

## ANNOUNCEMENT REGARDING THE INTENDED ACQUISITION OF A STRATEGIC MINORITY SHAREHOLDING IN ALEXANDER FORBES

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### 1. INTRODUCTION

Shareholders are advised that Alexander Forbes has been informed that Prudential Financial, Inc., a company listed on the NYSE (NYSE: PRU) ("**Prudential Financial**"), has entered into an agreement ("**Sale Agreement**") with Mercer Africa Limited ("**Mercer**"), a subsidiary of Marsh McLennan Companies Incorporated (NYSE: MMC), to acquire 200 800 000 Alexander Forbes shares (representing 14.8% of the issued share capital or 15.1% net of current treasury shares) held by Mercer, subject to receipt of regulatory approvals and other customary closing conditions described below.

The acquisition of shares will be made through a subsidiary of Prudential Financial, New Veld, LLC ("**Investor**"). LeapFrog Investments Group, Ltd. ("**LeapFrog Investments**") is the Investor's investment manager, subject to approval by the Mauritius Financial Services Commission.

The Investor has undertaken to Alexander Forbes that, subject to the pre-conditions described below, it will make a partial offer to all of the shareholders of the Company eligible to accept the offer to enable it to acquire (together with the shares acquired from Mercer under the Sale Agreement) up to 33% of the issued share capital of the Company (and less than 35% of the voting rights attaching to the issued share capital of the Company) ("**Partial Offer**"). Through this Partial Offer, the Investor intends to acquire a specified percentage of the shares held by each shareholder in the Company eligible to accept the Partial Offer.

ARC Financial Services Investments Proprietary Limited ("**ARC**"), which holds 540 231 587 Alexander Forbes shares (representing 39.9% of the issued share capital or 40.6% net of current treasury shares) at the date of this announcement, has irrevocably undertaken not to accept the Partial Offer.

Furthermore, the Investor and Alexander Forbes have entered into a relationship agreement governing the strategic shareholding to be held in the Company by the Investor ("**Relationship Agreement**").

### 2. RATIONALE FOR THE ACQUISITION OF THE STRATEGIC INTEREST

Prudential Financial is a 145-year-old global financial services leader and premier active global investment manager with more than US\$1.5 trillion in assets under management as of 31 December 2021, and has operations in 40 countries, including across the United States, Asia, Europe, and Latin America. Prudential Financial strives to create long-term value for its stakeholders through strong business fundamentals, consistent with its mission guided by its vision and directed by its company's core values.

LeapFrog Investments invests in exceptional businesses in Africa and Asia, partnering with their leaders to achieve new levels of growth, profitability and impact. Founded in 2007, LeapFrog Investments' companies now reach 272 million people across 35 countries with healthcare or financial services, providing jobs and livelihoods to 143 000 people. Through consistent delivery on a strategy of Profit with Purpose, LeapFrog Investments has raised over US\$2 billion from global institutional investors.

The transaction follows Prudential Financial's and LeapFrog Investments' successful US\$350 million strategic investment partnership established in 2016 to access high-growth markets for financial services in Africa. The investment in Alexander Forbes will build on previous landmark investments in Ghana and Kenya to scale and provide millions of consumers in Africa with access to essential financial services; signals Prudential Financial's and LeapFrog Investments' strong investment appetite for the South African market; and affirms their continued commitment to delivering on their emerging markets strategy by partnering with recognised market-leading operators such as Alexander Forbes.

Since its founding in 1935, Alexander Forbes has played an integral role in South Africa's financial services industry, having built a leading brand synonymous with insight, advice and impact. Alexander Forbes's uniquely integrated independent advice, retirement and investment solutions, alongside its holistic well-being capabilities, differentiate it in the industry as a provider for customers in South Africa, Botswana, Namibia and the Channel Islands. Alexander Forbes also plays a pan-African role by leveraging partnerships to provide specialist consulting services across 32 African countries to efficiently serve the holistic advice needs of multinational employers.

Prudential Financial and LeapFrog Investments have a distinctive attitude towards investments, based on long-term partnership and collaboration, and bring a team with decades of relevant experience to support value creation activities aimed at Alexander Forbes and its stakeholders. The Investor's strategic shareholding in Alexander Forbes will be supported by the joint expertise of both Prudential Financial and LeapFrog Investments across the key business lines and the investment represents an expression of confidence in Alexander Forbes.

Prudential Financial is confident that its investment and strategic long-term partnership relationship with Alexander Forbes will contribute to accelerating Alexander Forbes' transformation towards becoming the most impactful provider of financial advice serving both institutional clients and individual customers.

### 3. SALIENT TERMS OF THE SALE AGREEMENT

#### 3.1. Terms

The Sale Agreement is on terms customary for a transaction of this nature and is subject to certain conditions precedent described in paragraph 3.2 below. Under the Sale Agreement, the Investor will acquire Mercer's entire shareholding in the Company (14.8% of the Company's issued share capital or 15.1% net of current treasury shares) for a purchase consideration of R5.25 per share, on the basis that the purchase consideration will be adjusted (on a Rand-for-Rand basis) in respect of any dividend paid by the Company prior to closing.

#### 3.2. Conditions Precedent to the Sale Agreement

The Sale Agreement is subject to the fulfilment or waiver, where applicable, of the following conditions precedent by no later than the date that is six months following the signature date of the Sale Agreement or such later date agreed:

- i. approval is obtained from the Financial Sector Conduct Authority ("**FSCA**") and the Prudential Authority in terms of section 158(2) of the Financial Sector Regulation Act, 9 of 2017; allowing the Investor to become a significant owner; and
- ii. to the extent required by the FSCA, approval is obtained from the FSCA for the change of shareholding under the Sale Agreement and the proposed Partial Offer as contemplated in section 43(1) of the Collective Investments Schemes Control Act, 45 of 2002, in either case, either unconditionally or on conditions reasonably acceptable to any party who would suffer a material negative financial impact as result of such conditions. Any condition or approval which precludes the Investor from holding up to 33% of the issued ordinary shares in the Company would be deemed to have a material negative financial impact on the Investor; and
- iii. all required confirmations of no objection being received from, and notification in respect of Mercer ceasing to be a shareholder controller being provided to, the Jersey Financial Services Commission in terms of the Financial Services (Jersey) Law 1998, as amended (collectively, the "**Regulatory Approvals**").

#### 3.3. Company Relationship with Mercer

As previously communicated to shareholders of Alexander Forbes on 22 January 2020 when Mercer's original intent to exit its shareholding in the Company was communicated, the Mercer alliance with Alexander Forbes, including all current commercial agreements and associated service and product offerings, remain unaffected. Both companies remain fully committed to maintaining a close relationship to ensure that the enhanced value proposition for Alexander Forbes' clients is well preserved and strengthened.

As a consequence of the acquisition by the Investor of Mercer's shareholding, the Company's relationship agreement with Mercer will terminate and Mr WS O'Regan will resign from the board of directors of Alexander Forbes ("**Board**") on the closing date of the Sale Agreement.

### 4. PARTIAL OFFER

- 4.1. The Investor has undertaken to Alexander Forbes that, so long as a material adverse change has not occurred (absence of such a material adverse change together with the Sale Agreement becoming unconditional being the "**Pre-Conditions**"), on the later of:

- i. the date which is five business days following the Sale Agreement becoming unconditional, and
- ii. the date falling five business days after publication by the Company of its annual financial statements for the financial year ended 31 March 2022 (or such date as may be otherwise determined in consultation with JSE Limited ("**JSE**") or by agreement with the Company) ("**Partial Offer Announcement Date**"),

the Investor will announce the Partial Offer as an offer to all of the shareholders of the Company eligible to accept the Partial Offer for a specified percentage of their shares such that the Investor will upon closing (and in aggregate with the shares acquired by the Investor under the Sale Agreement) hold up to 33% of the issued share capital of the Company ("**Target Percentage**") (and less than 35% of the voting rights attaching to the issued share capital of the Company).

4.1.1. A "material adverse change" is defined as:

4.1.1.1. an adverse effect, fact or circumstance which has arisen or occurred or become known during the period between the signature date of the Relationship Agreement and the Partial Offer Announcement Date ("**Interim Period**") which results or might reasonably be expected to result in:

- i. a reduction in the Company's consolidated earnings before interest, tax, depreciation and amortisation ("**EBITDA**") for the 12 month period following the date upon which the adverse effect, fact or circumstance arises, occurs or becomes known (whichever is latest in time) ("**Review Period**") of 20% or more when measured against the Company's consolidated EBITDA for the 12 month period to 31 March 2021 ("**Historical Period**"), or
- ii. a 15% or higher negative variation to the Company's consolidated net revenue for the Review Period when measured against the consolidated net revenue for the Historical Period, provided that, adverse impacts resulting solely from changes after the signature date of the Relationship Agreement to accounting practices to align with changes in IFRS will be disregarded in calculating the adverse impact on EBITDA and/or consolidated net revenue;

4.1.1.2. the JSE All Share Index closing price, or any equivalent or replacement thereof, falls and remains below the JSE All Share Index closing price on the business day prior to the signature date of the Relationship Agreement, multiplied by 85% for five or more consecutive trading days during the Interim Period; and/or

4.1.1.3. the Company or the Investor becoming aware after the signature date of the Relationship Agreement of any material violation of any anti-corruption or similar law.

4.2. If the Pre-Conditions are met, the Investor shall make the Partial Offer on the following terms:

4.2.1. at the same cash price per share as is payable to Mercer under the Sale Agreement (being R5.25 per share, adjusted in respect of any dividend paid by the Company prior to closing) ("**Partial Offer Cash Price**");

4.2.2. for the relevant specified percentage of the shareholding of each shareholder (taking into account the shareholding acquired by the Investor under the Sale Agreement and the undertaking by ARC not to accept the Partial Offer), such that the Investor will hold the Target Percentage assuming full acceptance of the Partial Offer; and

4.2.3. such that any holder of shares in the Company will be entitled to accept the offer in full for the relevant percentage of the shares held by it, and if a shareholder tenders shares in excess of that relevant percentage such excess tenders will be accepted from each shareholder in the same proportion to the number of shares tendered to enable the Investor to acquire the total number of shares for which it has made the offer.

4.3. Prudential Financial has given a guarantee in favour of Alexander Forbes with respect to the Investor's obligation to pay the Partial Offer Cash Price under the Partial Offer.

4.4. The Partial Offer cash price of R5.25 per share represents a premium of approximately 26% to the 180-trading day volume weighted average price ("**VWAP**") of Alexander Forbes ordinary shares traded on the JSE of approximately ZAR4.17 calculated as at 17 March 2022.

4.5. ARC, which holds 540 231 587 Alexander Forbes shares (39.9% of the issued share capital or 40.6% net of current treasury shares) has irrevocably undertaken not to accept the Partial Offer, should it be made on the basis described above. ARC will remain as a key strategic shareholder and empowerment partner to Alexander Forbes.

4.6. If the Pre-Conditions are met, the terms of the Partial Offer as set out above will be formally communicated to shareholders of the Company in an announcement and an appropriate offer circular will be distributed to the offerees immediately following that announcement.

4.7. The Partial Offer will be made solely through an offering circular to shareholders, which will contain the full terms and conditions of the Partial Offer. This announcement does not constitute an equivalent document and is not intended to, and does not, constitute or form part of an offer to sell, or an invitation to purchase or subscribe for any securities. Shareholders are advised to read carefully any formal documentation in relation to the Partial Offer.

## 5. SALIENT TERMS OF THE RELATIONSHIP AGREEMENT

The Relationship Agreement entered into between the Investor and the Company is based on the previous relationship agreement concluded between Mercer and the Company and includes the following salient terms:

5.1. the Investor is entitled to nominate for appointment and election to the Board one non-executive director for as long as the Investor and its affiliates hold at least 10% but less than 25% of the issued shares of the Company, or two non-executive directors for as long as the Investor and its affiliates hold 25% or more of the issued shares;

5.2. the Investor is entitled to designate its nominated director to be a member of the group nominations committee;

- 5.3. in the event that, as a result of any conduct by the Company (and excluding any acquisition of shares by the Investor or its affiliates), the voting percentage of the Investor and its affiliates in the Company will be equal to or exceed 35%, the Company will use its commercially reasonable endeavours to notify the Investor to allow it to dispose of shares to keep its shareholding below that threshold;
- 5.4. the Investor will not dispose of Alexander Forbes shares (other than to remain below the 35% threshold) within 365 days from the date of implementation or termination of the Partial Offer and the parties will liaise with each other in certain circumstances should the Investor or its affiliates wish to dispose of shares in the Company to ensure an orderly disposal process;
- 5.5. the Investor will not acquire additional Alexander Forbes shares such that the 35% threshold is exceeded for a period of 365 days following the implementation or termination of the transaction; and
- 5.6. the Investor and Alexander Forbes will co-operate with each other to facilitate the making of the Partial Offer by the Investor and to obtain the necessary regulatory approvals contemplated in the Sale Agreement and required to implement the Partial Offer.

## 6. **IMPACT ON ARC NOMINATION RIGHT**

In accordance with the ARC Flip-up Agreement (entered into between the Company, its wholly owned subsidiary Alexander Forbes Limited and African Rainbow Capital Proprietary Limited (later substituted by ARC) in 2016), ARC has a right to nominate one non-executive director to the Board for as long as it owns at least 7% of the shares in Alexander Forbes.

To better align the relationship agreements between the Company's two strategic shareholders, Alexander Forbes will grant ARC the right to nominate an additional non-executive director for as long as it holds 25% or more of the issued shares in the Company.

Carina Wessels

Executive: Governance, Legal and Compliance (Company Secretary)

18 March 2022

Sandton

Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)

Advisor to the Company

The Standard Bank of South Africa acting through its Corporate and Investment Banking Division

Legal advisor to the Company

BOWMANS

Advisor to the Investor

Deutsche Bank

Legal Advisors to the Investor

Cliffe Dekker Hofmeyr Inc, Debevoise & Plimpton, ENSafrica

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**Disclaimers (continued)**

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