



CORPORATE GOVERNANCE – KING IV™ APPLICATION 2018

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Head office: +27 12 671 8911 | Physical: 268 West Avenue, Centurion, Gauteng, 0157 | Postal: Momentum, PO Box 7400, Centurion, 0046
Email: info@mmiholdings.com | Fax: +27 12 671 8656 | www.mmiholdings.com

This document has been prepared in terms of the JSE Listings Requirements and sets out the application of the 17 corporate governance principles by MMI Holdings Limited (“MMI”) as recommended by the King Report on Corporate Governance for South Africa 2016 (“King IV”).

PRINCIPLE 1: THE GOVERNING BODY SHOULD LEAD ETHICALLY AND EFFECTIVELY

The MMI Board of Directors (“the Board”) is committed to the good corporate governance principles as set forth in King IV, these being the overarching principles for an ethical foundation at MMI. The Board subscribes to those generally accepted norms of conduct that find application in society as a whole, and sets direction for governance.

MMI has adopted a Code of Ethics and Standards for Conduct which applies to all Directors in order to ensure that MMI maintains the highest level of integrity and ethical conduct, of which the application thereof and other arrangements are monitored. The Code of Conduct for Directors is incorporated in the Board Charter, and *inter alia*, highlights that Directors shall maintain objectivity, act ethically in the best interests of MMI and its stakeholders, and in a manner consistent with the values of the business. The Board Charter documents the Board’s roles, responsibilities, and accountability (including those relating to corporate governance).

Each Board and Executive Committee (“Exco”) member is appointed, subject to legislative Fit and Proper criteria and is also required to regularly declare conflicts of interest.

PRINCIPLE 2: THE GOVERNING BODY SHOULD GOVERN THE ETHICS OF THE ORGANISATION IN A WAY THAT SUPPORTS THE ESTABLISHMENT OF AN ETHICAL CULTURE

The Board is responsible for the governance and monitoring of ethics through its Social, Ethics and Transformation Committee (“SETC”) which has been established with documented Terms of Reference. The SETC, through consideration of appropriate documents and agenda items, satisfies itself that corruption, criminal activities and unethical employee behaviour is appropriately and effectively detected and managed in the Group.

MMI is a values-based organisation and has developed various policies to maintain its commitment to high standards of integrity. The Code of Ethics and Standards for Conduct for the Group is adopted and published on the MMI Website.

The MMI Way document has been adopted to explain the way of work in MMI and describes it in relation to MMI’s values of accountability, integrity, teamwork, diversity, innovation and excellence. Each value is manifested in the behaviours the organisation strives for, and the way in which the organisation interacts with clients, staff and external stakeholders. MMI has a number of business-specific reporting facilities available to deal with reports of fraud and unethical behaviour.

PRINCIPLE 3: THE GOVERNING BODY SHOULD ENSURE THAT THE ORGANISATION IS AND IS SEEN TO BE A RESPONSIBLE CORPORATE CITIZEN

MMI’s client-focused operating model and structure underpins MMI’s purpose to enhance the lifetime financial wellness of people, their communities and their businesses. When engaging with

stakeholders and various communities MMI respects their rights and dignity. MMI is committed to improving the well-being of societies in which it operates by offering sustainable products and services that meet their needs.

Careful consideration is given to the utilisation of energy, water and other environmental resources to ensure an effective contribution to sustain the environment for the future, and MMI has set a carbon emissions reduction target for 2030.

The Board fulfils its corporate citizenship responsibilities through, *inter alia*, delegated responsibility to the SETC. The role of the SETC includes ensuring that MMI's businesses operate in a manner that is sensitive to social, economic and environmental factors. MMI strives to be a good corporate citizen to the benefit of all countries in which it operates.

PRINCIPLE 4: THE GOVERNING BODY SHOULD APPRECIATE THAT THE ORGANISATIONS CORE PURPOSE, ITS RISKS AND OPPORTUNITIES, STRATEGY, BUSINESS MODEL, PERFORMANCE AND SUSTAINABLE DEVELOPMENT ARE ALL INSEPARABLE ELEMENTS OF THE VALUE CREATION PROCESS

The Board is ultimately responsible for creating a sustainable business and identified three strategic focus areas to guide its strategic outcomes. The focus areas are growth, excellence and client centricity. The Board strongly and continuously endorses an integrated thinking mind-set at the Board Strategy Planning Sessions which takes place annually. The Company's Strategy Map, Critical Focus Areas and balanced scorecards, which includes risks and opportunities, business model, performance and sustainable development, are discussed, amongst others, at these annual sessions. Exco is the custodian of the MMI strategy and tasked by the Board for executing the strategy, as approved by the Board.

The Board has implemented strategy, risk and sustainability frameworks, to mention but a few, and continuously monitor and reports on these in its annual Integrated Report ("IR").

PRINCIPLE 5: THE GOVERNING BODY SHOULD ENSURE THAT REPORTS ISSUED BY THE ORGANISATION ENABLE STAKEHOLDERS TO MAKE INFORMED ASSESSMENTS OF THE ORGANISATION'S PERFORMANCE, AND IT'S SHORT, MEDIUM AND LONG TERM PROSPECTS

The Board is assisted by the Audit Committee to review the integrity of the IR issued by MMI. The IR includes all relevant information to enable stakeholders to make an informed assessment of MMI's performance in the short, medium and long term. The Investor Relations team engages regularly with various shareholders and stakeholders and publishes quarterly Operational Performance updates.

PRINCIPLE 6: THE GOVERNING BODY SHOULD SERVE AS THE FOCAL POINT AND CUSTODIAN OF CORPORATE GOVERNANCE IN THE ORGANISATION

The Board serves as the focal point and custodian of corporate governance in the organisation, and acts in the best interests of MMI and its stakeholders. The Board is supported by various Board Committees which have delegated responsibility to assist it to fulfil certain specific functions. The Board Committees report to the Board at every Board meeting. The Board Charter and Board Committees' Terms of Reference underpin the Board's responsibility for good corporate governance.

Governance structure, organograms, governance framework and delegations of authority are revised periodically to enhance MMI's governance processes and outcomes.

PRINCIPLE 7: THE GOVERNING BODY SHOULD COMPRISE THE APPROPRIATE BALANCE OF KNOWLEDGE, SKILLS, EXPERIENCE, DIVERSITY AND INDEPENDENCE FOR IT TO DISCHARGE ITS GOVERNANCE ROLE AND RESPONSIBILITIES OBJECTIVELY AND EFFECTIVELY

The Board is assisted by the Nominations Committee who considers, on a regular basis, the composition, balance of skills, experience, diversity, independence and knowledge of the Board in order to determine their effectiveness to discharge their duties as Board members. A Board skills analysis was also undertaken in the past reporting period. The Board comprises of a majority of non-executive directors, in addition to having an independent non-executive Chairperson, and an independent deputy Chairperson.

The Board approved Diversity Policy was revised to include promotion of racial diversity at Board level, setting of gender targets and attaining progressive race targets. The Nominations Committee is further tasked with Director's rotation, retirement and appropriate succession planning.

PRINCIPLE 8: THE GOVERNING BODY SHOULD ENSURE THAT ITS ARRANGEMENTS FOR DELEGATION WITHIN ITS OWN STRUCTURES PROMOTE INDEPENDENT JUDGEMENT, AND ASSIST WITH BALANCE OF POWER AND THE EFFECTIVE DISCHARGE OF ITS DUTIES

MMI has in place a comprehensive Delegation of Authority Policy and CEO sub-delegation Policy, including a Delegation of Authority Manual for further onward delegations. Delegated authority always collateral and promotes independent judgment and effective discharge of duties, whilst simultaneously managing for future systemic risk within the Group.

The Board has exercised its prerogative to establish various Board Committees, which are legally compliant and constituted, in order to assist it to effectively discharge its duties and also allows for balance of power since the distribution of authority between the Chairperson, Board, Board Committees does not lead to instances where individual(s) dominate decision-making within governance structures or where undue dependency is caused.

Each Board Committee has a Board approved Terms of Reference, which sets out its purpose, composition, functions and authority as determined by the Board. The Board Committees are empowered to further delegate authority to appropriate forums to assist them in dealing with matters defined in the Committees' Terms of References.

MMI's governance framework includes the following committees: SETC, Audit Committee, Nominations Committee, Risk Committee, Fair Practices Committee, Risk Committee, Actuarial Committee, Risk, Capital and Compliance Committee and the recently established Investments Committee. Although the Audit and RCC are separate Committees, the Chairperson of each Committee serves on the other Committee.

PRINCIPLE 9: THE GOVERNING BODY SHOULD ENSURE THAT THE EVALUATION OF ITS OWN PERFORMANCE AND THAT OF ITS COMMITTEES, ITS CHAIR AND ITS INDIVIDUAL MEMBERS, SUPPORT CONTINUED IMPROVEMENT IN ITS PERFORMANCE AND EFFECTIVENESS

An assessment of the performance of the Board, Board Committees and Director Self Evaluation is conducted regularly, either internally (whilst maintaining impartiality) or through use of external

consultants. All outcomes and areas of improvement are formally noted in a report to the Board, Nominations Committee and also tabled at the various Board sub-committees, for attention. The Chairperson of the Board also engages with individual Board members and the Chairpersons of Board Committees on a regular basis generally in order to discuss any areas of concern / improvement. During the above assessments the MMI Group CEO, MMI Group Finance Director and Company Secretary's performance is evaluated.

The outcomes of annual assessments are used to inform the developmental requirements of the Board, its Committees and members. Regular training is also provided to Directors on topical issues.

PRINCIPLE 10: THE GOVERNING BODY SHOULD ENSURE THAT THE APPOINTMENT OF, AND DELEGATION TO, MANAGEMENT CONTRIBUTE TO ROLE CLARITY AND THE EFFECTIVE EXERCISE OF AUTHORITY AND RESPONSIBILITIES

The appointment of executive management roles fall within the mandate of the Chief Executive Officer ("CEO"), in consultation with the Board and/or relevant Board Committee. Clarification of roles and responsibilities are finalised through formal internal processes, which include identification of Performance Objectives, establishment of Balanced Scorecards for Business Units, regular engagement and evaluation of the performance of management, etc.

PRINCIPLE 11: THE GOVERNING BODY SHOULD GOVERN RISK IN A WAY THAT SUPPORTS THE ORGANISATION IN SETTING AND ACHIEVING ITS STRATEGIC OBJECTIVES

The Board is assisted by the Risk, Capital and Compliance Committee ("RCC") to govern risk in a way that supports MMI in achieving its strategic objectives. The Group's effectiveness is enhanced by risk management being a part of the Group's culture and being embedded in daily practices and business processes.

MMI prepares a quarterly, and an annual Own Risk and Solvency Assessment ("ORSA") report which addresses, inter alia, key questions about risks, capital and solvency and how they inter-relate. The ORSA report is an important business management tool for senior management and the Board as it provides a holistic view of the risk exposures in the Group and how these risks influence capital, solvency and business strategy. Separate risk reports are prepared for other regulated subsidiaries within MMI and business areas as appropriate.

PRINCIPLE 12: THE GOVERNING BODY SHOULD GOVERN TECHNOLOGY AND INFORMATION IN A WAY THAT SUPPORTS THE ORGANISATION SETTING AND ACHIEVING ITS STRATEGIC OBJECTIVES

The Board is assisted by the RCC to oversee the governance of Information and Technology ("IT"), while the Audit Committee reviews the Group's IT governance process, including information security, disaster recovery plans (and testing), and data governance.

The IT Exco oversees all IT Governance and the IT strategic objectives, and is chaired by the Chief Operating Officer. The MMI Exco exercises oversight of the management of both information and technology.

Further to this, an IT Steering Committee ("ITSC") has also been established and is governed by its Charter. The primary duty and responsibility of the ITSC is to optimise the total MMI Investment in Technology and Information.

PRINCIPLE 13: THE GOVERNING BODY SHOULD GOVERN COMPLIANCE WITH APPLICABLE LAWS AND ADOPTED, NON-BINDING RULES, CODES AND STANDARDS IN A WAY THAT SUPPORTS THE

ORGANISATION BEING ETHICAL AND A GOOD CORPORATE CITIZEN.

The Board is assisted by the RCC to oversee the governance of compliance. The Board has delegated compliance management, through the RCC, to the Group Compliance Officer who facilitates management of compliance through analysing regulatory requirements, and monitoring their implementation and execution together with compliance functions of the various business units. The MMI Compliance Function is responsible for the compliance strategy of the Group and oversees the effective implementation of the MMI Compliance Risk Management Policy. It is accountable for managing and reporting identified compliance risks. The Head of Compliance and the Compliance Function is an integral part of the wider MMI Risk Management Function and reports to the Chief Risk Officer and the Board.

MMI supports its Regulators in the achievement of their goals by contributing to the development and enhancement of the regulatory frameworks and complying with all applicable compliance obligations.

PRINCIPLE 14: THE GOVERNING BODY SHOULD ENSURE THAT THE ORGANISATION REMUNERATES FAIRLY, RESPONSIBLY AND TRANSPARENTLY SO AS TO PROMOTE THE ACHIEVEMENT OF STRATEGIC OBJECTIVES AND POSITIVE OUTCOMES IN THE SHORT, MEDIUM AND LONG TERM.

The Board is assisted by the Remuneration Committee in order to oversee the governance of all remuneration matters with the objective to ensure that Directors and employees are remunerated fairly, responsibly, transparently and in line with industry standards.

This Committee ensures the Group's Remuneration Policy is aligned with its strategy, and this Policy together with the Implementation Report are tabled at the Annual General Meeting for separate non-binding advisory votes.

MMI's Remuneration Policy is one of the key components of the Group's overall Human Resources ("HR") strategy. It supports the HR strategy by helping to build a high-performance, values-driven culture with a view to capitalising on growth and expansion opportunities, raising the Group's levels of innovation and entrenching its entrepreneurial approach to business.

PRINCIPLE 15: THE GOVERNING BODY SHOULD ENSURE THAT ASSURANCE SERVICES AND FUNCTIONS ENABLE AN EFFECTIVE CONTROL ENVIRONMENT, AND THAT THESE SUPPORT THE INTEGRITY OF INFORMATION FOR INTERNAL DECISION-MAKING AND OF THE ORGANISATION'S EXTERNAL REPORTS.

The Audit Committee, with the assistance of Combined Assurance forums and the co-sourced Internal Audit Function ("IA"), reviews the MMI's combined assurance approach.

The Combined Assurance Model integrates and coordinates the activities of assurance providers, whose functions include risk management, compliance, actuarial, internal audit, external audit, and other independent third party specialists. The Internal Control System acts as enabler for delivering effective governance and demonstrating that adequate controls are in place and operating satisfactorily, and provides reasonable assurance from a control perspective that the business is being operated consistently within:

- Set strategy and risk appetite.
- Agreed business objectives.
- Agreed policies and processes.
- Laws and regulations.

MMI has a co-sourced IA Function with an external service provider which complies with the standards as set by the Institute of Internal Auditors for the Professional Practice of Internal Auditing and Code of Ethics. The Audit Committee is functionally responsible for the outsourced Group IA and on a quarterly basis the Audit Committee receives a detailed report on the progress of the IA function against its annual risk-based planning form the Head of IA.

The Audit Committee annually reviews the expertise, resources and experience of the Group's Finance Function and the Finance Director. The latter role is also assessed through the Board and Committee evaluations process.

PRINCIPLE 16: IN THE EXECUTION OF ITS GOVERNANCE ROLE AND RESPONSIBILITIES, THE GOVERNING BODY SHOULD ADOPT A STAKEHOLDER-INCLUSIVE APPROACH THAT BALANCES THE NEEDS, INTERESTS AND EXPECTATIONS OF MATERIAL STAKEHOLDERS IN THE BEST INTERESTS OF THE ORGANISATION OVER TIME.

The Board understands the risk of reputation, and there is regular engagement with MMI stakeholders through various platforms and forums. There is a Stakeholder Relationship unit within MMI that supports business segments Stakeholder Relationship Management (SRM) approach.

The Fair Practices Committee (FPC) is mandated by the Board to ensure that fair treatment of clients is embedded as a core corporate value at all levels of the Group.

MMI maintains highly rated standards of shareholder communication that are widely recognised by members of the investment community. Over and above the normal interim and full-year financial disclosures, MMI also publishes quarterly operational updates that are distributed to all relevant parties.

The Board sets policy in respect of governance, reward structures, risk management, values and practices throughout the Group. MMI is currently in the process of documenting this in Subsidiary Governance Frameworks.

PRINCIPLE 17: THE GOVERNING BODY OF AN INSTITUTIONAL INVESTOR ORGANISATION SHOULD ENSURE THAT RESPONSIBLE INVESTMENT IS PRACTICED BY THE ORGANISATION TO PROMOTE THE GOOD GOVERNANCE AND THE CREATION OF VALUE BY THE COMPANIES IN WHICH IT INVESTS.

MMI acknowledges that we are in a privileged position to act as fiduciary to our clients and stakeholders. Responsible investing is part of our core belief and sustainable and responsible investment practices are a material factor underpinning our long term success. The responsible investment goals set the direction and how it will be approached on an annual basis is governed by the Responsible Investment Committee.

The Responsible Investment Policy is available on the MMI Holdings website and incorporates the codes, principles and practices it supports. All investment divisions across the MMI Group Ltd must adopt the Responsible Investment Policy. There is a process underway to ensure that our formal investment management agreement mandates refer to our Responsible Investment Policy. Engagement is one of the important goal posts within our responsible investment initiative and requires on-going interaction with different service providers and to keep them accountable. The company discloses application of the United Nations supported Principles for Responsible Investment (UN PRI) through the annual transparency report published by the UN PRI.