

Report by the Social, Ethics and Transformation Committee

Report by the Social, Ethics and Transformation Committee (SETC) to be presented at the 17th (seventeenth) Annual General Meeting of the Shareholders of the company, to be held on 26 November 2018, at MMI Head Office, 268 West Avenue, Centurion.

Introduction

The SETC's mandate, received from MMI Holdings Ltd's (MMI or the company) Board of Directors, is to fulfil the following monitoring and evaluation roles:

- Transformation, focusing on broad-based black economic empowerment (B-BBEE) under the Financial Sector Code (FSC) and Employment Equity legislations.
- 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.
- Corporate social investment.

Key activities of the committee

Transformation and people practices

MMI Holdings continues to be steadfast in its commitment to transformation, and therefore it is integrated into the business and governance structures. The group's progress on transformation is monitored by the SETC of the MMI Board. The SETC believes that transformation is integral to achieving the company's vision of being the preferred lifetime financial wellness partner with a reputation for innovation and trustworthiness. B-BBEE underpins the company's strategic objective to enhance financial wellness, to promote access to financial services and improve financial literacy in a country that continues to grapple with inequality.

Latest B-BBEE verification

In December 2017, the much anticipated FSC was promulgated, resulting in all financial institutions who underwent their B-BBEE Audit after December to be audited against the revised codes. The new requirements of the code, saw a number of companies declining in their B-BBEE performance, including MMI who moved to a Level 3 under the revised FSC, after many years of being a Level 2 contributor. Although Level 3 is generally not a negative performance, the company's goal is to work towards going back to Level 2, and eventually Level 1. This goal will be achieved through implementation of the company's transformation strategy, which the SETC will monitor closely.

MMI Holdings' Revised FSC Scorecard

B-BBEE Element	Maximum Points	MMI 2018
Equity Ownership	28.00	19.50
Management Control (including Employment Equity)	20.00	12.52
Skills Development	23.00	9.92
Preferential Procurement	19.00	17.00
Enterprise and Supplier Development	14.00	12.90
Socio-Economic Development, including Consumer Education	8.00	6.00
Empowerment Financing	15.00	14.82
Access to Financial Services	12.00	8.15
Total	120 + 19	100.82
	Bonus Points	Level 3

Equity Ownership

Although there has been no change which can be attributed directly to MMI equity ownership structure throughout the year, there have been significant changes which relate to the measurement of the ownership scorecard as a result of the amendment of the FSC which was gazetted in December 2017. The changes impacted both the MMI black ownership level and scorecard.

Three B-BBEE transactions were concluded and registered with the BEE Commission, i.e. partnerships with:

- MMI Strategic Investments and Aluwani Management Partners.
- Metropolitan Health and a consortium involving Thebe Health Group, POPCRU group of companies and Validate.
- Providence Healthcare Risk Managers and Thebe Ya Bophelo Administrators.

The total value of the transactions is over R430 million, with a focus on increasing black ownership in the three businesses.

Employment Equity

The company believes that a diverse workforce will yield better results, therefore diversity has been adopted as one of the new key strategic priorities. The company continues to grapple with minimal retention of Africans. However there have been concerted efforts from leadership to improve the status quo.

- A transformation workshop was held with the MMI Executive, where the current Employment Equity results were shared with the leaders. The workshop was well received, and the leaders made commitments to help drive transformation in their areas. Fourteen positions on Transitional Leadership were committed for Employment Equity to help improve representation of African employees, especially women.
- Representation of people with disabilities increased from 99 to 115, with the introduction of a new learnership programme focusing on people with disabilities.

Skills Development

Although there is a decline in Skills Development performance due to changes in legislation, the company continues to invest time and money in its workforce, in partnership with Inseta.

- Over R153 million spent towards developing our black employees.
- Over R85 million spent on the development and upskilling of our black female employees.
- Over 570 learnership opportunities created.

Preferential Procurement

MMI has a procurement strategy that supports transformation, and continues to show positive performance, currently scoring full points against the revised FSC Scorecard. The procurement team is committed to proactively identify opportunities for preferential procurement throughout the value chain to maintain/improve the status quo, and continue to go beyond compliance by supporting and developing **small businesses**, to enable them to graduate onto our supply chain and **access other markets**.

Over R5 billion was spent on preferential procurement in 2017, with:



Enterprise and Supplier Development and Empowerment Financing

MMI's Masikhulise Enterprise Development Trust continues to support and develop small businesses, including brokers and intermediaries. The Trust is mandated to address the challenge that the financial services industry is facing around untransformed supply chains, by supporting and providing funding to empower small businesses to access new markets including MMI's supply chain.

- Over R56 million spent on Enterprise Development to develop and grow small businesses.
- Over 500 jobs created through the partnership with ASISA in supporting small businesses.
- Over 400 enterprises supported through Enterprise and Supplier Development initiatives.
- Over 7.9 billion spent on Targeted Investments and B-BBEE transactions through Empowerment Financing.

Corporate social investment (CSI)

A significant achievement was the implementation of the MMI Foundation's Youth Employment Strategy — a review, research and benchmarking process which spanned almost 18 months. This entailed changing the MMI Foundation (MMIF) board and aligning operational elements like the MMIF funding model to support the new strategy. The MMIF now focuses exclusively on initiatives which support young people throughout the journey to employment, from recruitment and training to income generation and career management and mentoring.

The client-facing brands will continue to be the face of MMIF investments. The Momentum and Metropolitan approach, which is to stay the course with people, remains supportive and helps them realise their aspirations, aligns well with this new emphasis of the MMIF to sustain development by offering continued support.

Ethical conduct

The centralised Group Forensic Services (GFS) team is mandated by the SETC to collaborate with business to set strategy and related policies and process in order to ensure that the zero tolerance risk appetite in respect of commercial crime is maintained, including implementing and maintaining specific processes and controls to deal with serious employee misconduct. The SETC continues to monitor and evaluate the GFS quarterly.

Treating Customers Fairly

The SETC continues to review 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 of the MMI group.

Environmental sustainability

MMI actively subscribes to the recommendations set out under the King IV Report on Corporate Governance™ for South Africa, 2016, 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, which are available on the MMI website. The SETC considers quarterly reports on MMI's sustainability activities.

MMI has been listed on the Johannesburg Stock Exchange (JSE) Socially Responsible Investment Index since 2010, and is listed on the current FTSE/JSE Responsible Investment Index and the FTSE/JSE Responsible Investment Top 30 Index. The group calculates its carbon footprint on an annual basis, and also participates in the CDP (formerly the Carbon Disclosure Project) process. The group has met its carbon emissions reduction target two years ahead of schedule, and has introduced an updated longer-term target. Detailed information regarding this is available on the MMI website.

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.



Syd Muller

Chairman: MMI Social, Ethics and Transformation Committee

4 September 2018