

REPORT BY THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

Report by the Social, Ethics and Transformation Committee (SETC) to be presented at the 15th (fifteenth) annual general meeting of the shareholders of the company to be held on 22 November 2016 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

The achievement of the approved revised group transformation strategy and monitoring the implications of the rapidly evolving B-BBEE landscape remains a key focus area of the SETC. The committee monitors the progress of the group in ensuring that the racial imbalances of the past are corrected and that leadership and talent are encouraged through positive and affirmative policies. We further recommend remedial action where necessary in support of these objectives.

In doing this, the SETC monitors the progress of the group in aligning its employment equity goals with National Economically Active Population (NEAP) targets, enhancing the development of talent within the group through proactive learning and development initiatives and increasing its procurement from black and black women-owned businesses with particular focus on small enterprises. Amongst other key activities of the committee in the current year was monitoring the implementation of the group’s Enterprise and Supplier Development (ESD) strategy, please refer Masikhulise ESD Trust below.

B-BBEE VERIFICATION AT 31 DECEMBER 2015

The group finalised its annual B-BBEE verification process, measuring the calendar year ended 31 December 2015 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 90.8 points (2014: 91.0), which we regard as a great achievement given the impact of the implementation of the Department of Trade and Industry (dti) revised Codes of Good Practice (CoGP) that became effective 1 May 2015 by some of our suppliers.

The following are notable changes in our element scores compared to the prior year:

- Skills Development (SD): This was a key risk element for the group as a result of the low base from previous years. We are proud to report that the initiatives undertaken have resulted in significant improvements in respect of percentage performance relative to target, even though the score increase is marginal. The 2015 target was set at 3.5% of the Leviable Amount on proactive learning and development initiatives for African, Coloured and Indian employees (as per the revised group transformation strategy), the achieved SD performance exceeded the target, it was recorded at 3.98%, setting a good base for the 2016 target of 4.5%.
- Employment Equity (EE): The group underwent a significant restructuring during the year under review resulting in a reduction in the total number of South African employees. This has had a marginal negative impact on our EE points. However, it is important to note that this element is receiving specific focus from management through the MMI Way that amongst other objectives aims to articulate an appropriate Employee Value Proposition that will attract, retain and engage employees. In addition, our talent attraction, acquisition, selection and placement philosophy, principles and practice are being defined in line with the new MMI way. Management is confident that these initiatives as well as regular progress tracking, monitoring and reporting will lead to the achievement of our EE goals.
- Preferential Procurement (PP): The proactive implementation of our revised Transformation strategy has mitigated the impact of the implementation of the dti revised CoGP that are widely expected to decrease the Contributor Level status of measured entities by an average of 2 (two) levels. The revised group transformation strategy focuses on redirecting non-compliant spend to Black Owned, Black Women Owned, EME1 and QSE2 suppliers and setting aside certain earmarked commodities for the designated suppliers. We are pleased to report that the first phase of implementing the revised strategy has resulted in a net increase of 2% in procurement spend from EME1 and QSE2 suppliers and an increase in spend with suppliers that are more than 30% Black Women Owned of 2.6%

CHANGES TO THE B-BBEE LEGISLATIVE LANDSCAPE

Following the dti revised CoGP being effective on 1 May 2015, the FSC Charter Council published the draft revised FSC on 17 March 2016 with a 60-day public commentary process as part of its alignment process. It is envisaged that the revised FSC will be finalised and gazetted by the end of June 2016.

Management have begun a process to align our revised group transformation strategy with the draft revised FSC, as a minimum, with the aim of anticipating any potential negative impacts on our scorecard and proposing necessary mitigating measures to minimise the adverse effects on our overall score. During this transition period of alignment of the FSC with the dti revised CoGP, management has planned for most eventualities and continues to monitor developments closely.

MASIKHULISE (“TOGETHER WE GROW”) ESD TRUST

MMI views ESD as a strategic imperative in achieving its objective of enhancing financial wellness for all. The concept of ESD forms part of a global movement towards greater inclusivity in business supply chains. In response to this priority element, we are glad to report a successful set up of the Masikhulise ESD Trust, which is a ring-fenced Broad Based Ownership Scheme (BBOS) that will house all the group’s ESD initiatives. The Trust will mainly invest in the sustainability of small to medium enterprises as we believe they play a pivotal role in job creation and economic growth, contributing to the National Development Plan agenda that comprises inclusive growth, as an objective.

Our ESD vision is: “We see the creation and growth of sustainable black EMEs and QSEs in support of financial wellness.” This strategy is aimed at sustainable ESD interventions that:

- Support the group’s overall B-BBEE strategy
- Support the group’s overall broader shared value drive
- Accord with the dti’s revised CoGP requirements.

This strategy was approved by the group Exco in January 2016 and subsequently by the SETC at its February 2016 meeting.

Some of MMI’s ESD interventions to date include:

- Provided support to The Business Place Phillipi. This business centre provides entrepreneurial support for start-up businesses in the Cape Flats and Khayelitsha area.
- MMI launched a Supplier Development programme which aims to provide Business Development Support (BDS) to suppliers within the MMI Supply chain.
- MMI has partnered with ASISA (Association of Savings and Investment in South Africa), our industry body, through a capital investment into their ESD fund and to roll out our Black Broker BDS programmes.

We are also proud to report that during the year under review the group contributed to the creation of the third (3rd) largest black asset manager, Aluwani Capital Partners (ACP). This is part of our outcomes-based investment strategy, where we will partner with asset managers like ACP for the more active, equity-based asset strategies. Management believes that this initiative demonstrates our commitment to enhanced shareholder value while meeting our transformation objectives at the same time.

SETC together with management are assessing opportunities to support Black Industrialists. We are committed to creating black industrialist aligned to the draft Revised FSC.

We believe that our investment in these Black Owned and Black Women owned enterprises will play an integral role in socio-economic transformation in South Africa by reducing poverty, creating sustainable employment and growing our economy.

EMPLOYMENT EQUITY

As part of the Department of Labour Director (DoL) Director General (DG) review, the SETC approved the newly formulated group’s 5 (five) year EE targets that are aligned to Nationally Active Population ratios. Subsequent to the approval, management submitted the plan to the DoL for final approval in line with the requirements of Act 47 of the amended Employment Equity Act, 2013. The SETC is also pleased to report that at a meeting held on 17 May 2016 with DoL, MMI was formally advised of the approval of its EE plan that is valid until 2020. The DoL commended MMI for its efforts and commitment towards transformation. However, it was emphasised that the implementation of our EE plan is crucial to us achieving our employment equity objectives and that it is a collective responsibility of the entire MMI community.

REPORT BY THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE CONTINUED

CONCLUSION

The SETC confirms its support of the approved revised group transformation strategy aligned to the Revised FSC, and the various initiatives in support of the implementation of the strategy. We are pleased with the B-BBEE and Transformation progress to date, in particular the headways on the implementation of our ESD strategy and we look forward to report on the positive impacts from this initiative. Progress towards the attainment of the stated strategic goals and objectives is monitored on a periodic basis, and we remain confident in achieving our various strategic targets.

ETHICAL CONDUCT

The group forensic services department reports to the SETC on a quarterly basis on any formal actions taken in respect of identified or alleged transgressions related to internal corruption, commercial crime and unethical behaviour by employees. In addition, this team reports on internal anti-corruption, anti-commercial crime interventions and related activities. 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 ensure that the fair treatment of clients is a core corporate value, embedded at all levels 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.

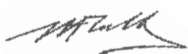
MMI has been listed on the Johannesburg Stock Exchange (JSE) Social Responsibility Index since 2010, and was listed on the newly created FTSE/JSE Responsible Investment Index in December 2015. The group calculates its carbon footprint on an annual basis, and also participates in the CDP (formerly the 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.

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

6 September 2016