

REPORT BY THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

Report by the Social, Ethics and Transformation Committee to be presented at the 14th (fourteenth) annual general meeting of the shareholders of the company to be held at 13:30 on Friday 20 November 2015 in the Executive Boardroom, 1st Floor, MMI Head Office, 268 West Avenue, Centurion.

INTRODUCTION

The Social, Ethics and Transformation Committee (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) 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

Transformation and achievement of the approved revised group transformation strategy remains a key focus 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 is encouraged by positive and affirmative policies.

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.

B-BBEE VERIFICATION AT 31 DECEMBER 2014

The group finalised its annual B-BBEE verification for the 12-month period to 31 December 2014. The SETC is pleased to announce that MMI retained its Level 2 contributor status, measured under the requirements of the Financial Sector Code (FSC), with an overall score of 90.98 points. This verification included an assessment of all elements under the FSC, including empowerment finance and access to financial services. The group achieved its highest score to date, and now ranks third among its competitors from ranking fourth at 30 June 2014.

There were notable improvements from the last verification in the following areas:

- Skills development: The score improved by 3 points to almost 9 points out of 10. This was largely due to recognition of administration and learnership salary costs, and other learnerships.
- Preferential procurement: The score improved by a point, primarily due to the redirect strategy starting to have a positive impact. The first phase of the redirect strategy focuses on non-core commodities and aims to redirect the spend from non-compliant businesses to black and black women-owned businesses, as well as small and medium enterprises.
- Access to financial services: This score also improved by a point as a result of geographic mapping, which confirmed a higher market penetration than previously recorded.

CHANGES TO THE B-BBEE LEGISLATIVE LANDSCAPE

The Department of Trade and Industry’s (dti) revised Codes of Good Practice (CoGP) became effective on 1 May 2015. The FSC Charter Council is in the process of aligning the FSC with the dti revised CoGP. This alignment is anticipated to be completed by the end of October 2015. All measured entities in the financial services sector with measurement periods ending on or after 1 May 2015 are required to be verified by applying either the aligned FSC or the dti revised CoGP. During this transition period of alignment of the FSC with the dti revised CoGP, MMI has planned for most eventualities and continues to monitor developments regularly.

The dti revised CoGP includes the concept of priority elements and we anticipate that the aligned FSC will do the same. MMI revised its group transformation strategy to ensure alignment with 2 (two) of the 3 (three) priority elements, being skills development and enterprise and supplier development. The approved revised strategy is also focused on the alignment of employment practices towards NEAP, learning and development of talent within the group, enhancing procurement from black and black women-owned exempt, small and medium enterprises and implementation of an enterprise development and supplier development programme.

VESTING OF FIRSTRAND EMPOWERMENT TRUSTS

During the calendar year 2014, the FirstRand Empowerment Trusts vested, with some beneficiaries electing to sell their shareholding, while others extended their investment to a future date. In excess of R650 million was realised by the beneficiaries that opted to sell their shares. The sale of shares and exit of a portion of black shareholders will not affect MMI, due to the

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provision of continued recognition in the FSC. The provision allows MMI to recognise the same percentage of black shareholding prior to the sale of shares. In addition, the prescribed 40% sub-minimum net value as per the dti revised CoGP will be maintained for the foreseeable future, thus the group is not at risk of being discounted by a contributor level under the ownership element.

DEPARTMENT OF LABOUR DIRECTOR GENERAL REVIEW

MMI is undergoing the Department of Labour (DoL) Director General (DG) review in terms of section 43 of the Employment Equity Act, 55 of 1998.

The SETC would also like to report that the process of developing updated employment equity plans to align more fully with the NEAP targets is currently underway. In addition, divisional employment equity forums are in the process of being reconstituted to take into account the recommendations of the DoL.

CONCLUSION

The SETC confirms its support of the approved revised group transformation strategy, and the various initiatives in support of the implementation of the strategy. Progress towards the attainment of the stated goals and objectives is monitored on a periodic basis, and we remain confident of achieving our various 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 Global Compact, the United Nations Principles of 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, and to generally address all indicators as set out in the Global Reporting Initiative ("GRI"). To this end, the group has a sustainability 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. 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)

Various group CSI initiatives are administered through the MMI Foundation (Foundation). The main objectives of the Foundation remain in the areas of education, health, disability and sports development. The Foundation continues to support and fund projects within these identified focus areas. The support for various approved CSI initiatives is administered and executed through various MMI customer facing brands, such as Metropolitan, Momentum and Guardrisk.

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

8 September 2015