

Creating social and environmental value

Creating social value

The South African National Development Plan (NDP) and United Nations Sustainable Development Goals (SDGs) have a similar intent and timeline. Through our strategy and commitment to enable businesses and people from all walks of life to achieve their financial goals and life aspirations, MMI is a partner in assisting in attaining the SDGs (and thereby, also the aspirations of the NDP) in the following areas:

- Access to finance.
- Investment.
- Positively influencing our own environmental, social and governance (ESG) practices, as well as those of corporate clients and investee companies.

This is done through:

- Providing annuity and retirement solutions, which promote saving and enable financial goals and life aspirations over the long term.
- Providing financial access to individuals, particularly in emerging markets.
- Providing access to microfinance.
- Providing short-term insurance, which promotes safety and security measures, and rewards clients who implement these.
- Providing the Multiply wellness and rewards programme that encourages our clients to improve various elements of their financial and physical wellness. Multiply aims to drive positive client behaviour in three areas of wellness, being physical wellness, safety and financial wellness.
- The Health product house promotes and manages the health of individuals to relieve the health burden on government as well as ensure the longevity and good health of its members.
- Investment in infrastructure and renewable energy.
- Ensuring responsible management of our clients' assets and money.
- Ensuring we participate in achieving the aims of the global Paris Agreement (of which South Africa is a signatory) by reducing our carbon emissions.
- Ensuring we put client centricity at the heart of our business and thereby embed the principles of treating customers fairly (TCF). We actively manage the implementation of TCF and monitor its progress regularly.
- Exploring, developing and providing innovative solutions to provide continuous enhancement of our Financial Wellness offerings.

MMI is listed on the FTSE/JSE Responsible Investment Index and the FTSE/JSE Responsible Investment Top 30 Index, which acknowledges our ESG achievements.

In addition to this, the global index company FTSE Group confirms that MMI Holdings has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards.

Companies in the FTSE4Good Index Series have met stringent ESG criteria and are positioned to capitalise on the benefits of responsible business practice.



The role of corporate social investment

MMI established the MMI Foundation to provide strategic oversight and governance, as well as play an advisory role for all corporate social investment initiatives undertaken by our client-facing brands. Historically, its social investment has been in the areas of health, disability, education and sports development.

However, given some of the current challenges facing South Africa, the MMI Foundation committed to being more deliberate in supporting South African youth in their quest to reach their most important financial goals and become active citizens of the country. To this end, the MMI Foundation now invests exclusively in programmes that deal with training, enabling and providing access to income opportunities for young people. We see this as a critical focus area for our country's future, but remain committed to honouring funding relationships with existing projects.

The Financial Sector Charter Code stipulates that 1% of net profit after tax (NPAT) must be dedicated to corporate social investment, of which 60% must be spent on socio-economic development (SED), and 40% on consumer education. Through the MMI Foundation, MMI's targeted spend on SED is 0.6% of NPAT and 0.4% for consumer education (CE). For the 2016/2017 financial year, more than R25 million was spent on qualifying initiatives. The weighted contribution for SED equated to 0.67% of NPAT (R13 million) and 0.62% for CE (R12 million).

MMI Foundation project overview

The National Education Collaboration Trust (NECT) is a partnership between business, trade unions, non-governmental organisations (NGOs), civil society and

government to support and influence the agenda for educational reform. The NECT is committed to ensuring that 90% of learners pass mathematics, science and languages with at least 50% by 2030 in South Africa.

Rhiza Babuyile is an initiative that works to create ecosystems within disadvantaged communities that help the youth become economically active and self-sustaining. The MMI Foundation supports their Jobs 'n Jozi programme.

The MMI Foundation also supports the Ubuntu Pathways Vocational Training Programme, which follows an integrated service model (including healthcare, training for industry, job placement and career support) to support the needs of the young people they serve.

More detail on these initiatives are available on the MMI Foundation website www.mmifoundation.org.za.

Consumer education

The MMI Foundation supports various financial literacy programmes that assist consumers in a number of communities to make better-informed transactional decisions. These programmes directly link to MMI's purpose of enabling businesses and people from all walks of life to achieve their financial goals and life aspirations.

We support the Motheo Financial Dialogues, a financial literacy series aimed at worksites and employees working in the development sector, which won the 2017 Batseta Imbasa Yegolide Award for financial literacy.

In 2016, we strengthened our focus on financial education programmes aimed at Grade 10 – 12 learners. In addition to the Making Money Matter board game, which teaches high school learners the basics of financial literacy, Metro Kickstarz was launched to encourage an entrepreneurial mindset among high school learners. This programme has now grown to encompass financial literacy training at ten schools across three provinces.

Sponsorships

Metropolitan and Momentum have various sponsorships that build brand awareness, enhance visibility and support the group's focus on creating prosperity and enabling businesses and people from all walks of life to achieve their financial goals and life aspirations. For F2018, these included:

- Metropolitan Mojo road running series.
- Momentum: Official sponsor of all One-Day Cricket in South Africa.
- Momentum: Official sponsor of the Momentum Proteas national women's cricket team.

- Momentum and Pick n Pay: Lifestyle events partnership including:
 - The Cape Town Cycle Tour.
 - The Stellenbosch Wine Festival.
 - The Knysna Oyster Festival.
- Momentum Health/DRYLAND mountain bike events.
- Multiply: Official team sponsor of the Multiply Titans, a local franchise cricket team.

Momentum and the University of South Africa – a purposeful collaboration

In 2012, Momentum teamed up with the University of South Africa (UNISA) to present independent and credible research into the state of the nation's Financial Wellness.

Introduced in 2016 and in 2017, additional research indices include insights into consumer and employee financial vulnerability and the drivers of employee productivity, across:

- Momentum/UNISA Household Financial Wellness Index (annual).
- Momentum/UNISA Household Wealth Index (quarterly).
- Momentum Corporate Consumer Financial Vulnerability Index.
- Momentum Corporate/UNISA Employee Financial Vulnerability Index.
- Momentum Corporate/UNISA Effective Employee Index.

Responsible investing

MMI is in a privileged position to be a fiduciary for our clients and stakeholders. Responsible investing forms part of our core beliefs as sustainable and responsible investment practices are a material factor underpinning our long-term success.

Outcomes-based investing is at the heart of MMI's client-centric strategy. Over our long history in financial services, our highly skilled teams have demonstrated extraordinary levels of innovation in pioneering initiatives, including being one of the first South African signatories of the United Nations-supported Principles for Responsible Investment (UN PRI). Responsible investment practices resonate with our Outcomes-based investment philosophy, which is aligned to our clients' long-term goals of positively influencing the world into the future.

Through our involvement in the Responsible Investment Committee of ASISA, support for the Code for Responsible Investing in South Africa, as a signatory to the UN PRI, and being a member of the International Corporate Governance Network, we strive to encourage other investment managers, service providers, asset consultants and investment owners to do the same.

As signatory to the UN PRI, MMI produces a publicly available annual report on the PRI website (www.unpri.org) that details the investment integration of environmental, social and governance (ESG) risk factors by our investment team.

In addition to the integration of ESG, Momentum Investments also offers a responsible investment portfolio (the Momentum MoM SuperNation Portfolio) and utilises ESG-focused building blocks extensively in Momentum Investments' "best-ideas" Factor Series™ range of portfolios. We consider the ESG risks of our investments to ensure their relevance against the overall objective. This applies across all asset classes, sectors and markets throughout the investment horizon of each respective investment.

MMI ensures ESG integration through various governance structures. The Responsible Investment Committee (RIC) sets policy and provides oversight of MMI's efforts in responsible investment, with member representation from across the business. A member of the RIC is always present at various sub-investment committee meetings to ensure ESG considerations are taken into account, with relevant feedback provided to the RIC on a quarterly basis.

We have set goal posts to help us build on our responsible investment approach. Under each goal post is a list of actions we take and annually review to strengthen our responsible investment initiatives. Our goal posts are shown below.

Goal posts



We follow a pro-active approach to ESG. Where possible, we manage and mitigate events before they escalate to a more material level that may severely affect our clients and/or stakeholders. With the respective investment professionals, the responsible investment team engages with listed companies

throughout the year to address any concerns relating to ESG matters and resolve these with management.

The engagement register is available on request and the record of proxy voting is publicly available on the MMI website www.mmiholdings.com.

Through collaboration with various stakeholders in the market, we believe that a common goal of maintaining a sustainable economy can be achieved. These engagements occur on different levels within the investment team; for example, a pivotal collaboration initiative started in the past financial year was our participation in the Steinhoff Equity Shareholder Group with other investment managers, where we are considering appropriate remedies to address the events that have unfolded at Steinhoff. Another example of collaboration was with the CFA Institute and UN PRI that hosted an ESG integration workshop; an MMI ESG specialist served as a table facilitator on the day.

It is our fiduciary duty to follow up on material ESG concerns and engage on the matter appropriately. The investment team incorporates material ESG risks or concerns that are relevant to our clients' underlying portfolios into their presentations to disclose and discuss the management of these risks. We encourage transparency and disclosure of responsible investment practices across the investment industry, and therefore promote information integration across all decision-making and relevant stakeholders – from internal and external investment professionals to service providers and consultants.

Momentum Investments' responsible investment policy, proxy voting and engagement policy with the voting records are available on the company's website. The proxy voting and engagement policy is aligned with the Companies Act, UN PRI, King Codes of Corporate Governance and other global industry codes.

The table below is a summary of the proxy voting we undertook in the calendar year 2017:

Proxy voting summary for 2017 ¹	
Number of shareholder meetings	232
Total resolutions	3 572
Abstentions ²	8
Votes in favour	3 060
Votes against	504

¹ To view detailed proxy vote history go to www.mmiholdings.com

² Abstentions will only occur when there is a conflict of interest.

Creating environmental value

Climate change and our carbon footprint

MMI participates in the CDP (previously the Carbon Disclosure Project) annually and our submission is publicly available on the CDP website at www.cdp.net.

In enhancing its understanding of the risks related to climate change, Momentum Short-term Insurance is currently the main sponsor of the University of Pretoria Natural Hazard Centre for Africa. Through this sponsorship, MMI is building a better understanding of climate change to more appropriately protect the group and its clients against adverse events due to climate change, by quantifying weather-related risks and developing unique offerings for the benefit of the safety of clients and the achievement of their financial goals and life aspirations.

The reporting period for MMI's carbon footprint has been changed to a calendar year (previously reported against our financial year) in line with the statutory reporting for the Department of Environmental Affairs (Regulation 7(4) (b) of the National Greenhouse Gas Emission Reporting Regulations). MMI's total carbon emissions for the period 1 January to 31 December 2017 was 63 016 metric tons. The largest contributor to our total carbon footprint was electricity, at 74%. To reduce our carbon emissions and enable the government to achieve its target of reducing country emissions by 34% by 2020 and 42% by 2025, we will continue to concentrate most of our efforts on reducing our electricity usage.

MMI established F2014 as the baseline year against which we set carbon emission reduction targets. The MMI Board originally approved a 12% reduction in carbon emissions by 2020, but the group has already exceeded that target in 2017. In 2017, our carbon footprint results show that we had a 17.52% reduction on our intensity target, and an overall reduction of 18.43% in absolute terms from our baseline year. Going forward, the Board has approved a total 25% carbon emissions intensity reduction target by 2030, from the 2014 baseline year. This target assumes that there will be decarbonisation of the South African grid.

As part of this process, carbon emissions will be monitored to ensure that appropriate initiatives are implemented to meet the target set, and our progress in reducing carbon emissions will continue to be reported annually in the CDP.

For further details on our carbon footprint, refer to the MMI website www.mmiholdings.com.