Britam
With you every step of the way

28TH ANNUAL GENERAL MEETING HELD VIRTUALLY ON 27TH JUNE 2024 – QUESTIONS FROM SHAREHOLDERS & RESPONSES

1. **What are the main highlights on the FY2023 Britam Holdings Plc results?**
    - The Group has delivered impressive financial results for the year ended 31 December 2023, demonstrating significant growth and resilience across various key performance indicators.
    - **Profitability:** The Group's profit before tax increased to Shs 4.82 billion, marking a significant 65% improvement from Shs 2.9 billion in the previous year. This impressive performance was underpinned by prudent cost management practices, coupled with enhanced revenue streams from both insurance and investment activities. Fair value losses rose due to changes in the macro-economic environment which led to a significant rise in the yield curve. Hence performance was negatively impacted by doubling of fair value losses from fixed income securities from Shs 2.3 billion to Shs 4.6 billion.
    - **Topline Performance**: The Group's insurance revenue increased to Shs 36.4 billion, reflecting a remarkable 41% increase from Shs 25.8 billion in 2022. This growth was primarily driven by significant growth in both the Kenya insurance businesses as well as the general insurance regional business which contributed 29% of the insurance revenue in the year. Interest and dividend income recorded a 20% growth to Shs 15.6 billion driven by growth in revenues and the benefits of the realignment of the Group's investments portfolio to grow and stabilize yields.
    - **Balance Sheet Strength**: The Group's balance sheet remains robust, with total equity increasing to Shs 25.6 billion from Shs 22.2 billion in the previous year. This improved equity position highlights the Group's strengthened financial position and underscores its ability to weather economic uncertainties.

2. **The Board of Directors did not recommend a dividend payout despite the impressive results. What has informed this decision?**

    - Despite the impressive results, our retained earnings, at the Holding Company level where dividends are paid from, are negative and over the years we have been reversing this number with our profitability. Upon attaining positive retained earnings, the Board would certainly consider a dividend payout.
    - Additionally, our ambitious strategy requires significant funding to execute. Furthermore, our expanding portfolio of businesses needs capital to stay competitive and grow. As we continue to achieve key performance and revenue growth targets, retaining earnings to fund these initiatives is crucial, which is why we are not paying out dividends at this time.

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3. **Why are our expenditures on remuneration so high?**
   We conduct surveys and use the results as benchmarks for our directors' remunerations. In 2022, we did not have a substantive Group Managing Director for most of the year. The remuneration for 2021 was Shs 127 million.

4. **How are the Board of Directors elected?**
   - The Group Nominations, Governance and Remuneration Committee (NGR) and the Group Board reviews and assesses Board composition and recommends the appointment of new Directors for all subsidiaries Boards.
   - Proposed candidates for the role of non-executive Director undergo a formal screening process conducted by the NGR Committee before they are formally appointed.
   - In evaluating the suitability of a new Board member, the NGR takes into account the following criteria regarding qualifications, positive attributes and independence of a director:
     - **a.** All Board appointments are based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to remain effective.
     - **b.** Ability of the candidates to devote sufficient time and attention to their professional obligations as Directors for informed and balanced decision making.
     - **c.** Adherence to the Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Directors.
   - Upon nomination and recommendation by the Group NGR and the Group Board, the Board through the Chairman interacts with the new member to obtain his/her consent for joining the Board.
   - Upon receipt of the consent, the new Director is co-opted into the Board in accordance with the applicable provisions of the Companies Act, the Capital Markets Code of Corporate Governance Practices for Issuers of Securities to the Public, the IRA Code of Corporate Governance as well as the company's Articles of Association and other governance documents.
   - The Company ensures that approval of shareholders for appointment of a person on the Board of Directors is taken at the next general meeting or in such other manner as may be permitted under the law.

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5. **What is the real value of each share?**
Currently, the market price is between Kshs. 5-6 per share. The book value is Kshs 10.10. So, we are currently trading at a discount.
In comparison, equivalent insurance companies on other African exchanges are valued at a multiple of 1.3-1.7 times their net asset value (NAV) per share.

6. **What do you plan to do with retained earnings?**
Retained earnings significantly represent shareholders' funds and support the required solvency positions for the various regulated subsidiaries. This year, as we pursue ambitious projects, we are holding onto these earnings to protect and enhance shareholder value.

7. **How is Britam adapting to the current economic environment?**
To remain agile and responsive, Britam regularly reviews its activities. By continuously evaluating our products and services to meet the evolving needs of our customers, we have stayed ahead of the market. We also closely monitor the operating environment on a regular basis.

8. **How do Britam's operations in each country contribute to the overall profitability?**
The quality of business across the regions is strong, collectively contributing 29% to the Group's profit before tax (PBT). The goal is to increase this contribution to 40% and ultimately achieve a 50/50 split. This will be facilitated through the established infrastructure.

9. **Is Britam planning to expand its operations into the Democratic Republic of Congo (DRC)?**
Britam is currently evaluating opportunities in the DRC market, with the Board having approved moving forward to the due diligence stage.

10. **What strategies is Britam employing to ensure shareholders receive dividends through achieving positive returns?**
Britam is focusing on several key strategies to achieve positive returns and enable dividend payouts. These include expanding into underserved markets, forming strategic partnerships, entering new markets such as the DRC, and diversifying products such as life insurance in Uganda, South Sudan, Tanzania among others. Additionally, Britam is enhancing operational efficiencies through the implementation of new systems and expanding its business footprint in Kenya and the surrounding regions while carefully managing costs.

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11. What factors contributed to the rise in staff costs at Britam?

Staff costs at Britam have increased by 16% growth from the previous year. This rise is attributed to an inflationary salary increment implemented in 2023, a harmonization exercise we conducted to align to market salary rates in April 2023, and the introduction of a new housing levy by the Kenyan government in June 2023.

12. What steps is the company taking to ensure cyber security, data privacy, compliance, and the protection of customer data?

The company is enhancing its core systems and tools to improve intrusion detection and mitigate potential risks. Our cyber security team is actively engaged in training staff and conducting simulations to identify vulnerabilities. Additionally, we have implemented cyber risk insurance to cover potential threats. We are also collaborating with key vendors to uphold data privacy standards and ensure full compliance with relevant data privacy regulations.

13. How does Britam Group support the training of youth?

Britam Group strategically invests in initiatives like its Innovation Lab dubbed Beta-Lab, which is pivotal for fostering entrepreneurship among young people interested in starting businesses. We collaborate with Technical and Vocational Education and Training (TVETs) to enhance technical skills and partner with institutions of higher learning to equip youth with emerging skills such as Artificial Intelligence (AI). Our internship programs at Britam provide ongoing opportunities, and we actively recruit and integrate top talent. Additionally, our job shadowing programs for high school students not only facilitate learning but also gather valuable feedback. Our partnership model for micro-insurance further supports youth initiatives, recognizing their integral role in our growth and in safeguarding their future aspirations.

14. How has Britam strategically integrated customer feedback to further enhance its brand recognition efforts?

Our brand is a cornerstone that has consistently steered Britam through diverse challenges. According to internally commissioned surveys, Britam's brand equity is the highest among insurance providers in Kenya. Externally, Brand Finance, UK based consultancy, ranked Britam as the third strongest brand in Kenya 2024. Additionally, our commitment to innovation has been recognized with awards such as the Customer Innovation award by the Institute of Customer Experience (ICX) Kenya.

We have focused on enhancing customer experience (CX) by refining processes, improving complaints management, and embracing digitization and automation. Initiatives like our revamping of our customer portal, mobile app, and WhatsApp channel named Bella underscore our dedication to seamless self-service. Furthermore, our ongoing efforts include revitalizing branches for enhanced accessibility, functionality, and state-of-the-art facilities.

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15. **Insurance revenue increased by 10 billion, yet the insurance service result only rose by 1.5 billion. Can you explain if this indicates higher service expenses relative to the insurance revenue?**
    The insurance service result growth of approximately 15% of the insurance revenue is testament to our focus on profitability for the risks we underwrite. This result is net of the amounts ceded to reinsurers, insurance claims incurred, commissions incurred in acquiring the contracts, and operating expenses incurred in the delivery of insurance contract services.

16. **The accumulated profit in the balance sheet shows a negative 3.4 billion, consistent with the previous year. What plans does the management have to turn this negative balance positive and ensure that shareholders receive dividends?**
    Britam is focusing on several key strategies to achieve positive returns and enable dividend payouts. These include expanding into underserved markets, forming strategic partnerships, entering new markets such as the DRC, and diversifying products such as life insurance in Uganda, South Sudan, Tanzania among others. Additionally, Britam is enhancing operational efficiencies through the implementation of new systems and expanding its business footprint in Kenya and the surrounding regions while carefully managing costs.

17. **The balance sheet includes an item labeled "restricted cash," which amounts to 216 million. Can you clarify what this restricted cash represents?**
    Restricted cash relates to amounts required to be maintained by regulators in Uganda and South Sudan hence not available for day-to-day operations. Under Section 9(i) of the Bank of South Sudan Act, Britam South Sudan is required to maintain a security deposit with the Bank of South Sudan equivalent to at least 10% of the prescribed minimum paid up capital. Under section 38 of the Uganda Insurance Act 2017, Britam Insurance Company Limited (Uganda) is required to maintain 10% of the paid up capital.

18. **Staff costs at the Holding Company level have decreased significantly from 417 million to 75 million. Can management explain the reasons behind this reduction?**
    In 2022, some of the group wide accruals were made at the Holding level. In 2023, these accruals have been made at the individual business unit level where the overall staff costs have increased by 16% from 2022 due to inflationary salary adjustments, salary harmonization to align to market rates and the new levies introduced in 2023 which required employers to match.

19. Can management provide details on the office management costs, marketing expenses, and provisions for investment losses amounting to 636 million?

Office management expenses relate to costs of utilities, parking and rent which declined due to one-off shared costs for a regional entity incurred in 2022. Marketing expenses declined as in 2022 there was a branding cost which did not recur in 2023. The provision for investment losses relates to the additional provision recorded by the Company that may be required to resolve any asset-liability mismatch in the Special Fixed Income Fund, occasioned by the Fund's past operations. This was driven by the shifting macro-economic fundamentals characterized by rising interest rates and guided by prudence.

20. How does management plan to mitigate the ESG risks associated with increasingly frequent disasters or calamities, such as the recent floods?

To mitigate ESG risks associated with increasingly frequent disasters and calamities, such as the recent floods, Britam Group has implemented several key measures:

- Physical Climate Risk Assessment: We conduct comprehensive climate risk assessments for all our business operating locations to identify vulnerabilities to climate change perils like flooding. This allows us to implement mitigation strategies, including redesigning premises or relocating to safer areas.
- Adequate Air Conditioning Facilities: All our office locations, including branches, are equipped with adequate air conditioning to provide cooling during periods of high temperatures.
- Comprehensive Property Insurance: We have secured property insurance for all our operating locations, ensuring coverage for damage from natural disasters.
- Disaster Preparedness and Response: We maintain frequently updated disaster preparedness and response plans and conduct regular response drills for our staff to ensure readiness in case of emergencies.
- Sustainable Energy Solutions: Currently, we are implementing a solar energy solution at Britam Centre to reduce our dependency on the grid and enhance energy sustainability.
- Diverse Supplier Sourcing: To avoid dependency on a few suppliers who might be impacted by the same physical risks, we source suppliers from diverse locations, such as hospitals and garages.
- Health and Safety Training: We provide regular health and safety training for our staff to ensure they are well-prepared to handle emergencies and maintain a safe working environment.

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