

TRANSFORMATION REVIEW

At MMI, we believe that the main catalyst to Financial Wellness is broader economic participation and as such we view broad-based black economic empowerment (B-BBEE) and transformation as intrinsic in achieving growth and Financial Wellness for our clients, staff and the communities we operate in.

Our revised group transformation strategy is mainly focused on key stakeholders both internally (our staff) and externally (our suppliers and our communities). We are pleased to announce the establishment of the Masikhulise ESD Trust that will facilitate our Enterprise and Supplier Development (ESD) initiatives.

We continue to focus on achieving our employment equity (EE) goals and have reconstituted our group and segmental EE forums in line with the amended legislation. In addition, our new EE plan that is aligned to National Economically Active Population (NEAP) targets was approved by the Department of Labour. The new plan is valid from 2016 to 2020. The emphasis going forward will focus on the implementation of our EE plan, which is pivotal to the achievement of our employment equity objectives.

Another significant development in the last year has been our support of Aluwani Capital Partners (ACP), the third largest black-owned asset manager in South Africa. As part of its outcomes-based investment strategy, MMI will partner with asset managers like ACP for the more active, equity-based asset strategies. This demonstrates our commitment to enhanced shareholder value while meeting our strategic transformation objectives at the same time. We are developing our plans to support Black Industrialists once the Revised Financial Sector Charter (FSC) has been finalised and gazetted. Black Industrialists refer to black South Africans who own and, through significant shareholding, control an enterprise whose products are significantly used and have significant impact on decent employment and create broad-based economic opportunities.

Given that B-BBEE and transformation are strategic imperatives, MMI monitors and discusses the progress towards the achievement of its strategic objectives monthly at its group transformation steering committee and MMI Group executive committee meetings, as well as quarterly with the Social, Ethics and Transformation Committee (SETC), a MMI Holdings Limited board committee.

For December 2015, MMI retained its Level 2 Contributor status based on the FSC. The draft revised FSC that is aligned to the Department of Trade and Industry (dti) revised Codes of Good Practice (CoGP) was published on 17 March 2016. We have started a process to assess our compliance and adapt our strategies to align to the revised FSC.

Below we present our last two verified scorecards for comparison purposes. We continue to make progress in various elements of the scorecard. As indicated above, for 2015 MMI retained its Level 2 Contributor status with an overall score of 90.9 points (2014: 91.0).

It is worth noting that the proactive implementation of our revised transformation strategy has mitigated the impact of the implementation of the dti's revised CoGP that are widely expected to decrease the contributor level status of measured entities by an average of two levels. We anticipate the further impact of this will be felt for the 2016 year when many more suppliers will have been verified under the new framework. However, we are confident that our current revised group transformation strategy provides measures to mitigate any negative impacts.

We continue to implement various procurement strategies that include developing suppliers (refer Masikhulise ESD Trust below) and re-directing existing non-compliant procurement spend to black owned, black women owned, small and medium enterprises.

MMI HOLDINGS FSC SCORECARD

Element	Maximum points	2014	2015
Equity ownership	14.0	17.0	17.0
Management control	8.0	8.7	8.3
Employment equity	15.0	9.2	8.8
Skills development	10.0	9.0	9.0
Preferential procurement	16.0	14.5	14.6
Enterprise development	5.0	5.0	5.0
Socio-economic development	3.0	3.0	3.0
Empowerment financing	15.0	13.7	14.4
Access to financial services	14.0	10.9	10.8
Total score	100.0	91.0	90.9
Performance (%)		91.0%	91.0%
B-BBEE rating		Level 2	Level 2

Independent B-BBEE verifications were performed for both of the above periods.

MMI HOLDINGS EMPLOYEE PROFILE (SOUTH AFRICAN OPERATIONS ONLY)

	South Africa								Foreign nationals	Grand total	
	African		Coloured		Indian		White				
	Female	Male	Female	Male	Female	Male	Female	Male			
December 2014	5 267	3 025	1 616	913	657	512	2 068	1 371	50	69	15 548
December 2015	4 614	2 717	1 556	842	649	522	1 967	1 288	66	70	14 291

One of the main focus areas of group transformation and the Social Ethics and Transformation Committee (SETC) of the board is to track, monitor and report on progress towards the achievement of our EE score. We have made this a focal priority for the 2016/17 calendar years. Amongst other initiatives undertaken, it is worth noting that we have formulated a new EE implementation policy and process framework that will play a pivotal role to guide our efforts in achieving our set goals. The new EE implementation policy also clarifies the role of each internal stakeholder eg it holds the group chief executive officer (CEO) and segmental CEO's accountable with the support of the head of human resources and group transformation to achieve our approved EE goals.

MASIKHULISE (TOGETHER WE GROW) ESD TRUST

MMI views Enterprise and Supplier Development 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.

It is a key element of the dti's revised CoGP, which represent a fundamental change in the approach to economic empowerment in South Africa. The dti's revised CoGP signifies a shift from simple compliance to alignment with the global movement in support of value chain transformation and shared value.

In response to this priority element, MMI has established a new trust, the Masikhulise ESD Trust, which is a ring-fenced Broad Based Ownership Scheme, which houses all our ESD initiatives. The Trust invests in the sustainability of small to medium enterprises, as we believe they play a pivotal role in job creation and economic growth.

MMI fully supports the goals of the National Development Plan (NDP) and has aligned the goals of the Trust to the objectives of the NDP. The vision that guides our ESD strategy is: "We see the creation and growth of sustainable black EMEs¹ and QSEs² in support of Financial Wellness."

¹ Exempted Micro Enterprise – a company with a turnover of less than R10 million per annum.

² Qualifying Small Enterprise – a company with a turnover of more than R10 million but less than R50 million per annum.

The strategy is aimed at sustainable ESD interventions that:

- Support the group's overall revised transformation strategy;
- Support the group's overall broader shared value drive; and
- Accords with the dti's revised CoGP requirements.

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

Some of MMI's ESD interventions include the following:

- Provided support to The Business Place Phillipi. This business centre provides entrepreneurial support for start-up businesses in the Cape Flats and Khayelitsha areas.
- 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 the Association of Savings and Investment in South Africa (ASISA), our industry body, through a capital investment into their ESD fund and to roll out our black broker BDS programmes.

MMI acknowledges that the sustainability of the markets in which we operate is dependent on the equitable development of our country and equal access to opportunity for all people. ESD is about empowering suppliers to take charge of their own growth and sustainability. We believe that our investment in these enterprises will play an integral role in socio-economic transformation in South Africa.