

REPORT BY THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

Report by the Social, Ethics and Transformation Committee (SETC) to be presented at the 16th (sixteenth) annual general meeting of the shareholders of the company to be held on 24 November 2017 at MMI Head Office, 268 West Avenue, Centurion in the Executive Boardroom, 1st Floor.

INTRODUCTION

The SETC is mandated and authorised by the board of directors of MMI Holdings Limited (MMI or the company) to fulfil the following monitoring and evaluation roles:

- transformation, focusing on Broad-Based Black Economic Empowerment (B-BBEE), Financial Sector Code (FSC) and Employment Equity;
- compliance with relevant social, ethical and legal requirements of the group as well as the best practice codes;
- risk, compliance and Treating Customers Fairly as they relate to ethical behaviour within the group;
- environmental sustainability; and
- Corporate Social Investment.

KEY ACTIVITIES OF THE COMMITTEE

TRANSFORMATION AND PEOPLE PRACTICES

In relation to Transformation, the SETC is mandated to review the strategy to be adopted by the Company in support of the Company's strategic objectives. There is a particular focus on strategies for Employment Equity, Skills Development and Preferential Procurement. The SETC is pleased to report that MMI moves beyond compliance and focuses on substantive transformation.

There is ongoing monitoring of adherence to the group's Employment Equity Plan (EE Plan) according to the various occupational levels. The SETC has noted the slow pace of transformation with African males and females at senior and middle management and has mandated management to take corrective action. The skills development strategy has been aligned to the talent management strategy and the success is reflective in the B-BBEE score. Group Transformation, together with Group Procurement, continues to focus on preferential procurement from black owned and black woman owned entities.

Brief input on progress of MMI way

MMI continues to drive a values-based culture known as "the MMI way". The MMI group executive leadership undertook a successful roadshow in March 2017 to four major centres (Centurion, Cape Town, Durban and Johannesburg) and addressed over 4,000 employees. The MMI Way is based on our values of accountability, integrity, teamwork, diversity, innovation and excellence. Progress has been made with interactive sessions across the country being held since May 2017. MMI's employee value proposition is being further consolidated to ensure that the financial wellness of employees is appropriately supported using solutions and offerings such as Multiply.

B-BBEE VERIFICATION AT 31 DECEMBER 2016

The group finalised its annual B-BBEE verification process, measuring the calendar year ended 31 December 2016 under the requirements of the FSC. The SETC is pleased to report that MMI has retained its Level 2 Contributor status with an overall score of 93.37 points (2015: 90.8). MMI ranks second amongst its peers in the industry.

Highlights include:

- **Skills Development (SD):** Investing in our people is serious business from a growth and development perspective and this is pivotal to our success. In 2016 our total skills development spend was R150 million. We have also invested in learnerships with 835 black learners; 655 of these learners were employed learnerships, and the remaining 180 learners were unemployed learnerships.
- **Employment Equity (EE):** Our B-BBEE scorecard reflects an improvement of 0.25 points in our EE score. This shift is due to our focus on people with disabilities (PwD). There is still work to be done with African males and African females in senior and middle management. MMI has set aggressive targets for achievement of its EE goals.
- **Preferential Procurement (PP):** MMI is pleased to announce that it achieved full points for Preferential Procurement. This is due to a significant focus on procurement from black owned (greater than 51%) and black women owned (greater than 30%) businesses. The procurement redirecting strategy has proven to be very effective.

CHANGES TO THE B-BBEE LEGISLATIVE LANDSCAPE

The draft amended Financial Sector Code (FSC) has not yet been gazetted. The gazetting of the code is imminent. The dti and the BEE Commission felt that amended codes did not demonstrate radical economic transformation as some of the targets were lower than the targets in the revised Codes of Good Practice (CoGP). This resulted in the formation of a Standing Committee of Finance where industry players came together to demonstrate the commitment of the financial services industry to Transformation. Three parliamentary hearings took place in the first quarter of 2017. ASISA represented its members. The report was well received however; there was acknowledgement that more work still needed to be done. The outcome of the hearings will be a report with recommendations to the sector. The draft amended FSC will therefore need to be aligned to the report and its recommendations.

MASIKHULISE (TOGETHER WE GROW) ENTERPRISE AND SUPPLIER DEVELOPMENT (ESD) TRUST

The Masikhulise (Together we Grow) Trust, an ESD trust, which houses all MMI's ESD initiatives, has made significant contribution to ESD. We currently have a recoverable investment and grant programmes.

As part of our recoverable investment programme, we have invested R50 million into the ASISA ESD Fund (The Fund). The Fund supports beneficiaries in the Financial Services Sector by creating access to finance and access to market. The Fund is highly successful with contributions stemming from a number of ASISA member organisations.

There are three focus areas in the grant programmes. MMI has partnered with Aurik to facilitate an Enterprise Development programme for 12 beneficiaries. Aurik provides business development support to these beneficiaries with the ultimate aim of integrating these beneficiaries into the MMI supply chain.

MMI has partnered with ASISA to facilitate two broker development programme, the Momentum Masibambane (Holding Hands) programme and the Metropolitan Masithuthuke (lets develop together) programme. Through the Masibambane Broker Development Initiative, MMI has provided support to eight brokerages in the Middle Market Segment. Building on the progress made by the Masibambane initiative, MMI has launched Metropolitan's Masithuthuke Broker Development Initiative, which provides a great opportunity for MMI to contribute to not only the brokerage business sustainability, but also the transformation of South Africa's insurance industry.

MMI believes that ESD is the most powerful tool to create jobs and address poverty hence MMI focuses on the creation of sustainable black businesses in support of Financial Wellness. MMI supports the National Development Plan (NDP) and firmly believes that ESD is the key driver to reduction of poverty in South Africa.

BLACK BUSINESS GROWTH FUNDING

The Empowerment Financing element currently measures the extent to which Life Offices and Banks provide funding towards targeted investments and funding towards BEE transactions. The Draft Amended FSC has proposed that the Empowerment Financing element should also include the recognition of financing to support black business growth, also referred to as Black Business Growth Funding.

In terms of the Draft Amended FSC, the BEE Transaction Financing sub-element to the Empowerment Financing element, will now also include the above-mentioned Black Business Growth Funding. The introduction of Black Business Growth Funding to the element does not however mean that existing BEE transactions cannot be recognised. They will be allowed to be recognised if they still exist at the time of the implementation of the Amended FSC and were still in place at the date of measurement. So, a deal that matured after the effective date of the Amended FSC but before the measurement date of the Measured Entity, will not be able to recognise that transaction. Those transactions must be replaced with deals supporting Black Business Growth Funding to maintain the points in that section.

EMPLOYMENT EQUITY

MMI reported for the first time in December 2016 since approval of its EE plan by the Department of Labour and will remain under the Department of Labour inspection for the duration of its EE plan ending in 2020. In implementing the EE plan, it is important to align progress with Nationally Economic Active Population (NEAP) ratios. Group Transformation commits to engage internal stakeholders to ensure implementation of the EE targets across the group.

REPORT BY THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE CONTINUED

ETHICAL CONDUCT

The group forensic services department reports to the SETC on a quarterly basis on any formal actions instituted against employees in respect of identified or alleged transgressions related to internal corruption, commercial crime and unethical behaviour. It also reports on the status of ethical behaviour at the point in time compared to previous periods as to measure ethical performance in the group. The SETC has satisfied itself that the management of corruption, commercial crime and unethical employee behaviour is appropriately and effectively dealt with within the group.

TREATING CUSTOMERS FAIRLY

The SETC is tasked with reviewing the quarterly monitoring reports on activities relating to customer relations and the fair treatment of clients. The SETC assumes an oversight role on these activities, which are currently being monitored by the MMI Fair Practices Committee (FPC). This FPC is mandated by the MMI board to provide oversight that fair treatment of clients, a core corporate value, is embedded across the value chain within MMI group.

ENVIRONMENTAL SUSTAINABILITY

The group actively subscribes to the requirements set out under the King Report on Governance, the United Nations Principles for Responsible Investing and the Code for Responsible Investing in South Africa. In addition, the group strives to comply with relevant legislation relating to environment, social and governance (ESG) enactments. To this end, the group has a sustainability policy and a responsible investment policy in place. The SETC considers quarterly reports on MMI's sustainability activities.

MMI has been listed on the Johannesburg Stock Exchange (JSE) Social Responsibility Index since 2010, and is listed on the current FTSE/JSE Responsible Investment Index. The group calculates its carbon footprint on an annual basis, and also participates in the CDP (formerly the Carbon Disclosure Project) process. An environmental policy aimed at addressing the above requirements and recommendations has been approved and is available on the MMI website.

CORPORATE SOCIAL INVESTMENT (CSI)

The group has continued to fund the MMI Foundation (Foundation), which provides strategic direction and oversight for a number of CSI initiatives. The Foundation's focus areas are education, health, disability and sports development. The Foundation continues to support and fund projects within these identified focus areas. However, the Foundation has begun to review its strategy to ensure that it addresses the pressing needs of society.

CONCLUSION

No significant risks have been identified or have arisen during the past year in respect of the functions of the SETC recorded in the regulations and in the terms of reference of the SETC.



Mr Syd Muller

Chairman: MMI Social, Ethics and Transformation Committee

5 September 2017