could affect strategic risk and/or any other risks that may have an impact on our organisation's risk exposures.

Management Risk Committee

The Management Risk Committee consists of four executive directors and individuals on senior management level. It is an oversight body within **AVBOB** to enhance our enterprise risk capabilities to proactively set risk appetite limits and to ensure that risk exposures remain within established parameters. Its primary responsibility is to ensure that sound policies, procedures and practices are in place for the enterprise-wide management of our organisation's material risks.

Management Actuarial Committee

The Management Actuarial Committee consists of four executive directors, individuals on senior management level, and the independent head of the actuarial control function. The Committee's primary responsibility towards enterprise risk management is to oversee and manage **AVBOB's** insurance risk exposures.

Combined Assurance Committee

In accordance with King IV™, and as part of the combined assurance model adopted by our organisation, the Combined Assurance Committee consists of individuals from the Risk Management, Compliance, Legal, Secretarial and Internal Audit departments. The Committee deliberates and assesses the specific risks within the various business units. The Committee also aligns the workplans and reporting of the various control functions to ensure that there is no duplication of audit effort and that the findings obtained add value and are dealt with by management in an efficient and effective manner.



Risk control function

The head of the risk control function is the chief risk officer (CRO). With the assistance of the Risk Management Department, the CRO is responsible for implementing risk management strategies that align with **AVBOB**'s risk appetite and specific risk exposures. This is done to integrate risk management into strategic decision-making throughout our organisation and to develop policies and procedures. The CRO reports on all aspects related to risk at the meetings of the Actuarial and Risk Committee, Exco, and the Management Risk Committee.

Actuarial control function

The head of the actuarial control function, who is not in **AVBOB**'s employ, provides oversight over annual actuarial valuations and the mortality and withdrawal (lapse, cancellation and surrender) investigations of our organisation. He also assists the Board in all other actuarial matters, including regulatory reporting, specifically with regard to the financial soundness of the business and the interests of policyholders. The independent head of the actuarial control function attends all meetings of the Actuarial and Risk Committee.

Regular meetings are also held with members of senior management who form part of the Management Actuarial Committee. These meetings are chaired by the CEO.

In addition to the above, the independent head of the actuarial control function evaluates and gives advice on

- actuarial and financial risks;
- the investment mandate and the asset spread;
- the solvency position, including a calculation of the minimum capital required for regulatory purposes and liability and loss provisions;
- the use of stress and scenario tests to determine the prospective solvency position;
- risk assessment and management policies and controls relevant to actuarial matters or the financial condition of our organisation;
- underwriting policies and reinsurance arrangements; and
- product development and design, including the terms and conditions of insurance contracts.

Compliance control function

Compliance risk is the risk of legal or regulatory sanction, financial loss, or loss of reputation that **AVBOB** may suffer due to non-compliance with applicable laws, regulations, codes of conduct, and standards of good practice.

Our Compliance Department is an independent core risk management function that evaluates, implements and monitors existing and new legislation that is relevant to our organisation. It assists the Board to ensure that **AVBOB** complies with all regulatory and supervisory requirements relating to its business operations. This is done by

- providing formal and structured monitoring of compliance;
- facilitating the establishment of a compliance culture in our organisation; and
- coordinating all communication matters relating to changes in legislation.

The Compliance Department has a Board-approved charter in line with the standards prescribed by the Compliance Institute Southern Africa (Compliance Institute SA). The head of control: compliance reports at all meetings of the Audit Committee and senior management and is an approved compliance officer.

The monitoring activities are executed in line with the planned and scheduled activities of the Risk Management Department and Internal Audit Department in terms of our combined assurance approach.

The Departments are of the opinion that the Group's compliance with the relevant laws and regulations is satisfactory. Issues of non-compliance that were identified in previous reports have been or are being addressed by management.

RISK AND CAPITAL MANAGEMENT Continued

Internal audit control function

The head of control: internal audit and the Internal Audit Department provide independent, objective assurance and consulting services designed to add value and improve **AVBOB**'s systems of internal control and operations. They assist the Board and management in accomplishing their objectives by employing a systematic, disciplined, risk-based audit approach to evaluate the effectiveness of **AVBOB**'s risk management, compliance and governance.

The Internal Audit Department has an approved charter.

The head of control: internal audit reports on material control weaknesses and management remediation actions to the Audit Committee – who are responsible for preparing risk-based internal audit coverage plans – and senior management. The Internal Audit Department works in conjunction with the Risk Management and Compliance Departments to provide a coordinated approach to all assurance activities and ensure optimal audit coverage.

In accordance with King IV™, internal audit forms an integral part of the combined assurance model adopted by our organisation.

The Internal Audit Department confirmed that the audit coverage for the year under review was sufficient to provide assurance to the Board that the internal controls are adequate. As such, the Internal Audit Department will offer assurance, advice, and add value in the following ways:



Align the internal audit strategy with the strategic vision of the Group



Develop skills and capabilities that position the Internal Audit Department to improve the interface with stakeholders to better meet their needs



Optimise systems to deliver new value in desirable ways for audit quality, risk reduction, and increased risk intelligence





RISK AND CAPITAL MANAGEMENT Continued

CAPITAL MANAGEMENT

AVBOB's objective for managing capital is to safeguard our ability to continue to provide policyholder benefits as a going concern. The SCR is the minimum amount by which the value of own funds (excess assets) must exceed the value of the policyholder liabilities as required by the PA. As a mutual society, **AVBOB** does not have access to capital markets and consequently aims to keep excess assets as a multiple of SCR required by the PA. If the ratio decreases, following a market value shock or other catastrophe, the Board has approved planned management actions that allow us to return to the targeted coverage rate within risk appetite.

Our organisation manages capital by targeting an SCR cover of 2.6 times our own funds and by ensuring that sufficient liquid assets are available if required and that the available investments are of a suitable quality. Our SCR cover was 2.6 times SCR as at 30 June 2022 and within the risk appetite. As part of our monitoring against risk limits and thresholds, earnings at risk metrics are monitored on a monthly basis and the solvency position is estimated on a quarterly basis. Should the earnings at risk metrics change to such an extent that they indicate the solvency position could be under pressure, the solvency position will be recalculated as soon as possible. Should this indicate a material concern, an out-of-cycle ORSA will be conducted.

As a result of COVID-19, some of the earnings at risk metrics breached the risk threshold or risk limit of our risk appetite. This required that solvency be calculated, but the solvency was within our risk appetite and did not require an out-of-cycle ORSA to be performed.

At **AVBOB**, we are exposed to financial risk through our financial assets, financial liabilities, reinsurance contracts, and insurance liabilities. In essence, the financial risk is the possibility that adverse changes in the market will result in us not being able to meet our obligations. The most important elements of financial risk include market risk (equity risk, interest rate risk and currency risk), credit and counterparty risk, and liquidity risk.

THE INVESTMENT PORTFOLIO MAINTAINS A **MODERATE RISK PROFILE THROUGH DIVERSIFICATION** ACROSS VARIOUS ASSET CLASSES. ”

This approach was developed to maximise long-term investment yield, while taking into consideration the nature of our liabilities.

We outsource the management of our investments to eight leading asset managers. These asset managers are expected to manage their portfolios in accordance with agreed-upon mandates. In addition, our total asset distribution is managed in accordance with the guidelines set by the PA. **AVBOB** has adequate capital cover as prescribed by the Insurance Act as at 30 June 2022.

Asset-liability modelling investigations are performed periodically by the independent head of the actuarial control function. The outcome is used to determine whether the asset distribution guidelines unduly expose **AVBOB** to insolvency risk based on the nature of the liabilities (guaranteed and discretionary liabilities). The last exercise was performed during the 2022 financial year and did not lead to any material changes in the asset distribution guidelines.

More aspects of the mandate given to the asset managers



AVBOB's total asset distribution must be managed in accordance with the guidelines set by the PA.



A target allocation of 30% of the total assets must be invested in local liquid assets with approximately 70% of the total assets invested in equity risk assets.



The Financial Services Council (FSC) portfolio consists of investment opportunities that meet its criteria. All unlisted investments require written approval.



In the other portfolios, investments in equities and securities must be listed on a recognised exchange and listed securities must meet minimum credit rating criteria.



Derivative instruments are only allowed for efficient portfolio management and hedging purposes. The effective exposure for all derivative positions is limited to 10% of the fair value of the investment portfolio. Effective exposure to any over-the-counter counterparty is limited to 7.5% of the investment portfolio. No scrip lending is allowed.

The following table compares AVBOB's assets with the asset distribution guidelines

	Board guideline %	2022		2021	
		%	R 000	%	R 000
	70	71	18 558 074	71	16 952 010
Property for own use and investment property		2	579 466	2	529 889
Equity risk assets					
Investments and financial assets					
- Listed shares		41	10 743 293	41	9 791 778
- Unlisted shares		4	999 349	5	1 093 712
- Foreign investments		18	4 565 150	17	4 032 277
Other assets		6	1 670 816	6	1 504 354
Liquid assets	30	29	7 697 731	29	6 901 754
Cash and cash equivalents		9	2 257 067	10	2 406 692
Securities and bonds		20	5 290 595	19	4 399 290
Unlisted securities		0	150 069	0	95 772
Total applicable assets	100	100	26 255 805	100	23 853 764
Linked financial assets at amortised cost			8 527 828		4 245 964
Total assets			34 783 633		28 099 728

The Board and the Head of Actuarial Function are comfortable that the asset distribution as at 30 June 2022 is in line with our risk appetite.





“

HERE TO **CREATE VALUE.**

8

FINANCIAL STATEMENTS

OUR **FINANCIAL INPUTS** SERVE AS A KEY DRIVER AND ENABLER OF OUR **MUTUAL RESPONSIBILITY** AND **SHARED VALUE** OF **SHARING VALUE.** ”



FINANCIAL STATEMENTS

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

COMPANY INFORMATION

Registration number:	Incorporated under Private Act No 7 of 1951 (as revised March 1987)
Country of incorporation:	Republic of South Africa
Registered address:	368 Madiba Street Pretoria 0002
Postal address:	PO Box 1661 Pretoria 0001
Internet address:	www.avbob.co.za
Auditors:	PricewaterhouseCoopers Incorporated

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The consolidated and separate financial statements and the auditor's report thereof is available for inspection at the Society's registered office.

**AVBOB MUTUAL ASSURANCE SOCIETY
AND ITS SUBSIDIARIES**

**STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 30 JUNE 2022**

The directors of the AVBOB Mutual Assurance Society (the Society) are responsible for the preparation, integrity and fair presentation of the annual financial statements of the Society and its subsidiaries (the Group). The summarised financial statements as presented on pages 101 to 128 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), IAS 34 Interim financial statements and the requirements of the Companies Act 71 of 2008 of South Africa as applicable to summary financial statements.

The directors are responsible for and the Group Audit Committee has confirmed that effective systems of internal control and risk management are being maintained. There were no material breakdowns in the functioning of the internal financial control systems during the year. The Board is satisfied that the financial statements fairly present the financial position, the results of operations and cash flows in accordance with the framework concepts and the measurement and recognition requirements of IFRS, IAS 34 Interim financial statements and the requirements of the Companies Act 71 of 2008 of South Africa as applicable to summarised financial statements and that they are supported by reasonable and prudent judgements that are consistently applied.

The directors are also responsible to prepare all other information included in the annual report including its accuracy and consistency with the financial statements. The maintenance of proper accounting records, written or electronic and the reliability of financial information used within the business, or for the publication thereof is the responsibility of the Directors.

The going concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the Society or any company within the Group will not comply with the going concern principle in the foreseeable future. These financial statements support the viability of the Society and the Group.

The summarised financial statements have been audited by the independent auditor, PricewaterhouseCoopers Incorporated, who were given unrestricted access to all financial records and related data, including minutes of all meetings of members, the Board of Directors and Committees of the Board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The responsibility of the external auditor, PricewaterhouseCoopers Incorporated, is to express an independent opinion on the fair presentation of the summarised financial statements based on their audit of AVBOB Mutual Assurance Society and its subsidiaries.

The audit report of PricewaterhouseCoopers Incorporated is presented on pages 99 to 100.

The summarised financial statements were approved by the Board of Directors on 28 September 2022 and are signed on its behalf by:



JJ VENTER
CHAIRPERSON
30 September 2022



CR VAN DER RIET
CHIEF EXECUTIVE OFFICER
30 September 2022

FINANCIAL STATEMENTS Continued

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

REPORT OF THE GROUP SOCIAL AND ETHICS COMMITTEE FOR THE YEAR ENDED 30 JUNE 2022

The Group Social and Ethics Committee is constituted as a sub-committee of the Group Board of Directors in accordance with applicable legislation and regulations. The Committee is chaired by an independent non-executive director. The Committee comprised of three non-executive directors and three executive directors who have the necessary skill, knowledge and expertise required to perform the statutory duties and responsibilities of the Committee in terms of section 72(4) and (5) of the Companies Act 71 of 2008.

The Committee met three times during the financial year under review, and executed its statutory duties and responsibilities in accordance with the Committee Charter, in terms of which the following areas were monitored:

- Social and economic development, including the Group's standing in terms of the goals and purposes of:
 - the ten principles set out in the United Nations Global Compact Principles;
 - the Organisation for Economic Co-operation and Development (OECD) recommendations regarding corruption;
 - the Employment Equity Act 55 of 1998; and
 - the Broad-based Black Economic Empowerment Act 53 of 2003.
- Good corporate citizenship.
- The environment, health and public safety, including the impact of the Group's activities and its products or services.
- Labour and employment.
- Consumer relationships, including the Group's policies and records relating to advertising, public relations and compliance with consumer protection laws.

Detailed information on the activities of the Committee is contained in the corporate governance section of the integrated annual report of the Group.

The Committee is satisfied with the Group's compliance with its social and ethical responsibilities, which further emphasises the Group's sense of responsibility as a fair, honest and transparent Group. In addition, the Committee is satisfied that it complied with its social and ethical responsibilities in terms of the Companies Act 71 of 2008 in respect of the subsidiary companies.



MPP NYAMA
CHAIRPERSON

28 September 2022

**AVBOB MUTUAL ASSURANCE SOCIETY
AND ITS SUBSIDIARIES****REPORT OF THE GROUP AUDIT COMMITTEE
FOR THE YEAR ENDED 30 JUNE 2022**

The Group Audit Committee has been constituted in accordance with applicable legislation and regulations. The Committee comprised of four independent non-executive directors for the first seven months of the year, thereafter it comprised of three independent non-executive directors. Three meetings were held during the financial year during which the members fulfilled their functions as prescribed by the Companies Act 71 of 2008 and the Insurance Act 18 of 2017. The Committee also executed its duties and responsibilities in accordance with the terms of reference of its mandate.

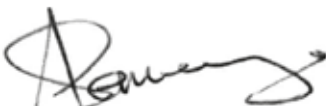
Detailed information on the activities of the Committee is contained in the leadership and corporate governance section of the integrated annual report.

The Committee members were formally appointed by the Board of Directors. The composition of the Committee and details of their attendance of Committee meetings is set out in the Directors' report in the annual financial statements.

Based on the information and explanations given by management and the internal and external assurance providers, the Committee is of the opinion that effective systems of internal control, including financial controls and risk management, are being maintained. Nothing has come to the attention of the Committee to indicate that any breakdown in the functioning of these controls, resulting in material loss to the Group, has occurred during the year and up to the date of this report.

The Committee has satisfied itself that the external auditors are independent of the Group and are thereby able to conduct their audit functions without any influence from the Group. The Committee has also satisfied itself that the Financial Director, Ms TA Cooper, has the appropriate expertise and experience to fulfil her role. The Committee has further satisfied itself of the expertise, resources and experience of the Group's financial function.

The Committee has reviewed the financial statements and recommended these to the Board of Directors for approval.



DP SEMENYA
CHAIRPERSON

28 September 2022

FINANCIAL STATEMENTS Continued



Independent auditor's report on the summary consolidated financial statements

To the members of AVBOB Mutual Assurance Society

Opinion

The summary consolidated and separate financial statements of AVBOB Mutual Assurance Society (the "Society") and its subsidiaries (together the Group), set out on page 101 to 128, which comprise the summarised statements of financial position as at 30 June 2022, the summarised statements of comprehensive income, changes in reserves and cash flows for the year then ended, and related notes, are derived from the audited consolidated and separate financial statements of the Society for the year ended 30 June 2022.

In our opinion, the accompanying summary consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated and separate financial statements, in accordance with the requirements of the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards, IAS 34 Interim financial statements and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated and separate financial statements

The summary consolidated and separate financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated and separate financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated and separate financial statements and the auditor's report thereon.

The audited consolidated and separate financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 12 October 2022.

Director's responsibility for the summary consolidated and separate financial statements

The directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with the requirements of the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards, IAS 34 Interim financial statements and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*. PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: JJ Grové
Registered Auditor
Johannesburg, South Africa
12 October 2022

FINANCIAL STATEMENTS Continued

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

SUMMARISED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Notes	SOCIETY		GROUP	
		2022 R 000	Restated 2021 R 000	2022 R 000	Restated 2021 R 000
Revenue from contracts with customers					
Services		-	-	374 122	373 046
Goods		-	-	583 851	471 383
Total revenue		-	-	957 973	844 429
Cost of goods and services	8	-	-	(691 127)	(518 547)
Gross profit		-	-	266 846	325 882
Premium revenue	6	5 737 542	5 193 027	5 737 542	5 193 027
Investment income*		1 275 048	777 918	1 219 140	729 710
Interest income on financial assets at amortised cost		445 679	176 854	469 538	201 059
Other gains/(losses)*		359 348	2 898 446	341 945	2 806 063
Net income		7 817 617	9 046 245	8 035 011	9 255 741
Contract benefits and claims	7	(2 683 851)	(2 682 264)	(2 681 471)	(2 710 620)
Expenses for the acquisition of insurance contracts		(887 902)	(867 241)	(887 902)	(867 241)
Interest expenses		(389 742)	(153 046)	(392 809)	(156 733)
Marketing expenses	8	(513 171)	(490 229)	(547 640)	(519 577)
Operating and administrative expenses	8	(751 307)	(758 163)	(875 900)	(879 954)
Expenses for asset management services		(167 631)	(128 741)	(167 631)	(128 741)
Profit before transfer to policyholder liabilities		2 424 013	3 966 561	2 481 658	3 992 875
Transfer to policyholder liabilities	15	(2 303 696)	(3 669 695)	(2 300 553)	(3 684 860)
Profit before income tax		120 317	296 866	181 105	308 015
Income tax		(117 735)	(260 454)	(144 243)	(295 111)
PROFIT FOR THE YEAR		2 582	36 412	36 862	12 904
Other comprehensive income/(loss)					
Items that will not be reclassified to profit or loss					
Gains/(losses) on revaluation of land and buildings		14 983	3 858	18 126	(11 307)
Realisation of depreciation		(3 040)	(2 844)	(101)	(3 381)
Net change in liabilities for insurance contracts arising from unrealised gains on owner-occupied properties		(11 943)	(1 014)	(18 025)	14 688
Remeasurement of the net defined employee benefits		(82)	173	205	410
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2 500	36 585	37 067	13 314

* Refer to note 21 of the notes to the summarised financial statements regarding the restatement of the 2021 comparatives.

**AVBOB MUTUAL ASSURANCE SOCIETY
AND ITS SUBSIDIARIES**

SUMMARISED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	SOCIETY		GROUP	
		2022 R 000	Restated 2021 R 000	2022 R 000	Restated 2021 R 000
ASSETS					
Property, plant and equipment	9	242 235	231 818	1 157 303	1 068 936
Right-of-use assets	10	69 808	67 492	104 016	99 057
Investment property	9	490 261	451 574	-	-
Intangible assets	9	5 994	13 482	6 164	13 674
Investments in subsidiaries	11	515 000	479 000	-	-
Financial assets at fair value through profit or loss*	13	21 748 456	19 412 829	21 891 404	19 412 829
Financial assets at amortised cost	14	8 527 828	4 245 964	8 527 828	4 245 964
Insurance receivables		546 207	496 663	546 207	496 663
Reinsurance contract assets		17 971	23 860	17 971	23 860
Inventories		2 165	1 695	69 536	55 673
Trade and other receivables		360 641	268 659	372 854	291 576
Current income tax asset		-	-	2 769	41
Cash and cash equivalents*		2 257 067	2 406 692	2 378 191	2 631 772
Total assets		34 783 633	28 099 728	35 074 243	28 340 045
RESERVES AND LIABILITIES					
RESERVES					
Distributable reserve		6 231 944	6 229 444	6 327 586	6 290 519
Revaluation reserve		-	-	-	-
LIABILITIES					
Policyholder liabilities		28 551 689	21 870 284	28 746 657	22 049 526
Insurance contracts	15	17 738 131	15 432 798	17 738 131	15 432 798
Investment contracts with DPF	15	418 374	422 335	418 374	422 335
Financial liabilities at amortised cost	16	8 806 884	4 403 969	8 806 884	4 403 969
Lease liabilities: Right-of-use assets	10	78 299	75 619	116 791	111 208
Deferred income tax liabilities		89 682	194 671	118 180	217 796
Employee benefit obligations	17	258 154	314 732	300 895	366 670
Deposits and premiums received in advance		457 915	421 468	457 915	421 468
Outstanding policyholder benefits		198 068	165 704	189 504	150 343
Trade and other payables		498 846	436 435	592 647	519 542
Current income tax liability		7 336	2 553	7 336	3 397
Total reserves and liabilities		34 783 633	28 099 728	35 074 243	28 340 045

* Refer to note 22 of the notes to the summarised financial statements regarding the restatement of the 2021 comparatives.

FINANCIAL STATEMENTS Continued

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

SUMMARISED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020

	SOCIETY Restated 2020 R 000	GROUP Restated 2020 R 000
ASSETS		
Property, plant and equipment	185 742	972 250
Right-of-use assets	54 749	82 612
Investment property	436 326	-
Intangible assets	33 501	33 879
Investments in subsidiaries	370 000	-
Financial assets at fair value through profit or loss*	14 980 903	14 980 903
Financial assets at amortised cost	1 510 921	1 510 921
Insurance receivables	478 064	478 064
Reinsurance contract assets	17 185	17 185
Inventories	2 242	43 824
Trade and other receivables	224 575	245 609
Current income tax asset	4 064	2 852
Cash and cash equivalents*	2 900 827	3 048 641
Total assets	21 199 099	21 416 740
RESERVES AND LIABILITIES		
RESERVES		
Distributable reserve	6 192 859	6 277 205
Revaluation reserve	-	-
LIABILITIES		
Policyholder liabilities	15 006 240	15 139 535
Insurance contracts	11 869 583	11 869 583
Investment contracts with DPF	354 623	354 623
Financial liabilities at amortised cost	1 574 692	1 574 692
Lease liabilities: Right-of-use assets	61 728	92 813
Deferred income tax liabilities	39 223	65 391
Employee benefit obligations	221 077	248 139
Deposits and premiums received in advance	391 186	391 186
Outstanding policyholder benefits	147 769	136 823
Trade and other payables	346 359	406 285
Current income tax liability	-	-
Total reserves and liabilities	21 199 099	21 416 740

* Refer to note 22 of the notes to the summarised financial statements regarding the restatement of the 2020 comparatives.

**AVBOB MUTUAL ASSURANCE SOCIETY
AND ITS SUBSIDIARIES**

**SUMMARISED STATEMENTS OF CHANGES IN RESERVES
FOR THE YEAR ENDED 30 JUNE 2022**

	SOCIETY		GROUP	
	2022 R 000	2021 R 000	2022 R 000	2021 R 000
DISTRIBUTABLE RESERVE				
Balance at the beginning of the year	6 229 444	6 192 859	6 290 519	6 277 205
Profit for the year	2 582	36 412	36 862	12 904
Other comprehensive income				
Remeasurement of the net defined employee benefits	(82)	173	205	410
Balance at the end of the year	6 231 944	6 229 444	6 327 586	6 290 519
REVALUATION RESERVE				
Land and buildings				
Balance at the beginning of the year	-	-	-	-
Other comprehensive income/(loss)				
Revaluation	14 983	3 858	18 126	(11 307)
Realisation of depreciation	(3 040)	(2 844)	(101)	(3 381)
Net change in liabilities for insurance contracts arising from unrealised gains on owner-occupied properties	(11 943)	(1 014)	(18 025)	14 688
Balance at the end of the year	-	-	-	-

FINANCIAL STATEMENTS Continued

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

SUMMARISED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

Notes	SOCIETY		GROUP	
	2022 R 000	Restated 2021 R 000	2022 R 000	Restated 2021 R 000
Net cash outflows from operating activities*	(37 636)	(352 436)	(35 387)	(187 020)
Cash generated by operating activities*	816 087	909 187	965 249	1 092 246
Interest received	561 666	9 056	585 525	33 261
Interest paid	(6 576)	(6 776)	(9 643)	(10 463)
Dividends received	684 550	296 599	684 550	296 599
Movement in financial liabilities				
At amortised cost				
Additions*	16 4 406 401	2 826 864	4 406 401	2 826 864
Withdrawals*	16 (386 652)	(143 857)	(386 652)	(143 857)
Movement in financial assets				
At fair value through profit or loss				
Additions*	13 (11 729 474)	(8 676 530)	(11 876 228)	(8 676 530)
Disposals	13 9 674 158	7 098 655	9 677 964	7 098 655
At amortised cost				
Additions	14 (4 226 379)	(2 711 102)	(4 226 379)	(2 711 102)
Withdrawals	14 386 524	143 857	386 524	143 857
Tax paid	(217 941)	(98 389)	(242 697)	(136 551)
Net cash outflows from investment activities	(82 366)	(114 199)	(174 908)	(188 739)
Payment of property, plant and equipment	9 (37 080)	(76 665)	(174 954)	(191 514)
Payment of investment property	9 (42 012)	(38 454)	-	-
Payment of intangible assets	9 (3 507)	(6 354)	(3 541)	(6 526)
Proceeds on disposal of property, plant and equipment and intangible assets	233	7 274	3 587	9 301
Net cash outflows from financing activities	(29 623)	(27 500)	(43 286)	(41 110)
Principal elements of lease payments:				
Right-of-use assets	(29 623)	(27 500)	(43 286)	(41 110)
Net decrease in cash and cash equivalents*	(149 625)	(494 135)	(253 581)	(416 869)
Cash and cash equivalents at the beginning of the year*	2 406 692	2 900 827	2 631 772	3 048 641
Cash and cash equivalents at the end of the year*	2 257 067	2 406 692	2 378 191	2 631 772

NET DEBT RECONCILIATION

This section sets out an analysis of net debt for each of the periods:

Cash and cash equivalents*	2 257 067	2 406 692	2 378 191	2 631 772
Lease liabilities	(78 299)	(75 619)	(116 791)	(111 208)
Net cash	2 178 768	2 331 073	2 261 400	2 520 564

* Refer to notes 22 and 23 of the notes to the summarised financial statements regarding the restatement of the 2021 comparatives.

**AVBOB MUTUAL ASSURANCE SOCIETY
AND ITS SUBSIDIARIES**

**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

1. General information

The Society is a funeral assurance provider and the subsidiaries manufacture, distribute and sell funeralware and conduct funerals. The Group has a manufacturing plant in Bloemfontein and conducts business in South Africa.

These summarised financial statements have been audited.

2. Basis of preparation

The Group has applied the provisions of the Companies Act, no 71 of 2008, which allows for summarised financial results as disclosed in this report.

The summarised financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2022, which have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), IAS 34 Interim financial statements and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

3. Accounting policies

The summarised financial statements do not include the complete accounting policies required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 30 June 2022.

The accounting policies adopted are consistent with those of the previous financial year.

There are a number of amendments, interpretations and improvements to standards that are not yet effective in 2022.

The Group has not early adopted any of these standards or interpretations. Except for the impact of IFRS 17, which has not as yet been fully determined, the application of the standards and interpretations are not expected to have a significant impact on the Group's reported results, financial position and cash flows.

The assessment of the expected impact of the implementation of IFRS 17 included the following:

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. It will replace the current standard, IFRS 4 that allows insurers to use their local GAAP. IFRS 17 defines clear and consistent rules that are intended to increase the comparability of Financial Statements.

The standard combines current measurements for the future cash flows with the recognition of profit over the service period under the contract. The standard mandates the presentation of insurance revenue separately from insurance finance income or expenses, and requires an entity to make various accounting policy choices, including whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

Under IFRS 17, the General Measurement Model (GMM) requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis at each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this GMM, the standard allows, as a simplification, the Premium Allocation Approach (PAA). This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less.

For insurance contracts with GMM direct participation features, the variable fee approach applies. The variable fee approach is a variation on the GMM. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss, but rather in the statement of comprehensive income.

FINANCIAL STATEMENTS Continued

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

3. Accounting policies (continued)

A defining feature of an insurer that is a mutual entity is that the residual interest of the entity is due to a policyholder and not a shareholder. When applying IFRS 17, payments to policyholders form part of the fulfilment cash flows regardless of whether those payments are expected to be made to current or future policyholders. Thus, the fulfilment cash flows of an insurer that is a mutual entity generally include the rights of policyholders to the whole of any surplus of assets over liabilities. This means that, for an insurer that is a mutual entity, there should, in principle, normally be no equity remaining and no net comprehensive income reported in any accounting period.

The potential impact to the Group is that the majority of the contracts issued by the Group have a coverage period of more than one year and will be measured under the GMM. Other contracts that are short term in nature with a coverage period of less than a year will be accounted for under the PAA.

An IFRS 17 Working Committee has been established to identify and implement systems and process changes in anticipation of the implementation of the standard. The Committee provides monthly updates regarding the progress of implementation of IFRS 17. Furthermore, the Group's IFRS 17 implementation team which consists of the core finance, actuarial and information technology team as well as internal and external specialists provide daily updates regarding the progress of the project. The Group's IFRS 17 implementation team is currently testing data to identify gaps in order to incorporate refinements to comply with the requirements of both measurement models. The next steps for the Group is to finalise the accounting policies and methodologies for the opening balance transition approach that will be applied, and to integrate software to execute the implementation of IFRS 17 in phases.

The initial date of application for the Group for IFRS 17 will be 1 July 2023 and the transition date will be the opening balances as at 1 July 2022.

4. Critical accounting estimates and judgements

The Group makes estimates and assumptions in respect of assets and liabilities. Estimates and assumptions are re-evaluated on an on-going basis, based on historic experience and other factors, including expectations with regard to future events that are deemed reasonable under the circumstances.

4.1 Policyholder liabilities

The value of the policyholder liabilities is based on estimates that are in turn based on assumptions. The assumptions represent best estimates of the expected future experience and are based on actual experience and reasonable expectations of what may happen in future. The future experience will probably differ from these assumptions, which may in turn require the value of policyholder liabilities to be adjusted. The full details of these valuation assumptions for estimates are set out in note 15 of the notes to the summarised financial statements.

4.2 Other assumptions and estimates

Other assumptions and estimates included in the annual financial statements for the year ended 30 June 2022 addresses the following items:

- Provision for deaths not yet reported
- Valuation of investment property
- Valuation of subsidiaries
- Employee benefit obligations
- Assets at fair value through profit and loss with unobservable inputs
- Deferred tax asset
- Impairment losses on financial assets
- Lease liabilities and right-of-use assets

**AVBOB MUTUAL ASSURANCE SOCIETY
AND ITS SUBSIDIARIES**

**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)**

5. Management of insurance and financial risk

5.1 Insurance and financial risk

The Group issues contracts that contain either insurance or financial risks, or both. Insurance risk is the risk that claims and expenses exceed the value placed on insurance liabilities. The Group's activities expose it to a variety of financial risks: market risk (including equity risk, currency risk and interest rate risk), credit and counterparty risk, liquidity risk and contractual risk.

The summarised financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 30 June 2022.

5.2 Capital management

The Group's objectives when managing capital is to safeguard the Society's ability to continue as a going concern to provide policyholder and member benefits.

The Group manages capital by targeting a SCR cover of 2.6 times by own funds and by ensuring that sufficient liquid assets are available if required and that the available investments are of a suitable quality. The Society's SCR was covered 2.6 times by own funds as at 30 June 2022 and 30 June 2021 and was within the risk appetite. The Society did not experience an event which negatively impacted its SCR cover ratio.

The SCR is the minimum amount by which the value of own funds (excess assets) must exceed the value of the policyholder liabilities as required by the Prudential Authority (PA). As a mutual society, the Society does not have access to capital markets and consequently aims to keep excess assets at a multiple of the SCR required by the PA. If the ratio decreases (for instance following a market value shock or other catastrophe), the Board of Directors has approved planned management actions that allow the Society to return to the targeted coverage ratio within risk appetite.

The Society and the Group are exposed to financial risk through their financial assets, financial liabilities, reinsurance contracts and insurance liabilities. In essence, the financial risk is the possibility that adverse changes in the market will result in the Society not being able to meet its obligations. The most important elements of financial risk include market risk (equity risk, interest rate risk and currency risk), credit and counterparty risk and liquidity risk.

The Society manages financial assets using an asset distribution analysis approach that was developed to maximise long-term investment yield, while taking into consideration the nature of its liabilities. The Society outsources the management of its balanced portfolio investments to six leading asset managers. These asset managers are expected to manage their portfolio in accordance with agreed-upon mandates. In addition, the total asset distribution of the Society is managed in accordance with the guidelines set by the PA. The Society has adequate capital cover on the SCR on the basis of the Insurance Act as at 30 June 2022.

Asset-liability modelling investigations are performed periodically by the Head of Actuarial Function (HAF). The outcome is used to determine whether the asset distribution guidelines unduly expose the Society to insolvency risk based on the nature of the liabilities (guaranteed and discretionary liabilities). An asset-liability modelling investigation was performed during the 2022 financial year and did not lead to any material changes to the asset distribution guidelines.

FINANCIAL STATEMENTS Continued

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

5. Management of insurance and financial risk (continued)

5.2 Capital management (continued)

Core aspects of the mandate given to the asset managers:

- The total asset distribution of the Society must be managed in accordance with the guidelines set by the PA.
- A target allocation of 30% of the total applicable assets are to be invested in local liquid assets with approximately 70% of the total applicable assets to be invested in equity risk assets.
- Investments in the Financial Sector Code (FSC) portfolio are restricted to those that should be recognised in terms of the Financial Sector Code. All unlisted investments require written approval.
- In the other portfolios, investments in equities and securities must be listed on a recognised exchange and listed securities must meet minimum credit rating criteria.
- Derivative instruments are only allowed for efficient portfolio management and hedging purposes. The effective exposure for all derivative positions is limited to 10% of the fair value of the investment portfolio. Effective exposure to any over-the-counter counterparty is limited to 7.5% of the investment portfolio.
- No scrip lending is allowed.

The following table compares the assets of the Society with the asset distribution guidelines:

	Board guideline %	2022		Restated 2021	
		%	R 000	%	R 000
	70	71	18 558 074	71	16 952 010
Property for own use and investment property		2	579 466	2	529 889
Equity risk assets					
Investments and financial assets					
Listed shares		41	10 743 293	41	9 791 778
Unlisted shares		4	999 349	5	1 093 712
Foreign investments		18	4 565 150	17	4 032 277
Other assets		6	1 670 816	6	1 504 354
Liquid assets	30	29	7 697 731	29	6 901 754
Cash and cash equivalents*		9	2 257 067	10	2 406 692
Securities and bonds*		20	5 290 595	19	4 399 290
Unlisted securities		0	150 069	0	95 772
Total applicable assets	<u>100</u>	<u>100</u>	<u>26 255 805</u>	<u>100</u>	<u>23 853 764</u>
Linked financial assets at amortised cost			8 527 828		4 245 964
Total assets			<u>34 783 633</u>		<u>28 099 728</u>

The Board and the HAF are comfortable that the asset distribution as at 30 June 2022 is in line with our risk appetite.

* Refer to note 22 of the notes to the summarised financial statements regarding the restatement of the 2021 comparatives.

**AVBOB MUTUAL ASSURANCE SOCIETY
AND ITS SUBSIDIARIES**

**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)**

5. Management of insurance and financial risk (continued)

5.3 Fair value hierarchy

The following fair value measurement hierarchy is applied to financial assets and liabilities measured at fair value that are measured in the statements of financial position:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as priced) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Society's assets and liabilities that are measured at fair value:

	Level 1 R 000	Level 2 R 000	Level 3 R 000	Total R 000
At 30 June 2022				
Assets				
At fair value through profit or loss				
Listed fixed-income securities	5 290 595	-	-	5 290 595
Listed shares	10 743 293	-	-	10 743 293
Non-listed foreign investments	-	4 565 150	-	4 565 150
Unlisted investments	-	577 674	571 744	1 149 418
Properties	-	-	579 466	579 466
Investments in subsidiaries	-	-	515 000	515 000
Total assets	16 033 888	5 142 824	1 666 210	22 842 922
Liabilities				
Investment contracts with discretionary participation features (DPF)	-	-	418 374	418 374
Total liabilities	-	-	418 374	418 374
	Restated			Restated
At 30 June 2021				
Assets				
At fair value through profit or loss				
Listed fixed-income securities*	4 399 290	-	-	4 399 290
Listed shares	9 791 778	-	-	9 791 778
Non-listed foreign investments	-	4 032 277	-	4 032 277
Unlisted investments	-	708 792	480 692	1 189 484
Properties	-	-	529 889	529 889
Investments in subsidiaries	-	-	479 000	479 000
Total assets	14 191 068	4 741 069	1 489 581	20 421 718
Liabilities				
Investment contracts with discretionary participation features (DPF)	-	-	422 335	422 335
Total liabilities	-	-	422 335	422 335

* Refer to note 22 of the notes to the summarised financial statements regarding the restatement of the 2021 comparatives.

The difference between assets and liabilities measured at fair value for the Society and Group is property and investment property to the value of R502,2 million (2021: R463,5 million) and Level 2 unlisted investments to the value of R142,9 million (2021: Rnil).

FINANCIAL STATEMENTS Continued

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

5. Management of insurance and financial risk (continued)

5.3 Fair value hierarchy (continued)

At the financial year end, investments classified as Level 1 comprise approximately 70% (2021: 69%) of financial assets measured at fair value on a recurring basis. Fair value measurements classified as Level 1 include exchange-traded prices of fixed maturity and equity securities.

At the financial year end, investments classified as Level 2 comprise approximately 23% (2021: 24%) of financial assets measured at fair value on a recurring basis. They primarily include government and agency securities, and certain listed and unlisted corporate debt securities and investments in collective investments. Investments in collective investments are valued at closing prices determined by the respective fund managers. As market quotes generally are not readily available or accessible for the securities, their fair value measures are determined utilising relevant information generated by market transactions involving comparable securities. They are often based on model pricing techniques that effectively discount prospective cash flows to present value using appropriate sector-adjusted credit spreads commensurate with the security's duration, also taking into consideration issuer-specific credit quality and liquidity. These valuation methodologies have been studied and evaluated by the Society and the resulting prices determined to be representative of exit values.

Observable inputs generally used to measure the fair value of securities classified as Level 2 include benchmark yields, reported secondary trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers and reference data. Additional observable inputs are used when available and as may be appropriate for certain security types, such as prepayment, default and collateral information for the purpose of measuring the fair value of mortgage- and asset-backed securities.

At the financial year end, investments classified as Level 3 comprise approximately 7% (2021: 7%) of financial assets measured at fair value on a recurring basis. They primarily include unlisted preference shares, investments in subsidiaries and unlisted investments in renewable energy infrastructure. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement.

The Society issues a significant number of investment contracts that are designated at fair value through profit and loss. These investment contracts are not quoted in active markets and their fair values are determined through valuation techniques. Such techniques (for example, valuation models) are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices. A variety of factors are considered in the Society's valuation techniques, including time value, credit risk (both own and counterparty), volatility factors (including contract holder behaviour), servicing costs and activity in similar instruments. Since significant inputs are based on unobservable inputs, these investment contract liabilities are classified as Level 3 instruments in the fair value hierarchy.

**AVBOB MUTUAL ASSURANCE SOCIETY
AND ITS SUBSIDIARIES**

**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)**

5. Management of insurance and financial risk (continued)

5.3 Fair value hierarchy (continued)

The movement in unlisted investments included under Level 3, that are measured using a discounted cash flow model, are as follows:

	Property* R 000	Unlisted investments R 000	Subsidiary investments R 000	Total R 000
At 30 June 2022				
Opening value at beginning of the year	529 889	480 692	479 000	1 489 581
Additions	42 012	146 505	-	188 517
Sales	-	(38 116)	-	(38 116)
Depreciation	(4 093)	-	-	(4 093)
Fair value gains/(losses) through profit and loss	11 658	(17 337)	36 000	30 321
Closing value at the end of the year	<u>579 466</u>	<u>571 744</u>	<u>515 000</u>	<u>1 666 210</u>
At 30 June 2021				
Opening value at beginning of the year	514 681	306 486	370 000	1 191 167
Additions	38 454	179 249	-	217 703
Sales	(1 418)	-	-	(1 418)
Depreciation	(3 898)	-	-	(3 898)
Fair value (losses)/gains through profit and loss	(17 930)	(5 043)	109 000	86 027
Closing value at the end of the year	<u>529 889</u>	<u>480 692</u>	<u>479 000</u>	<u>1 489 581</u>

* Property consist of owner-occupied property and investment property.

The Society invested in unlisted investments in respect of renewable energy infrastructure. The fair value of these investments is determined using a discounted cash flow valuation methodology using appropriate risk adjusted cost of capital, taking the various projects' stages of construction completion and the achievement of commercial operations into consideration. The most significant impact on the fair value of the Group's investment in a renewable energy infrastructure partnership is the operational performance of the respective renewable energy plants the partnership has invested in.

	SOCIETY		GROUP	
	2022 R 000	2021 R 000	2022 R 000	2021 R 000
6. PREMIUM REVENUE				
Long-term insurance contracts and investment contracts with discretionary participation features	5 440 351	4 912 980	5 440 351	4 912 980
Group scheme contracts	299 147	282 004	299 147	282 004
Gross insurance premium revenue	5 739 498	5 194 984	5 739 498	5 194 984
Reinsurance premiums paid				
Individual premiums	(1 956)	(1 957)	(1 956)	(1 957)
TOTAL	<u>5 737 542</u>	<u>5 193 027</u>	<u>5 737 542</u>	<u>5 193 027</u>

FINANCIAL STATEMENTS Continued

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

	SOCIETY		GROUP	
	2022 R 000	2021 R 000	2022 R 000	2021 R 000
7. CONTRACT BENEFITS AND CLAIMS				
Long-term insurance contracts and investment contracts with discretionary participation features	2 126 727	2 148 797	2 126 727	2 148 797
Death and disability claims	1 870 178	1 854 376	1 870 178	1 854 376
Maturities	941	1 301	941	1 301
Surrenders/lapses	255 608	293 120	255 608	293 120
Group scheme contracts				
Death and disability claims	204 086	215 390	204 086	215 390
Expenses	354 416	318 690	352 036	347 046
Insurance claims recovered from reinsurance				
Long-term insurance contracts	(1 378)	(613)	(1 378)	(613)
NET BENEFITS	2 683 851	2 682 264	2 681 471	2 710 620
8. EXPENSES BY FUNCTION				
Comprising:				
Cost of goods and services	-	-	542 030	518 547
Employee benefit expenses	-	-	31 152	30 339
Other expenses	-	-	510 878	488 208
Marketing expenses	513 171	490 229	547 640	519 577
Employee benefit expenses	261 701	245 140	262 778	257 039
Other expenses	251 470	245 089	284 862	262 538
Operating and administrative expenses	751 307	758 163	875 900	879 954
Employee benefit expenses	349 956	412 540	422 250	492 078
Other expenses	401 351	345 623	453 650	387 876
	1 264 478	1 248 392	1 965 570	1 918 078
Number of full-time employees at 30 June	1 705	1 648	2 112	2 028
Number of representatives at 30 June	4 900	5 249	4 900	5 249

**AVBOB MUTUAL ASSURANCE SOCIETY
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**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)**

	Property, plant and equipment R 000	Investment property R 000	Intangible assets R 000
9. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS			
SOCIETY			
Year ended 30 June 2022			
Carrying value at the beginning of the year	231 818	451 574	13 482
Additions	37 080	42 012	3 507
Disposals	(559)	-	(93)
Fair value gains/(losses)	14 983	(3 325)	-
Amortisation/depreciation charge	(41 087)	-	(10 902)
Carrying value at the end of the year	<u>242 235</u>	<u>490 261</u>	<u>5 994</u>
Year ended 30 June 2021			
Carrying value at the beginning of the year	185 742	436 326	33 501
Additions	76 665	38 454	6 354
Disposals	(548)	(1 418)	(4 788)
Fair value gains/(losses)	3 858	(21 788)	-
Amortisation/depreciation charge	(33 899)	-	(21 585)
Carrying value at the end of the year	<u>231 818</u>	<u>451 574</u>	<u>13 482</u>
GROUP			
Year ended 30 June 2022			
Carrying value at the beginning of the year	1 068 936	-	13 674
Additions	174 954	-	3 541
Disposals	(6 908)	-	(405)
Fair value losses	17 939	-	-
Amortisation/depreciation charge	(97 618)	-	(10 646)
Carrying value at the end of the year	<u>1 157 303</u>	<u>-</u>	<u>6 164</u>
Year ended 30 June 2021			
Carrying value at the beginning of the year	972 250	-	33 879
Additions	191 514	-	6 526
Disposals	(5 727)	-	(4 788)
Fair value losses	(11 413)	-	-
Amortisation/depreciation charge	(77 688)	-	(21 943)
Carrying value at the end of the year	<u>1 068 936</u>	<u>-</u>	<u>13 674</u>

Both the Head Office and the annex buildings were valued by The Valuation Agency on 1 May 2022. Three other high value properties of the Society were valued by an independent external valuator during the year ended 30 June 2022. All other fixed properties for own use were formally valued by the directors at 30 June 2022. The carrying values of the properties were adjusted to the revalued amounts and the fair value adjustment was charged to the revaluation reserve. The market value is reviewed and adjusted annually by the directors.

All the Society's investment properties are owner-occupied within the Group. No investment property is pledged as security. The fair value measurement is classified as Level 3.

FINANCIAL STATEMENTS Continued

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

	SOCIETY		GROUP	
	2022 R 000	2021 R 000	2022 R 000	2021 R 000
10. LEASES				
Right-of-use assets and lease liabilities: Property				
Amounts recognised in the statements of financial position:				
RIGHT-OF-USE-ASSETS				
Carrying value at the beginning of the year	67 492	54 749	99 057	82 612
Cost	119 780	78 389	178 175	118 479
Accumulated depreciation	(52 288)	(23 640)	(79 118)	(35 867)
Additions	32 302	41 391	49 156	59 696
Depreciation	(29 986)	(28 648)	(44 197)	(43 251)
Carrying value at the end of the year	69 808	67 492	104 016	99 057
LEASE LIABILITIES: RIGHT-OF-USE ASSETS	78 299	75 619	116 791	111 208
Non-current liability	53 388	49 265	79 613	72 794
Current liability	24 911	26 354	37 178	38 414

Amounts recognised in the statements of comprehensive income:

Depreciation charge on right-of-use assets: lease properties	29 986	28 648	44 197	43 251
Interest expense	6 576	6 776	9 643	10 463

The total cash outflow for leases in 2022 was R36,2 million (2021: R34,3 million).

11. INVESTMENTS IN SUBSIDIARIES

Unlisted

Shares at cost	95 058	95 058	-	-
Fair value adjustment	419 942	383 942	-	-
Directors' valuation (Non-current asset)	515 000	479 000	-	-
Directors' valuation of subsidiaries:				
AVBOB Funeral Service Limited	374 000	332 000	-	-
AVBOB Industries Limited	141 000	147 000	-	-
	515 000	479 000	-	-

The fair values of investments in subsidiaries are based on the weighted average cost of capital (WACC) of each subsidiary, which are calculated based on a gross risk-free interest rate, an assumed equity risk premium, a market assessed risk factor (beta), and an allowance for subordinated debt on a market value basis. The market assessed risk factor (beta) captures the market's view of the effect of all types of risk on the subsidiaries' operations, including operational and other non-economic risk.

The recoverable amount of a subsidiary is determined based on an income approach calculation. These calculations use cash flow projections based on approved financial budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates.

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**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
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12. FINANCIAL INSTRUMENTS

By category

SOCIETY

At 30 June 2022

Assets as per statements of financial position

	Financial assets measured at amortised cost R 000	Assets at fair value through profit or loss R 000	Total R 000
At fair value through profit or loss	-	21 748 456	21 748 456
Investment contracts at amortised cost	8 527 828	-	8 527 828
Insurance receivables	546 207	-	546 207
Trade and other receivables	198 773	-	198 773
Cash and cash equivalents	2 257 067	-	2 257 067
	<u>11 529 875</u>	<u>21 748 456</u>	<u>33 278 331</u>

GROUP

At 30 June 2022

Assets as per statements of financial position

At fair value through profit or loss	-	21 891 404	21 891 404
Investment contracts at amortised cost	8 527 828	-	8 527 828
Insurance receivables	546 207	-	546 207
Trade and other receivables	202 547	-	202 547
Cash and cash equivalents	2 378 191	-	2 378 191
	<u>11 654 773</u>	<u>21 891 404</u>	<u>33 546 177</u>

At 30 June 2022 the carrying amounts of cash and short-term deposits, trade receivables and accrued expenses, approximated their fair values due to the short-term maturities of these assets.

The market value of investment contracts at amortised cost was R8 002,0 million (2021:R4 219,6 million).

	Restated	Restated	Restated
SOCIETY			
At 30 June 2021			
Assets as per statements of financial position			
At fair value through profit or loss	-	19 412 829	19 412 829
Investment contracts at amortised cost	4 245 964	-	4 245 964
Insurance receivables	496 663	-	496 663
Trade and other receivables	168 170	-	168 170
Cash and cash equivalents*	2 406 692	-	2 406 692
Total*	<u>7 317 489</u>	<u>19 412 829</u>	<u>26 730 318</u>
GROUP			
At 30 June 2021			
Assets as per statements of financial position			
At fair value through profit or loss	-	19 412 829	19 412 829
Investment contracts at amortised cost	4 245 964	-	4 245 964
Insurance receivables	496 663	-	496 663
Trade and other receivables	176 111	-	176 111
Cash and cash equivalents*	2 631 772	-	2 631 772
Total*	<u>7 550 510</u>	<u>19 412 829</u>	<u>26 963 339</u>

* Refer to note 22 of the notes to the summarised financial statements regarding the restatement of the 2021 comparatives.

FINANCIAL STATEMENTS Continued

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

	SOCIETY		GROUP	
	2022	2021	2022	2021
	R 000	R 000	R 000	R 000

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Balance at the beginning of the year	19 412 829	14 901 299	19 412 829	14 901 299
Movement for the year				
Additions*	11 679 641	8 756 134	11 826 395	8 756 134
Disposals	(9 624 325)	(7 098 655)	(9 628 131)	(7 098 655)
Fair value adjustments	280 312	2 854 051	280 312	2 854 051
Balance at the end of the year*	<u>21 748 456</u>	<u>19 412 829</u>	<u>21 891 404</u>	<u>19 412 829</u>

Financial assets comprises the following:

Listed fixed-income securities*	5 290 595	4 399 290	5 290 595	4 399 290
Listed shares	10 743 293	9 791 778	10 743 293	9 791 778
Non-listed foreign investments	4 565 150	4 032 277	4 565 150	4 032 277
Unlisted investments	1 149 418	1 189 484	1 292 366	1 189 484
Total*	21 748 456	19 412 829	21 891 404	19 412 829
Current assets*	860 287	340 693	860 287	340 693
Non-current assets	<u>20 888 169</u>	<u>19 072 136</u>	<u>21 031 117</u>	<u>19 072 136</u>

*Refer to note 22 of the notes to the summarised financial statements regarding the restatement of the 2021 comparatives.

Financial assets at fair value through profit or loss are classified as non-current assets, unless their maturity is within a year, as the assets are kept for long-term yield to the benefit of policyholders and members. All proceeds from disposals during the year were utilised for additions.

Financial assets at fair value through profit or loss are managed by Allan Gray South Africa, Ninety One SA, Old Mutual Investment Group SA, MandG Investment Managers (Pty) Ltd, Sanlam Investment Management and Stanlib Asset Management.

	SOCIETY		GROUP	
	2022	2021	2022	2021
	R 000	R 000	R 000	R 000

14. FINANCIAL ASSETS AT AMORTISED COST

Balance at the beginning of the year	4 245 964	1 510 921	4 245 964	1 510 921
Movement for the year				
Additions	4 226 379	2 711 102	4 226 379	2 711 102
Interest income	442 009	167 798	442 009	167 798
Withdrawals	(386 524)	(143 857)	(386 524)	(143 857)
Balance at the end of the year	<u>8 527 828</u>	<u>4 245 964</u>	<u>8 527 828</u>	<u>4 245 964</u>

Financial assets at amortised cost comprise of single premium investment products. Refer to note 16 of the notes to the summarised financial statements for the associated liability.

**AVBOB MUTUAL ASSURANCE SOCIETY
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**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)**

	SOCIETY		GROUP	
	2022 R 000	2021 R 000	2022 R 000	2021 R 000
15. POLICYHOLDER LIABILITIES				
Balance at the beginning of the year	15 855 133	12 224 206	15 855 133	12 224 206
Realisation of depreciation on revaluation	3 040	2 844	101	3 381
Transfer to/(from) revaluation reserves	11 943	1 014	18 025	(14 688)
Centenary expenses	(11 418)	(49 301)	(11 418)	(49 301)
Reinsurance asset	(5 889)	6 675	(5 889)	6 675
Transfer from statements of comprehensive income	2 303 696	3 669 695	2 300 553	3 684 860
Ad-hoc benefit improvements	3 100 083	2 630 790	3 100 083	2 630 790
Balances in respect of new business	(811 393)	(258 079)	(811 393)	(258 079)
Change in valuation assumptions	430 912	220 083	430 912	220 083
Model improvements	93 789	42 523	93 789	42 523
Investment returns	1 470 364	1 418 008	1 470 364	1 418 008
Other	(1 980 059)	(383 630)	(1 983 202)	(368 465)
Balance at the end of the year	18 156 505	15 855 133	18 156 505	15 855 133
Non-current liabilities	17 320 702	15 138 825	17 320 702	15 138 825
Current liability	835 803	716 308	835 803	716 308
The current liability is the estimate of the benefits payable to policyholders within the next twelve months.				
The policyholder liability comprises of:				
Not with-profit contracts	13 435 320	11 341 128	13 435 320	11 341 128
With-profit contracts	4 281 257	4 068 538	4 281 257	4 068 538
Group schemes	21 554	23 132	21 554	23 132
Insurance contracts	17 738 131	15 432 798	17 738 131	15 432 798
Investment contracts with discretionary participation features (DPF)	418 374	422 335	418 374	422 335
	18 156 505	15 855 133	18 156 505	15 855 133
The amounts in the net future cash outflows summarise the expected cash flows allowing for premium receipts, claim payments and policyholder behaviour consistent with the valuation methodology. All the cash flows are gross of reinsurance. The cash flows are not discounted and the effect of discounting is shown to reconcile to total policyholder liabilities.				
Net future cash outflows:				
Not longer than a year	835 803	716 308	835 803	716 308
Between 2 and 5 years	1 953 783	1 687 139	1 953 783	1 687 139
Between 6 and 10 years	5 856 476	5 075 600	5 856 476	5 075 600
Longer than 10 years	58 760 084	45 603 308	58 760 084	45 603 308
Discounting of future cash flows	(49 249 641)	(37 227 222)	(49 249 641)	(37 227 222)
	18 156 505	15 855 133	18 156 505	15 855 133

FINANCIAL STATEMENTS Continued

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

15. POLICYHOLDER LIABILITIES (continued)

Long-term life insurance contracts

15.1 Assumptions

The value of the policyholder liabilities has been calculated using best estimate assumptions regarding the future experience of the business. These assumptions are generally determined based on recent past experience with appropriate adjustments for future trends. For prudence the actuaries add compulsory and discretionary margins to the best estimate liability. The best estimate assumptions and compulsory margins are set out in this section.

- **Mortality assumption**

The mortality assumptions have been based on the results of the most recent experience investigation for the Society. This investigation covers the period from 1 January 2021 to 31 December 2021. The level of the best estimate assumption was revised to be closer to the current actual experience in line with the investigation.

- **Withdrawal assumptions**

A full withdrawal investigation was performed over the period 1 January 2021 to 31 December 2021. Withdrawal rates were split into two categories: premium-paying and paid-up rates. The best estimate assumption was revised to over time be closer to the actual experience.

- **Expense assumptions**

The valuation assumption at the previous year end (including the assumed level of inflation for the year) was lower than the 2022 forecast cost per policy at the same date. The forecast cost per policy for this purpose was determined using an 88%:12% (2021: 88%:12%) allocation of specific costs between the Society and certain of its subsidiaries. The assumed maintenance cost in 2022 has been set to a level half way between the actual 2022 cost per policy and the 2023 budgeted cost per policy, allowing for inflation.

Administration costs are expressed separately for costs relating to premium collection and administration, and other administration costs. It is further assumed that the administration cost of an assistance policy is two-thirds the level of cost of a life policy. It is also assumed that the cost of administering a life policy increases by 20% for each additional life assured under the policy. The assumptions are consistent with the approach in the previous year.

- **Economic assumptions**

The assumed future investment return is based on the assumed spread between asset classes and the assumed returns on each asset class. The assumed spread of assets has remained the same as the previous year.

The risk-free rate assumption is 11.4% (2021: 9.9%) per annum.

The assumed rate of expense inflation is 8.6% (2021: 7.2%) per annum. The returns above are gross of investment expenses.

- **Tax assumption**

The Society currently has an assessed tax loss in the Individual Policyholder Fund. The forecast cash flows from the valuation system indicates that in future, on the valuation basis, the tax payable on investment returns is expected to exceed the tax relief arising from policy administration cost. It is therefore assumed that investment returns will be subject to tax and administration costs will be subject to tax relief. This is consistent with the approach adopted in the previous year.

Dividend withholding tax has remained at 20% in accordance with legislation.

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**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
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(continued)**

15. POLICYHOLDER LIABILITIES (continued)

15.1 Assumptions (continued)

• **Bonus rates on with-profit policies**

The Society's interpretation of policyholder reasonable benefit expectations regarding bonuses has been documented in the Principles and Practices of Financial Management (PPFM). Policyholder reasonable benefit expectations regarding future bonus distributions are considered in determining the policyholder liabilities. The bonus rate assumptions are unchanged from the previous year.

The following future experience elements are not covered by the PPFM:

- Non-profit policyholders will receive no future bonus declarations. Past declared "ad-hoc" or special bonus increases will remain, but no further special bonuses will be declared to these policies.

15.2 Compulsory margins

The best estimate assumptions have been adjusted for the following compulsory margins:

Assumption	Margin
Mortality	Increase mortality rates by 7.5%
Disability	Increase disability rates by 10%
Lapses	Increase / decrease lapse rates by 25%
Surrenders	Increase / decrease surrender rates by 10%
Investment return	Decrease investment returns by 0.25%
Expenses	Increase expenses by 10%
Transport and funeral subsidy cost	Increase expenses by 10%
Expense inflation	Increase escalation by 10%
Average number of children	Increase number of children by 20%
Premium escalation take-up rate	Increase take-up rate by 10%

15.3 Change in valuation methodology

For the year under review no changes were made to the valuation methodology.

15.4 Change to valuation assumptions

For the year under review a number of changes were made to the assumptions which had an impact on earnings. The impact of these changes on the pre-tax earnings for the year is as follows:

- The retrenchment claim rate assumption was changed to more closely reflect the claims experience, resulting in a profit of R63,7 million
- The actual mortality experience during 2021 was below the expected experience. The assumptions were updated and this resulted in a profit of R192,3 million. This was mostly due to the mortality assumption on child benefits, resulting in a profit of R118,6 million. A reduction in the accidental death assumption on the cashback funeral product resulted in a profit of R96,4 million. Increases to the mortality assumption on assistance and level premium products resulted in losses of R55,4 million and R31,0 million respectively.
- The renewal expense assumption per policy reduced, resulting in a profit of R325,2 million.
- The average age calculation on parent and extended lives was improved, which resulted in a profit of R89,8 million.
- The economic assumptions were changed to reflect the expected future investment returns, based on the long term assumed assets held by the business, as well as the expected future inflation rate. The inflation gap remained unchanged at 2.8% below bond yields. The change in the economic assumptions resulted in a loss of R129,3 million.

FINANCIAL STATEMENTS Continued

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

15. POLICYHOLDER LIABILITIES (continued)

15.5 Sensitivity analysis of the policyholder liabilities

The policyholder liabilities are calculated according to best estimate assumptions plus compulsory margins - the valuation assumptions. To illustrate sensitivity to the assumptions, changes in the valuation assumptions were calculated, as set out in the following table:

	Change in the liability	
	2022 R 000	2021 R 000
10% increase in mortality	1 154 899	1 250 968
1% decrease in investment return	1 103 334	1 145 127
10% increase in expenses	977 933	901 330
1% increase in expense inflation	1 143 701	1 070 238
20% increase in lapses	(476 553)	(418 375)
10% increase in surrenders	(21 238)	(25 323)
10% decrease in surrenders	32 700	28 457

The analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, as changes in some of the assumptions may be correlated. A correlation exists between the inflation rate and investment returns, as well as between the inflation rate and renewal expenses.

	SOCIETY		GROUP	
	2022 R 000	2021 R 000	2022 R 000	2021 R 000
16. FINANCIAL LIABILITIES AT AMORTISED COST				
Balance at the beginning of the year	4 403 969	1 574 692	4 403 969	1 574 692
Movement for the year				
Additions	4 406 401	2 826 864	4 406 401	2 826 864
Interest expense	383 166	146 270	383 166	146 270
Withdrawals	(386 652)	(143 857)	(386 652)	(143 857)
Balance at the end of the year	<u>8 806 884</u>	<u>4 403 969</u>	<u>8 806 884</u>	<u>4 403 969</u>

Financial liabilities at amortised cost comprise of single premium investment product liabilities. Refer to note 14 of the notes to the summarised financial statements for the associated asset.

Included in the amortised cost is day one fair value of R100,5 million (2021: R66,3 million) that is amortised over the period of the contract. The market value of the financial liability at amortised cost is R8 228,0 million (2021: R4 393,1 million).

17. EMPLOYEE BENEFIT OBLIGATIONS

The Group has liabilities in respect of gratuities and medical benefits payable to qualifying employees with- and post-retirement. The gratuities payable with-retirement is a percentage of total guaranteed package, with certain employees being limited to a R50 000 benefit. The medical benefits payable post-retirement are equivalent to 50% of the total medical contribution on the chosen benchmark plan at retirement. The medical contribution subsidy increases annually with CPI up to a maximum of 10%. The current benchmark plan is the Discovery Health Classic Priority plan with 25% savings. The annual amount and payment of the pensioner benefit is at the discretion of the Society. The estimated cost of these benefits is provided over the projected service periods of employees. The valuation of these liabilities is performed by management based on the projected unit credit method. Any surplus or shortfall between the actuarial valuation and the accumulated liability is apportioned to and from the statement of comprehensive income as other comprehensive income. Employees appointed after 1 November 1998 (post-retirement benefit), 1 November 2000 (with-retirement benefit) and employees who retired after 31 October 2019 (pensioners' benefit) do not qualify for these benefits.

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17. EMPLOYEE BENEFIT OBLIGATIONS (continued)

The number of participating members in respect of gratuity payments of the Society totals 73 (2021: 73), the medical benefit totals 8 (2021: 8) and the pensioner benefits totals 144 (2021: 166). The number of participating members in respect of gratuity payments of the Group totals 114 (2021: 114), the medical benefit totals 26 (2021: 26) and the post-pensioner benefits 283 (2021: 317). Managers who retired from 1 November 1998 do not qualify for the pensioner benefit.

The Group operates a Long-term incentive plan (LTIP) in the Society in which the subsidiaries participate. The increase in the fair value of the share scheme units is recognised as an expense in the same period in which the employees' services are rendered.

Five year summary of employee benefit obligations:

At 30 June	2022 R 000	2021 R 000	2020 R 000	2019 R 000	2018 R 000
SOCIETY					
Present value of obligations	258 154	314 732	206 150	196 188	157 645
Experience adjustments on plan liabilities	82	(173)	497	(326)	13
GROUP					
Present value of obligations	300 895	366 670	231 870	223 540	181 180
Experience adjustments on plan liabilities	(205)	(410)	728	(642)	766

Long-term incentive plan

The Group operates an LTIP. The increase in the fair value of the share scheme units is recognised as an expense in the period in which the employees' services are rendered. The issued units at the end of the year are as follows:

SOCIETY					
Units issued	Appreciation units	Performance units*	Retention units	Total units	Unit value 2022
For the 2015 financial year (issued at R12.44)	220 644	-	-	220 644	50.73
For the 2016 financial year (issued at R13.64)	276 999	-	-	276 999	46.10
For the 2017 financial year (issued at R14.59)	456 603	-	-	456 603	43.89
For the 2018 financial year (issued at R14.60)	877 351	-	-	877 351	38.92
For the 2019 financial year (issued at R14.60)	1 147 823	482 227	254 452	1 884 502	33.92
For the 2020 financial year (issued at R14.62)	877 130	465 563	279 086	1 621 779	30.76
For the 2021 financial year (issued at R14.71)	941 384	516 531	332 574	1 790 489	22.07
	<u>4 797 934</u>	<u>1 464 321</u>	<u>866 112</u>	<u>7 128 367</u>	

* Performance units issued can increase or decrease based on certain performance criteria and are adjusted accordingly.

FINANCIAL STATEMENTS Continued

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

17. EMPLOYEE BENEFIT OBLIGATIONS (continued)

	2022 R 000	2021 R 000
LTIP payments to the directors of the Society were as follows:	18 351	3 621
LTIP payments to general manager/prescribed officer remunerated by the Society were as follows:	3 009	5 424

GROUP

Units issued	Appreciation units	Performance units*	Retention units	Total units	Unit value 2022
For the 2015 financial year (issued at R12.44)	238 434	-	-	238 434	50.73
For the 2016 financial year (issued at R13.64)	337 156	-	-	337 156	46.10
For the 2017 financial year (issued at R14.59)	552 950	-	-	552 950	43.89
For the 2018 financial year (issued at R14.60)	996 674	-	-	996 674	38.15
For the 2019 financial year (issued at R14.60)	1 274 965	520 973	282 439	2 078 377	33.15
For the 2020 financial year (issued at R14.62)	953 857	514 165	316 728	1 784 750	30.76
For the 2021 financial year (issued at R14.71)	1 020 005	571 240	376 051	1 967 296	22.07
	<u>5 374 041</u>	<u>1 606 378</u>	<u>975 218</u>	<u>7 955 637</u>	

* Performance units issued can increase or decrease based on certain performance criteria and are adjusted accordingly.

The 2022 financial year units, based on the 30 June 2022 performance, will only be declared by the Board in November 2022. A provision was raised for the expected liability.

	AVBOB Funeral Service		AVBOB Industries Limited	
	2022 R 000	2021 R 000	2022 R 000	2021 R 000
The payment of the LTIP to the directors of other Group Companies remunerated by the Society is as follows:	<u>2 781</u>	<u>1 927</u>	<u>959</u>	<u>308</u>

18. RELATED PARTY TRANSACTIONS

The following entities are deemed to be related parties:

AVBOB Funeral Service Limited and AVBOB Industries Limited are wholly-owned subsidiaries of AVBOB Mutual Assurance Society.

Purchase of goods and services

Numerous transactions occurred between fellow subsidiaries and the holding entity, AVBOB Mutual Assurance Society, during the year. These transactions were conducted on the same terms as would apply to third parties. All transactions between fellow subsidiaries and the holding entity were eliminated for consolidation purposes.

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		SOCIETY	
		2022	2021
		R 000	R 000
18. RELATED PARTY TRANSACTIONS (continued)			
	Inter-company sales		
	To AVBOB Funeral Service Limited (for printing and stationeries)	1 032	935
	From AVBOB Funeral Service Limited (funeral services to policyholders)	345 230	309 329
	From AVBOB Industries Limited	7 382	1 464
	Property rentals		
	To AVBOB Funeral Service Limited	36 387	33 452
	Inter-company administration cost		
	AVBOB Funeral Service Limited	39 559	37 017
	AVBOB Mutual Assurance Society invoices AVBOB Funeral Service Limited on a monthly basis for administration expenses incurred in respect of the Group's Head Office and provincial structure.		
	Commission paid for premium collection and insurance sales		
	Commission paid for premium collection	5 693	5 876
	AVBOB Mutual Assurance Society pays AVBOB Funeral Service Limited a 2.8% commission for the collection of insurance premiums on a monthly basis.		
	Commission paid for insurance sales	188	256
	AVBOB Funeral Service Limited	5 881	6 132
	Inter-company salaries		
	AVBOB Funeral Service Limited	51 771	58 427
	AVBOB Mutual Assurance Society charges AVBOB Funeral Service Limited for salaries and salary related expenses rendered to AVBOB Funeral Service Limited on a monthly basis.		
	Receivable from related parties:		
	AVBOB Funeral Service Limited - trade receivable	16 756	8 030
	Payable to related parties:		
	AVBOB Industries Limited - trade payable	2 164	1 221
	Directors and key management personnel/prescribed officers remuneration		
	The executive directors and general managers in the Group who report to the Chief Executive Officer constitute key management personnel/prescribed officers.		

FINANCIAL STATEMENTS Continued

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

18. RELATED PARTY TRANSACTIONS (continued)

	Salaries R 000	* Benefits R 000	Total R 000
Year ended 30 June 2022			
Executive directors	14 100	18 200	32 300
Non-executive directors			6 603
Directors of other Group Companies remunerated by the Society			
AVBOB Funeral Service Limited	17 793	22 996	40 789
AVBOB Industries Limited	15 831	20 558	36 389
General manager/prescribed officer remunerated by the Society	4 500	4 841	9 341
Year ended 30 June 2021			
Executive directors	13 457	4 839	18 296
Non-executive directors			5 745
Directors of other Group Companies remunerated by the Society			
AVBOB Funeral Service Limited	18 092	15 205	33 297
AVBOB Industries Limited	16 192	6 167	22 359
General manager/prescribed officer remunerated by the Society	4 758	2 166	6 924

* Benefits include bonuses, leave pay and employer pension contributions.

Prior year benefits have been restated to exclude the LTIP payments per note 17.

Refer to note 17 for the LTIP payments to directors in the Group.

19. OTHER COMMITMENTS

The Society has an interest in two private equity infrastructure partnerships. The Society committed itself to a R250,0 million investment (2021: R250,0 million), of which the partnerships can still call on Rnil million at 30 June 2022 (2021: R86,0 million). The partnerships calls on funds in relation to the partnership interest.

The Society pays performance fees to some of its asset managers. The Society has a present obligation of R59,5 million (2021:R46,0 million) in respect of asset manager performance fees carried forward to future periods. The timing of when this performance fee will become due is dependent on the asset managers' future performance and continued rendering of asset management services to the Society.

20. EVENTS SUBSEQUENT TO YEAR END

No matter, which is material to the financial affairs of the Group as disclosed in these financial statements, has occurred between the financial year end and the date of approval of the financial statements.

**AVBOB MUTUAL ASSURANCE SOCIETY
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**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
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21. RESTATEMENT - CLASSIFICATION OF DIVIDENDS RECEIVED AND INTEREST RECEIVED AS INVESTMENT INCOME

Dividends received and interest received were previously disclosed in net fair value gains on financial assets at FVPL. Considering the nature of this income, it is deemed to be more accurate to disclose it as part of investment income. In addition, the remaining net fair value gains on financial assets at fair value through profit and loss were reclassified as other gains in the statements of comprehensive income. The reclassification adjustment had an impact on the statements of comprehensive income, but no impact on profit before transfer to policyholder liabilities or the income tax expense.

	2021 Previous R 000	Adjustment R 000	2021 Restated R 000
SOCIETY			
Statement of comprehensive income			
Net fair value gain on financial assets at FVPL	3 558 246	(3 558 246)	-
Investment income	290 933	663 839	954 772
Other gains/(losses)	4 039	2 894 407	2 898 446
GROUP			
Statement of comprehensive income			
Net fair value gain on financial assets at FVPL	3 558 246	(3 558 246)	-
Investment income	179 482	663 839	843 321
Other gains/(losses)	(896)	2 894 407	2 893 511

22. RESTATEMENT - CLASSIFICATION BETWEEN CASH AND CASH EQUIVALENTS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

A short-term interest-bearing income fund that is actively used for operational cash purposes in the Society's Financial Sector Code investment portfolio was previously disclosed as cash and cash equivalents. Considering the nature of this income fund, it is deemed to be more accurate to disclose it as part of financial assets at FVPL. The reclassification adjustment had an impact on cash and cash equivalents and financial assets at fair value through profit and loss in the statements of financial position and the statements of cash flows. The reclassification adjustment had no impact on profit before transfer to policyholder liabilities or the income tax expense.

	2021 Previous R 000	Adjustment R 000	2021 Restated R 000
SOCIETY			
Statement of financial position			
Financial assets at FVPL	19 297 673	115 156	19 412 829
Listed fixed-income securities	4 284 134	115 156	4 399 290
Cash and cash equivalents	2 521 848	(115 156)	2 406 692

FINANCIAL STATEMENTS Continued

AVBOB MUTUAL ASSURANCE SOCIETY AND ITS SUBSIDIARIES

NOTES TO THE SUMMARISED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (continued)

22. RESTATEMENT - CLASSIFICATION BETWEEN CASH AND CASH EQUIVALENTS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)

	2021 Previous R 000	Adjustment R 000	2021 Restated R 000
Statement of cash flows			
Net cash outflows from operating activities	(316 884)	(35 552)	(352 436)
Movement in financial assets at fair value through profit or loss			
Additions	(8 640 978)	(35 552)	(8 676 530)
Net decrease in cash and cash equivalents	(458 583)	(35 552)	(494 135)
Cash and cash equivalents at the beginning of the year	2 980 431	(79 604)	2 900 827
Cash and cash equivalents at the end of the year	2 521 848	(115 156)	2 406 692
GROUP			
Statement of financial position			
Financial assets at FVPL	19 297 673	115 156	19 412 829
Listed fixed-income securities	4 284 134	115 156	4 399 290
Cash and cash equivalents	2 746 928	(115 156)	2 631 772
Statement of cash flows			
Net cash outflows from operating activities	(151 468)	(35 552)	(187 020)
Movement in financial assets at fair value through profit or loss			
Additions	(8 640 978)	(35 552)	(8 676 530)
Net decrease in cash and cash equivalents	(381 317)	(35 552)	(416 869)
Cash and cash equivalents at the beginning of the year	3 128 245	(79 604)	3 048 641
Cash and cash equivalents at the end of the year	2 746 928	(115 156)	2 631 772

Prior year numbers in notes 5.2, 5.3, 12 and 13 in the notes to the summarised financial statements were restated accordingly. The restatements were a result of cash and cash equivalents decreasing by R115,2 million and by listed fixed-income securities increasing by R115,2 million.

	2020 Previous R 000	Adjustment R 000	2020 Restated R 000
Society			
Statement of financial position			
Financial assets at FVPL	14 901 299	79 604	14 980 903
Cash and cash equivalents	2 980 431	(79 604)	2 900 827
Group			
Statement of financial position			
Financial assets at FVPL	14 901 299	79 604	14 980 903
Cash and cash equivalents	3 128 245	(79 604)	3 048 641

**AVBOB MUTUAL ASSURANCE SOCIETY
AND ITS SUBSIDIARIES**

**NOTES TO THE SUMMARISED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(continued)**

23. RESTATEMENT - CLASSIFICATION OF INTEREST EXPENSE BETWEEN CASH GENERATED BY OPERATING ACTIVITIES AND MOVEMENT OF FINANCIAL LIABILITY AT AMORTISED COST

The interest expense and the cash flow movement of the financial liability at amortised cost was not disclosed correctly in the cash flow statement in the prior year. The interest expenses was not disclosed as a non-cash flow item and the movement of the liability was disclosed as a net movement and was not grossed into the separate cash flow components. The reclassification adjustment has an impact on the statement of cash flows only. The reclassification adjustment had no impact on profit before transfer to policyholder liabilities or net income tax expense.

	2021 Previous R 000	Adjustment R 000	2021 Restated R 000
SOCIETY			
Statement of cash flows			
Cash generated by operating activities	762 917	146 270	909 187
Movement in financial liabilities	2 829 277	(2 829 277)	-
At amortised cost			
Additions	-	2 826 864	2 826 864
Withdrawals	-	(143 857)	(143 857)
GROUP			
Statement of cash flows			
Cash generated by operating activities	945 976	146 270	1 092 246
Movement in financial liabilities	2 829 277	(2 829 277)	-
At amortised cost			
Additions	-	2 826 864	2 826 864
Withdrawals	-	(143 857)	(143 857)

GENERAL INFORMATION

GROUP SECRETARY

M Pedra

ATTORNEYS

Adams & Adams
Webber Wentzel

AUDITORS

PricewaterhouseCoopers

INVESTMENT MANAGERS

Absa Investment Management Services (Pty) Ltd
Allan Gray South Africa (Pty) Ltd
MandG Investments Southern Africa (Pty) Ltd (previously known as Prudential Portfolio Managers South Africa)
Ninety One SA (Pty) Ltd
Old Mutual Investment Group (South Africa) (Pty) Ltd
Prowess Investment Managers (Pty) Ltd
Sanlam Investment Management (Pty) Ltd
Stanlib Asset Management (Pty) Ltd

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AVBOB

MUTUAL SOCIETY

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