

CORPORATE GOVERNANCE FRAMEWORK

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DEFINITIONS AND ABBREVIATION

MMI BOARD	Board of Directors of MMI Holdings Limited
MMI	MMI Holdings Limited and its subsidiaries which includes all local insurer licensed and registered subsidiaries
COMPANIES ACT	Companies Act no. 71 of 2008 and its Regulations (as amended from time to time)
KING III	King Code and Report on Corporate Governance for South Africa which came into effect on 1 March 2009

1 INTRODUCTION

Sound corporate governance principles are the foundation upon which the trust of investors is built and King III endorses the primary characteristics of corporate governance from global standards. These principles are critical to growing the reputation of an organisation dedicated to excellence in performance and integrity. Corporate Governance facilitates fairness, accountability, responsibility and transparency across organisations, such as MMI. Corporate governance processes protects executives and employees in fulfilling their duties, and good corporate governance instils stakeholder confidence in the organisation.

The overall intention of MMI's Corporate Governance Framework is to ensure continuous performance improvement while meeting its governance obligations and, simultaneously, adhering to legislative requirements.

This Framework summarises the principles, methodologies and procedures used in MMI to support effective governance and living our values.

This document provides guidance to MMI staff and stakeholders and is available on the MMI website (<http://www.mmiholdings.co.za/en/about-us/governance>).

2 PURPOSE

The purpose of the MMI Corporate Governance Framework ("CG Framework" or "the Framework") is to provide for the prudent management and oversight of the businesses within MMI and to adequately protect the interests of all stakeholders. This framework describes the governance structure and decision making processes applicable to MMI.

MMI is a JSE listed entity and committed to implementing and maintaining sound corporate governance practices, as set out in the Companies Act and King III. The Board of Directors recognises that corporate governance practices must be appropriate and relevant to the size, nature and complexity of its operations, while promoting robust practices within the context of economic performance.

This document only addresses MMI's overarching governance structure and decision making principles. Specific frameworks, policies, methodologies, charters, terms of reference and mandates of the various governance structures, committees and panels are set out in separate documents. This document, therefore, does not prescribe the manner in which these structures conduct their activities.

3 SCOPE

The Framework applies to MMI as defined.

4 GOVERNANCE PRINCIPLES

The corporate governance model that MMI has implemented uses best practices which include the following:

4.1 THREE LINES OF DEFENCE

There are a number of assurance role players for corporate governance at MMI. These role players provide different types of assurance and are referred to as the three lines of defence. The key differentiating factor between the three lines of defence are their levels of independence from the entity's operational activities and to the entity itself.

The "three lines of defence" governance model therefore distinguishes between:

- Functions owning and managing risks as part of their day-to-day activities (first line of defence);
- Functions overseeing risks and providing robust challenge to the management teams (second line of defence); and
- Functions providing independent assurance (third line of defence).



4.2 COMBINED ASSURANCE

MMI, in its implementation of combined assurance, has identified the components of combined assurance as per King III. These components of combined assurance are to integrate, coordinate and align risk management and assurance processes. Assurance processes in MMI include internal and external audit.

4.3 FIT AND PROPER REQUIREMENTS FOR DIRECTORS, SENIOR MANAGEMENT AND HEADS OF CONTROL FUNCTIONS

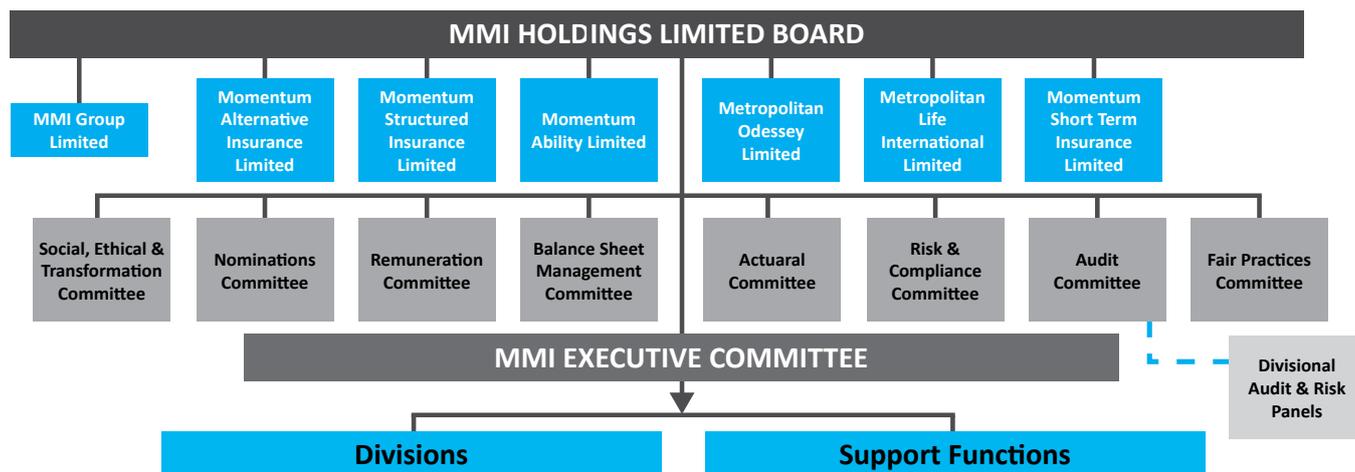
The MMI Board of Directors is committed to ensuring that MMI's responsible persons in key positions are fit and proper. Accordingly, MMI has established a Fit and Proper Policy (<http://mconnect.mmiholdings.co.za/functional/HCM/EmployeeWorld/Policies>) relating to the fitness and propriety of persons who hold positions of responsibility within MMI. Implementation of the Fit and Proper Policy will assist MMI in managing the risk that persons who hold positions of responsibility within MMI might not be fit and proper.

4.4 PRINCIPLES OF OUTSOURCING

The MMI Board of Directors has approved implementation of an outsourcing policy (<http://mconnect.mmiholdings.co.za/functional/HCM/EmployeeWorld/Policies>) which guides the accountability for any activity within MMI that is outsourced.

5 GOVERNANCE STRUCTURE

MMI recognises the value of King III, which advocates implementing a governance structure which supports leadership, sustainability and corporate citizenship. For MMI this includes, inter alia, establishing a Board of Directors with appropriate Board Committees. Therefore, in support of a transparent organisational structure and these lines of responsibility, MMI has established the governance structure as depicted below.



5.1 GOVERNANCE STRUCTURE

The MMI Board retains full and effective control of the Group and is ultimately accountable and responsible for the performance of the Group. This includes responsibility for reviewing and guiding corporate strategy, through the establishment of key policies and objectives, understanding the key risks faced by the Group, determining the risk appetite, tolerance and preferences of the Group and the processes in operation to mitigate these. The MMI Board has overall responsibility for the management of the Group and for maximising shareholder value. In discharging its responsibilities, the MMI Board is supported by senior management, together with various board committees and other governance forums and panels. These committees have specific charters or terms of reference, appropriately skilled members, senior management participation and access to specialist advice when considered necessary. Various informal forums may be established for the purpose of gathering information, agreeing and tracking actions, and where necessary, escalating findings or recommendations to decisions-making forums. In addition, the subsidiaries within MMI Holdings Limited also have their own Boards of Directors, which meet as required.

MMI has established the various Board committees as reflected in the structure above to assist and support the MMI Board, and other subsidiary Boards as far as practicable, in discharging their duties.

Various mechanisms such as strategies, policies, processes and documents have been implemented and are used to drive and support good governance in practice. Refer to Annexure A for a list of the key documents as referred to in this Governance Framework.

5.1.1 MMI BOARD

The MMI Board acts at all times in the best interests of MMI and takes ultimate responsibility for MMI. The MMI Board has an approved Board Charter which includes details such as the roles and responsibilities of the Board, its Directors and the composition of the Board. The MMI Board is mandated in terms of its Charter.

MMI has established other licenced legal entities within MMI for generically similar businesses which are clustered together. The roles and responsibilities, authority, composition, operations, functioning and other matters relating to these licenced entities and their Boards, are defined and set out in the respective Board Charters.

The MMI Board is supported by the eight Board Committees depicted in the above organogram. These Committees have delegated responsibility to assist in specific matters.

These Committees report to the MMI Board on a quarterly basis, and also to other relevant Boards from time to time. The delegated responsibility and the powers, limits and authorities attached to Board Committees are approved by the MMI Board, and such powers, limits and authorities are limited as determined by the MMI Board from time to time. Each committee has its own charter or terms of reference which sets forth its purpose, composition and duties. The charters are posted on the MMI website (<http://www.mmiholdings.co.za/en/about-us/governance>).

5.1.2 BOARD COMMITTEES

Nominations Committee

The Nominations Committee assists the MMI Board and certain other Boards in identifying suitable members that will address the Board's requirements in terms of knowledge and skills required. The Committee also assists with appointments, dismissal, succession planning, reviewing committee structures and reviewing MMI Board and Committee performance.

Remuneration Committee

The Remuneration Committee has an independent role to oversee the remuneration processes and to consider and approve remuneration-related issues and proposals. It ensures that the remuneration policy is aligned with, and promotes the achievement of the strategic objectives of MMI.

Social, Ethics and Transformation Committee

The Social, Ethics and Transformation Committee is mandated and authorised by the MMI Board, to fulfil the following monitoring and evaluation roles:

- Transformation, focusing on Black Economic Empowerment and Employment Equity
- Compliance with relevant social, ethical and legal requirements of the Group as well as best practice codes;
- Risk and Compliance as it relates to ethical behaviour within the Group,
- Environmental sustainability and corporate social investment.

Actuarial Committee

The role of the Actuarial Committee is to act as a sounding board for the MMI Board, Audit Committee and the statutory actuary with regard to actuarial and related matters of a technical nature; to assist MMI Boards in discharging their fiduciary duties toward policyholders and shareholders; and to assist the statutory actuary in fulfilling his professional and statutory duties.

Fair Practices Committee

The Fair Practices Committee carries out the following functions as mandated by the MMI Board:

- Ensure that the fair treatment of customers is embedded as a core corporate value at all levels within MMI group.
- Function as the discretionary participation committee of MMI's life companies ensuring the compliance with, and monitoring any changes to, the Principles and Practices of Financial Management.
- Act as the independent governance forum responsible for overseeing the implementation of, and adherence to, the treating customers fairly regulations of the Financial Services Board.

Risk and Compliance Committee

The Risk and Compliance Committee assists the MMI Board in discharging its responsibility for the total process of Risk Management and Compliance within MMI group and deals with various matters relating to risk evaluation, risk management systems and processes, and the groups' risk appetite framework. The Committee regularly reviews MMI's overall compliance to significant laws and regulations.

Audit Committee

The Audit Committee is an independent statutory Committee appointed by the shareholders. The Committee deals with matters such as recommending approval of the MMI group financial results, Trading updates, review of the Integrated Report, approval of the risk-based internal audit plan; the combined assurance model; review of the groups' Internal Financial Controls (IFC); recommendations on dividend proposals to the MMI Board; external auditors. The Committee discharges its responsibilities with the support of the divisional audit and risk panels, which report to the Committee on a quarterly basis.

Balance Sheet Management Committee

The Balance Sheet Management Committee focuses on the enhancement and protection of the Shareholder Balance Sheet and the impact that market risk sensitivities have on MMI's Solvency, Embedded Value and Earnings. The Committee fulfils an oversight role in respect of the above and assists the MMI Board in forming an independent opinion regarding the quality, integrity and reliability of the Group's Balance Sheet Management procedures and processes.

All Board Charters and Committee Terms of Reference subscribe to the best practice recommendations as set out in the Companies Act and King III.

5.1.3 SENIOR MANAGEMENT

Senior management or the MMI Executive Committee (EXCO) have the responsibility for the day-to-day management of MMI. The MMI EXCO serves an executive function and is the custodian of the MMI strategy as approved by the MMI Board and responsible for its execution. The MMI EXCO provides the MMI Board with sound information, advice and recommendations on the organisational structure, objectives, strategies, plans and policies of MMI to enable the MMI Board to make informed decisions.

5.2 RISK MANAGEMENT SYSTEM

MMI's risk management system includes the establishment of various policies, strategies, processes, procedures and tools for identifying, measuring, monitoring, managing and reporting of all material risks to which MMI is exposed.

The Enterprise Risk Management (ERM) Framework sets out the key principles that guide the implementation of risk and capital management at all levels. It provides the necessary foundations and organisational arrangements for managing risk within MMI, and illustrates how risk management should be embedded in all business units to ensure effective risk management strategies are integrated in all work contexts.

At MMI, risk management is an integral part of the management processes. The Group's effectiveness is enhanced when risk management is part of the culture and is embedded in its daily practices and business processes. Risk management focuses on the relationship between risk and its impact on achieving objectives.

5.3 INTERNAL CONTROL SYSTEM

The internal control system acts as an enabler for the delivery of effective governance and to demonstrate that adequate internal controls are in place and operating satisfactorily.

The MMI internal control system outlines the various elements influencing and contributing to a sound internal control environment to ensure adequate control over operations, compliance and financial reporting.

The internal control system is designed to assist the MMI Boards, senior management and other management within MMI, and provides reasonable assurance from a control perspective that the business is being operated consistently within the:

- Strategy and risk appetite set;
- Agreed business objectives;
- Agreed policies and processes and
- Laws and regulations

MMI's internal control environment includes four Control Functions, namely:-

- Risk Management Control Function
- Actuarial Control Function
- Compliance Control Function
- Internal Audit Control Function

5.4 CONTROL FUNCTIONS

MMI, in supporting the MMI Board, has established an effective system of risk management and internal controls which include the risk management, compliance, actuarial and internal audit control functions.

The authority and responsibility of these functions have been approved and set out in their respective charters and frameworks. Refer to Charter: Roles and Responsibilities for Risk Management function, Compliance Charter for Compliance function, Internal Audit Charter for Internal Audit function and Actuarial Charter for Actuarial function.

The appointment, performance assessment, remuneration, discipline and dismissal of the heads of each control function is done in consultation with the relevant Board Committee responsible for the functioning of each control function. The head of each control function reports regularly to the applicable Board Committee.

These functions (except for Internal Audit) are subject to periodic internal review by the internal audit function. The internal audit function is subject to periodic review by an objective external reviewer.

5.4.1 RISK

The risk management function assists MMI in performing specialist analysis and performing quality reviews of the risk management system, monitoring the risk management system and maintaining an organisation wide view of the risk profile.

5.4.2 ACTUARIAL

The actuarial function is responsible for evaluating and providing advice regarding technical provisions, the Solvency Capital Requirement (SCR) calculations, capital requirements forming part of the projections, underwriting and Asset-Liability Management, premium, benefits and any other values thereof.

5.4.3 COMPLIANCE

The compliance function provides guidance and oversight to MMI and provides assurance on the level of compliance to the MMI Boards and relevant Board Committees. Further to this it promotes a corporate culture of compliance. MMI has approved a zero risk appetite for regulatory non-compliance.

5.4.4 INTERNAL AUDIT

MMI has an internal audit function that provides independent, objective assurance to the MMI Board in respect of the effectiveness of its governance, risk management and internal controls. The internal audit function complies with the Institute of Internal Auditors for the Professional Practice of Internal Auditing and Code of Ethics. It has established and implemented an approved charter. The internal audit function follows a risk based approach and the internal audit plan is informed by the strategy and risks of the Group.

6 CODE OF CONDUCT

MMI has an approved Code of Conduct and a values-based culture has been introduced in the organisation. The values-based culture represents an explicit set of values that play a key role in shaping the culture of MMI and all its client-facing brands. Although the explicit values describe the core of the ethical behaviour, they are not exhaustive of all the ethical norms that guide the behaviour.

MMI also subscribes to those generally accepted norms of conduct that find application in society as a whole.

MMI aims to treat all its stakeholders fairly and will strive to enhance and develop products, services and communication channels to meet their expectations. MMI, through its Fair Practices Committee, ensures the fair treatment of all its stakeholders.

7 GOVERNANCE OF FRAMEWORKS, POLICIES AND METHODOLOGIES

The development of various other Frameworks, Policies and Methodologies within MMI are to make clear what their aims are, explain how it will achieve them and contribute to the overall direction of MMI. In providing for good governance these documents are finalised after consultation with all impacted management. The policy owner will then ensure that any proposed changes to an existing policy will be submitted to the relevant Board Committee for approval and ultimately to the relevant MMI Boards.

8 GOVERNANCE OF THIS FRAMEWORK

8.1 OWNERSHIP OF FRAMEWORK

Ownership of this framework is vested with the MMI Group Corporate Governance function.

8.2 DRAFTING AND AMENDMENTS

MMI Group Corporate Governance is responsible for the co-ordination, the drafting of and the amendments to the framework. Any proposed changes to the Framework will be submitted to the relevant Board Committee for approval and MMI Boards, as and when necessary.

8.3 APPROVAL

This Framework must be approved by the MMI Board and the Boards of the insurer entities within MMI.

9 NON COMPLIANCE

Non-compliance with any of MMI policies, standards, procedures, or the like, could result in disciplinary action and possible dismissal.

10 IMPLEMENTATION

The Executive Committees of each division and Heads of Support functions in MMI are responsible for adherence to and implementation of this Framework in their business and operational areas.

11 REVIEW

The MMI Holdings Board approved this Framework on the date stated above.
This Framework will be reviewed from time to time, as deemed necessary, by MMI.

ANNEXURE A: LIST OF KEY DOCUMENTS AS PRESCRIBED BY THIS GOVERNANCE FRAMEWORK

1. Board Charter
2. Board Sub-Committees terms of reference
3. Delegation of Authority
4. Fit and Proper Policy
5. Code of Conduct
6. Risk Management Framework
7. Risk Management Charter
8. Internal Audit Charter
9. Compliance Control Charter
10. Actuarial Control Charter