Remuneration report

Part 1: Message from the chairman of the Remuneration Committee

We regard our remuneration practices as key enablers to achieving the group's strategic objectives.

Peter Cooper
Chairman Remuneration Committee

Dear Shareholder

During the past year, the Remuneration Committee has reviewed MMI's remuneration policy to ensure alignment with the principles contained in the King IV Report on Corporate Governance™ (hereafter referred to as King IV) and, where practically possible, we have applied these principles in this report. While the 2017 financial year (F2017) contains some King IV transition reporting, MMI is committed to full compliance by F2018 in line with best practice governance standards. We have also taken care to align remuneration with performance as a key principle of the group's remuneration policy.

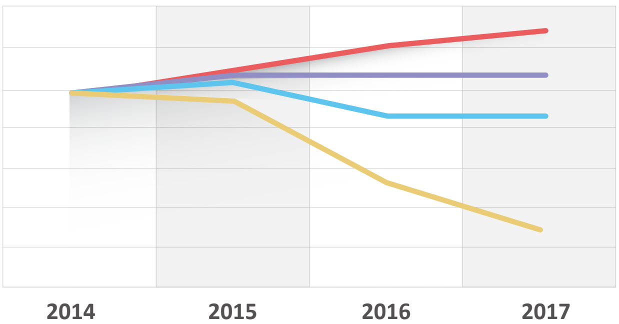
As a result of the extremely challenging economic environment, MMI found it particularly difficult to meet the financial performance targets set for the annual short-term incentive scheme (STI). These performance targets are set using MMI's long-term growth objectives. The STI balanced scorecard reflects a rating of 73% of target, with the key measures in the scorecard being as follows:

- Core headline earnings (20% weighting)
- Return on embedded value (excluding investment variances) (20% weighting)
- Value of new business (15% weighting)
- Expense efficiencies (10% weighting)
- Strategic objectives (35% weighting)

These financial indicators were impacted by:

- The negative effects of the current economic environment, especially on group disability underwriting profits and new business volumes.
- A lack of investment market growth and lower than expected asset inflows.
- The group's continued investment in strategic growth initiatives.

Over the past four years, the outcome derived by shareholders and the benefit accruing to staff in terms of the STI has reflected a consistent and fair outcome, as is illustrated in the following graph:



The long-term incentive plan (LTIP) performance measure, being return on embedded value (ROEV), was 4.7% for F2017, compared with the target of the 10-year RSA government bond rate + 3%, or 12.2%, for the current financial year.

The LTIP vesting on 1 October 2017 (relating to LTIP's allocated in 2014) is 88%. The 2014 allocations were the last made using nominal GDP + 3% as a targeted level of performance, and the group achieved an ROEV of nominal GDP + 2.5% over the vesting period. The outcomes of our remuneration policy and the alignment with targets set for remuneration vesting are disclosed in detail in Part 3 of this report on page 98.

At the end of the current financial year, the group announced significant changes to the executive committee. To provide the new executive team with a stable base on which to build, we implemented a one-year retention structure and reinforced the LTIP with a further three-year incentive, subject to normal vesting criteria.

Our engagement

Last year our remuneration policy received a 69% advisory vote from our shareholders. We have solicited feedback from shareholders (and proxy voting advisers) regarding their concerns. Where clarification was requested, this has been provided, however, some elements require greater consultation with shareholders and review by the Remuneration Committee (with the aim of including any amendments in MMI's forward looking remuneration policy from F2018 onwards).

Shareholder/proxy voting advisers feedback	Feedback and actions
Large payment to exiting executive director (policy on termination payments) during F2016	The employment contracts for members of executive management do not commit the company to make service payments in the event of termination of employment on account of their failures. Upon termination of employment, the company will make payments as required in terms of legislation, and the consequences of unvested short-term and long-term incentives will be governed by the rules of the incentive plans and the basis for termination of employment. The Remuneration Committee however has the discretion to negotiate mutual separation agreements. The second payment made to the exiting finance director during F2017 represents a restraint of trade payment.
Use of retention shares is not in line with best practice.	The Remuneration Committee has reviewed the use of retention units, and has decided that in future retention units will only be allocated in specific circumstances and subject to the committee's approval.
Payment of hourly fees on an ad hoc basis to non-executive directors for additional work.	Commercial reality requires non-executive directors to perform ad hoc committee work not scoped in the annual board calendar and the ad hoc fees are intended for these purposes.
It is not clear what the maximum award limit is for short-term incentives (STI) and LTIP.	STI is capped at 200% of total guaranteed pay (TGP) for absolute outperformance and the maximum annual allocation for LTIP is also capped at 200% of TGP, subject to the discretion of the Remuneration Committee. These caps are in line with South African market best practice. In addition, STI payments above specific hurdles are deferred into cash (up to 12 months) and restricted units in terms of the LTIP plan (vesting two years after STI payment date, ie in September). See Part 2 of this report on page 90 in this regard. Deferred STI and unvested LTIP are further subject to pre-vesting forfeiture provisions under certain circumstances. See Part 2 of this report on page 90 for further detail.

Remuneration report (continued)

Part 1: Message from the chairman of the Remuneration Committee **(continued)**

Shareholder/proxy voting advisers feedback (continued)	Feedback and actions (continued)
The performance period for the LTIP is three years without a further holding period, which is not considered sufficiently long-term.	Minimum shareholding requirements were introduced in F2015. In terms thereof, the group chief executive officer (CEO) should directly hold MMI shares to the value of 200% of TGP until termination of services (with group executive committee members at 100% of TGP), to be built up over five years from 2015. These minimum shareholding requirements are regularly monitored by the Remuneration Committee. Therefore, sufficient post vesting holding requirements exist for LTIP for senior executives. These requirements are reviewed on a regular basis by the Remuneration Committee and adjusted in line with market practice, where necessary. In addition, the senior executive team holds a once-off (unvested) award of LTIP (awarded in 2015), which will only vest in 2018 (60%) and 2019 (40%) if performance targets are met. Details of the performance conditions for this once-off award are contained in Part 2 on page 90 of this report, while the unvested LTIP instruments are disclosed in the LTIP table in Part 3 on page 98 of this report. During F2016, key executives purchased MMI shares utilising third-party financing. Through this management buy-in, executives have all the upside and downside risks of a shareholder.
The chairman of the Remuneration Committee is not an independent non-executive	The F2016 Integrated Report indicates that the chairman of the Remuneration Committee is a non-independent non-executive director. This related to the fact that he served as CEO of RMI Holdings until the end of June 2014, however the required three-year cool-off period has now elapsed and he is now regarded as an independent non-executive director. Although he has remained a board member of RMI Holdings, he is not appointed to the Board of MMI Holdings as a shareholder representative of RMI Holdings, and therefore remains an independent non-executive director.
The LTIP vesting is based on only one performance condition. Best practice would be to operate at least two different metrics interdependently and to include non-financial metrics.	The LTIP is geared towards growth in ROEV, which is in line with MMI's objectives of long-term value creation for shareholders (which, on a group level, is measured as ROEV). ROEV is the best practice performance metric for long-term insurers in the market. The Remuneration Committee continually reviews LTIP performance metrics to ensure that these remain appropriate.

Changes made to further support shareholder value creation

The Remuneration Committee reviewed the group's incentive design and made the following enhancements during F2017, which we believe will further support shareholder value creation and our principle of performance-based remuneration:

- Pre-vesting forfeiture (malus) was introduced for deferred bonuses and unvested LTIP. Forfeiture is invoked in the event of fault events that can be traced to the actions of a specific individual or individuals. The policy detail is contained in Part 2 on page 90 of this report.
- For the 2016 LTIP allocation, the threshold performance condition for performance units (warranting 30% vesting) was increased from an annualised ROEV (over a forward-looking three year period) equal to the "risk free rate" to an annualised ROEV equal to the "risk free rate + 1.5%". The stretch performance condition of an annualised ROEV of "risk free rate + 6%" (warranting 200% vesting) was retained as it is robust and stretching.
- Alignment of the non-executive director fee policy for directors serving on MMI boards, incorporated offshore, with best practice.

- Reviewed the Value Added Tax (VAT) implications for non-executive director fees and ensured legislative compliance as reflected in the shareholder resolution for the AGM pertaining to non-executive director fees.

As forward-looking objectives for F2018, the Remuneration Committee will continue to review best market practices (particularly as they pertain to financial services) and debate topics such as post-vesting incentive forfeiture (claw-back), stress testing of incentive pools in scenarios of threshold/target and stretch performance, and robust financial targets for variable remuneration. In addition, from a group-wide perspective we are sensitive to income differentials within MMI to ensure fair and responsible remuneration.

We are comfortable that MMI's remuneration policy largely achieved its stated objectives. In reviewing best practice and making enhancements to our remuneration policy, we consulted with independent remuneration consultants and used benchmarking data from market-leading salary surveys to inform our decisions.

In line with King IV, we will put the remuneration policy and implementation report to a shareholder advisory vote at the AGM. We trust you recognise the proactive approach taken by this committee and MMI in relation to remuneration and will endorse this Remuneration report in your advisory vote.

Peter Cooper
Chairman: Remuneration Committee

5 September 2017

Remuneration report (continued)

Part 2: Forward-looking remuneration policy

Remuneration governance

The Remuneration Committee consists entirely of independent non-executive directors, and reviews and oversees the remuneration policy and practices across the group. The CEO and other members of exco attend meetings by invitation, but do not vote and are not present when their remuneration is discussed.

The Remuneration Committee had three meetings in F2017, with attendance set out in the table below.

Meetings held in 2016/2017	3
Members	**Meetings attended**
Peter Cooper (chairman)*	3
Jabu Moleketi*	1
Ben van der Ross*	3
Johan van Reenen*	3

*Independent non-executive director

The Remuneration Committee's full terms of reference, including its mandate, are available on **www.mmiholdings.co.za.** The key decisions, insofar as amendments to the remuneration policy during F2017, are summarised in Part 1 on page 88 of this report.

Remuneration policy

MMI's remuneration policy addresses remuneration on an organisation-wide basis and is one of the key components of the group's overall human resources strategy, which fully supports the overall business strategy. It supports the MMI group strategy by helping to build a competitive, high-performance and innovative group with an entrepreneurial culture that attracts, retains, motivates and rewards high-performing employees. It further promotes the achievement of the group's strategic objectives and the positive outcomes of the performance conditions across the integrated reporting capitals that MMI uses or affects.

Key elements of MMI's remuneration policy

MMI's remuneration philosophy is supported by a robust performance management practice, which strives to set all employees' total remuneration package at a competitive level by benchmarking to the market and providing incentives geared to drive the agreed-upon performance outcomes, where appropriate.

The remuneration policy is fundamentally based on the following principles:

- The remuneration policy:
  - Is aligned with the overall business strategy, objectives and values of the group without being detrimental to the interests of its customers.
  - Contains arrangements for ensuring that executive remuneration is fair and responsible in the context of overall company remuneration.
  - Encourages the use of metrics to assess performance, taking into account the level of achievement as well as the risks taken in achieving that level of performance (ie performance measures are risk-adjusted where appropriate).
- The remuneration policy, procedures and practices are consistent with and support effective risk management.
- Salaried employees are rewarded on a total rewards basis, which includes guaranteed, variable, short- and long-term as well as intangible rewards (in line with market practice).
- All remuneration (guaranteed and variable) is differentiated based on performance and reviewed annually.
- The guaranteed component of the reward includes a base salary, pension and benefits that are normally set at the market median level.
- Total remuneration (base salary, pension, benefits and incentives) is targeted in normal market conditions to the relevant competitive market at upper quartile levels for superior performance.
- Incentives aimed at encouraging retention are clearly distinguished from those relating to rewarding performance.
- The option to pay a low or 'no performance' bonus, should the performance of the group, business unit or individual warrant this.
- Adherence to principles of good corporate governance, as depicted in best practice and regulatory frameworks (such as King IV and Solvency Assessment and Management). Regarding the manner in which variable incentive payments are awarded, distinctions are drawn between employees who operate in a risk-taking capacity and those who fulfil fiduciary roles (such as heads of control functions). As such the variable incentives for employees in fiduciary roles do not depend on the performance of the group, but are determined only with reference to the performance of the individual. This is to ensure that the independence of employees who act in a fiduciary capacity is not unduly compromised, and conflict of interests are minimised.

- Three performance components are appraised, based on a robust performance management system, being group, business unit and individual performance.
- Subjective and objective measures are used for individual performance appraisal purposes.
- The remuneration policy takes into account MMI's internal levels of accountability, related to the diversity and complexity of decisions made, plus the degree of responsibility and/or level of authority involved in the job.
- Pay bands take into account the relevant market rate for the particular job, and are broad and flexible.
- Individuals are remunerated for their unique individual contribution, as well as for their contribution to, or collaboration in, meeting team objectives.
- The STI, or performance bonus scheme is used to promote goal attainment (mutually agreed, strategically aligned outcomes or targets that contribute to the successful implementation of the group's strategic business plans) over a one-year period.
- The LTIP focuses on the realisation of the group's vision and on aligning performance with longer-term value-adding objectives over a three-year period or longer.
- The remuneration of employees in the risk and compliance functions is determined independently of the various business units in MMI, with performance measures based principally on achieving their function's current objectives.
- Incentives are based on targets that are stretching, verifiable and relevant. Multiple performance measures are used to avoid manipulation of results or poor business decisions.
- Incentive awards are made on a sliding scale to avoid an "all or nothing" vesting profile and start at a level that is not significant in comparison with base pay. Full vesting requires significant value creation.
- The remuneration policy offers flexibility for the customisation of remuneration and benefits, ie work/life balance and specific business needs.
- MMI has a large number of sales employees whose primary remuneration structure is based on sales commissions linked to sales volumes and quality of new business. Commission structures may differ between divisions.
- Certain employees, for example those in sales and client service environments, are remunerated on a pay-for-performance basis, using predefined quantitative and qualitative measures.

REMUNERATION STRUCTURE

Pay mix

The pay mix, being the proportional split between total guaranteed pay (TGP), short-term incentive (STI) and long-term incentive (LTI), forms the basis of the remuneration structure applicable to all employees as follows:

Level	TGP and benefits	STI	LTIP
Key management (including CEO and Deputy CEO/Finance Director	Guaranteed cost to company	Performance bonus	Cash-settled phantom share plan
Senior management and critical roles	Guaranteed cost to company	Performance bonus	Cash-settled phantom share plan
General employees	Guaranteed cost to company	Performance bonus	–
Non-executive directors	Annual board retainer fee and committee fees only	–	–

On an executive management level, the table below shows the pay mix for the CEO and Deputy CEO/FD respectively, at threshold, target and stretch levels of performance. The pay mix at executive level is weighted towards "at-risk" variable pay, and in turn the variable pay is contingent on meeting financial and strategic performance targets and realising the company's remuneration policy. The objective is to achieve a balanced pay mix appropriate for the job, level and performance of each executive.

Below-threshold performance

Position	TGP	STI	LTIP[1]
CEO	82%	0%	18%
Deputy CEO/FD	77%	0%	23%

Target performance

Position	TGP	STI	LTIP[1]
CEO	27%	24%	49%
Deputy CEO/FD	30%	24%	46%

Stretch performance

Position	TGP	STI	LTIP[1]
CEO	16%	28%	56%
Deputy CEO/FD	18%	29%	53%

[1] *Based on a normal annual allocation*

Fair and responsible remuneration

MMI is committed to the principle of fair and responsible remuneration across the group, and therefore considers the fairness of executive remuneration in the context of remuneration paid to all employees. Actions in this regard include:

- Ongoing assessment of remuneration conditions between employees at the same level in accordance with the principle of equal pay for work of equal value, to identify and address any unjustifiable remuneration disparities.
- Investing in people initiatives, which include talent mapping for employees across the group, employee development, various training courses, and an extensive employee value proposition. MMI believes these initiatives create a work environment and work culture conducive to an employee's growth, and ultimately empowering its employees.

Total guaranteed pay

All employees, including executive directors, managing executives, heads of control functions and other employees who may have a material impact on the risk exposure of MMI, receive TGP irrespective of company performance.

The key objective is to provide the base element of remuneration that reflects the person's position at MMI and is payable for doing the job expected of them. TGP is paid monthly on a cost to company basis, and remuneration levels are generally targeted at the median or 50th percentile level.

TGP is normally benchmarked against the financial services market, and is set at a level that is competitive to the market and aligns with expected operational performance. The benchmarking peer group is selected based on size and sector, and is considered appropriate to MMI's business.

MMI is cognisant of its internal wage gap. As envisaged by the principles of fair and responsible remuneration, the Remuneration Committee takes into account pay levels across the company (including for middle management and general staff) when setting average executive remuneration increase levels.

Additionally, and when considering increases, the Remuneration Committee takes into account factors including, but not limited to, inflation, affordability, budgets, market trends, competitor remuneration, and scarcity of skills.

Short-term incentive plan

The group's key STI is a non-guaranteed performance bonus, paid annually as a percentage of an individual's TGP. Most employees are eligible to participate in the STI.

Performance conditions and weightings	Performance period	Strategic purpose	Positive outcomes across integrated reporting capitals
Financial (65%) • Core headline earnings • ROEV • VNB • Cost efficiency **Strategic initiatives (35%)** • Client aspiration and satisfaction • Internal objectives such as growth and client centricity • Strategic enablers such as flexibility, analytical capabilities and innovative culture • Transformation	One year	To create a performance culture by rewarding individuals/teams for achieving strong annual results in terms of pre-determined targets.	**Financial** Core headline earnings growth impacts positively on dividend growth, whilst ROEV and VNB impact positively on value, which drives share price growth and consequently the overall return to shareholders. **Social and relationship** Achieving a financially-well client base will result in improved social conditions for clients and their communities.

The above relates to group objectives. In addition, each client segment and major business unit has its own scorecard that aligns with the group scorecard, but contains segment-specific targets and objectives.

Group and business unit objectives are set by the Remuneration Committee. Individual objectives must be agreed with the employee's line manager or team leader. For the executive, objectives are agreed with the CEO (and approved by the Remuneration Committee), while the CEO's strategic objectives are agreed with the board.

Meeting the group's objectives is paramount. Performance against the group's targets determines the size of the aggregate bonus pool. The performance of each client segment and business unit against its scorecard determines how the aggregate bonus pool gets distributed.

Accrual of STI pool

For any STI pool to accrue, threshold scorecard performance needs to be achieved. The STI is therefore self-funding.

Individual earning potentials, STI deferral and pre-vesting forfeiture

On-target STI as a percentage of TGP is:

- CEO – 90%.
- Executives, (including the group deputy CEO/FD) – 70%.

STI is capped at 200% of TGP for stretch performance.

Provided all relevant group performance objectives are met, the STI pool is determined annually, and allocated firstly based on business unit performance and then on individual performance. The cash component is paid in September (following financial year-end), however, MMI has an STI deferral policy as follows:

Quantum	Deferral terms
Up to R1.5 million	50% in cash three months after financial year-end (ie September). 50% paid six months after financial year-end.
≥ R1.5 million and up to R2.75 million	Deferred as above up to R1.5 million. 60% of amount above R1.5 million paid 12 months later and 40% deferred into units in LTIP vesting two years after STI payment date (ie September).
≥ R2.75 million	40% of amount above R1.5 million deferred into units in LTIP vesting two years after STI payment date (ie September). Remainder of STI paid in three tranches (ie September after financial year-end, six months after financial year-end, and 12 months after financial year-end).

Forfeiture

In the event of certain trigger events attributable to an individual, all deferred STI (in cash or units in the LTIP) can be forfeited. See “Pre-vesting forfeiture applicable to STI and LTIP” later in this report.

Long-term incentive plan (LTIP)

The group’s LTIP is a phantom share plan wherein participants are paid a cash amount referencing the value of MMI’s share price, subject to meeting pre-determined performance objectives that apply to performance units, and remaining in the employ of the group until the vesting date.

Why an LTIP?

The purpose of the LTIP is to attract, motivate, reward and retain employees who are able to influence the performance of the group on a basis that aligns their interests with those of the group’s shareholders.

What performance objectives must be met for vesting and why ROEV?

Variable remuneration	Performance conditions and weightings	Performance period	Strategic purpose	Positive outcomes across integrated reporting capitals
LTIP	Financial - ROEV (100%)	Three years	To attract, motivate, retain and reward key employees.	Financial - ROEV growth impacts positively on value, which drives share price growth and consequently the overall return to shareholders.

Granular performance hurdles and vesting profile for annual LTIP allocations at different performance scenarios:

Threshold	Target	Stretch
Annualised ROEV over the performance period (normally three years) to meet/ exceed the 10-year zero-coupon RSA bond yield at the start of the financial year (defined as "risk free rate") + 1.5%.	Annualised ROEV over the performance period (normally three years) to meet/ exceed the "risk free rate" + 3%.	Annualised ROEV over the performance period (normally three years) to meet/ exceed the "risk free rate" + 6%.
	Vesting percentage and profile	
30% (threshold) →	**linear vesting to** →	200% (stretch)

Note that the above applies for LTIP allocations for October 2015 and October 2016. For the LTIP tranche allocated in October 2014 that vests in October 2017, the performance criteria was referenced to the nominal South African GDP rate, with vesting taking place as follows:

- Threshold vesting (30%) takes place at an annualised ROEV over the period equal to the nominal GDP rate. Below this rate, performance units are forfeited.
- Targeted vesting (100%) takes place at an annualised ROEV over the period equal to the nominal GDP rate + 3%.
- Stretch vesting (200%) takes place at an annualised ROEV over the period equal to the nominal GDP rate + 6%.

Vesting is linear between the threshold and outperformance levels.

Setting of LTIP performance objectives

- The Remuneration Committee may, at its sole discretion, amend the performance criteria for performance units should extraordinary circumstances arise.
- If the Remuneration Committee deems it appropriate, the performance criteria for the award of future performance units may be different, taking into account the prevailing economic conditions.

Annual LTIP allocations

MMI makes awards under the LTIP on an annual basis, in line with best practice. The allocation levels, as a percentage of TGP, are set out in the table below.

Position	LTIP allocation level (as a % of TGP)
CEO	Face value of 180% of TGP
Deputy CEO/FD	Face value of 150% of TGP
Other executive committee members	Face value of 100% to 150% of TGP

In addition to the above, dividend units are allocated to participants upon dividend declaration dates.

Once-off LTIP award

In F2015, a once-off LTIP award was made to certain executive members. This award was in terms of the rules of the LTIP and carries stretch performance conditions for vesting.

Full vesting (100%) will only take place should the annualised group ROEV exceed nominal GDP growth + 6% over the five-year performance period ending in F2019. Details regarding this unvested once-off LTIP award are disclosed in the LTIP table in Part 3 on page 98.

Mix of LTIP allocations

For normal annual allocations, performance units comprise at least 80% of the LTIP allocations made to the executives, to ensure alignment of executive long-term incentives to shareholder outcomes.

Share purchase plan (executive buy-in)

During F2016, key executives purchased MMI shares utilising third-party financing (with market-related loan conditions). This management buy-in has the effect that participating executives have all the upside and downside risks of shareholders. Details regarding this direct shareholding are disclosed on page 80.

Minimum shareholding requirements

Minimum shareholding requirements introduced in 2015 are in line with global best practice. These requirements encourage executives to utilise their LTIP vesting benefit to buy MMI shares and to be personally invested in the company, thus increasing executive ownership and alignment between executive and stakeholder interests.

The CEO's requirement (expressed as a percentage of TGP) is 200%, and for other executives 100%.

The Remuneration Committee will, from time to time, set requirements for executives, such as the minimum required shareholding, and the period over which it should be achieved, and monitor compliance with these requirements.

Early termination of employment

In the event of resignation or dismissal for just cause, all unvested incentives, ie deferred STI and LTIP, will be forfeited in terms of the relevant incentive plan rules.

In the event of death, disability, retrenchment, retirement or early retirement, unvested incentives will vest pro-rata based on the extent to which performance conditions were met, if applicable, and the time of employment from award date to termination of service date.

The Remuneration Committee can exercise its discretion in the event of pro-rata vesting for unvested incentives at termination of employment.

Pre-vesting forfeiture of STIs and LTIPs (malus provision)

The group has a pre-vesting forfeiture policy that applies to all unvested and deferred STIs and LTIPs, ie unvested incentives. The Remuneration Committee may, at any time on or before the vesting date for unvested incentives, reduce the quantum of the cash STI or number of units comprising the LTIP in whole or in part after the occurrence of an actual risk event (trigger event). Trigger events include, but are not limited to:

- Reasonable evidence of actions or conduct which, in the reasonable opinion of the board, amounts to employee misbehaviour, dishonesty, fraud or (gross) misconduct.
- Discovery of a material misstatement of the financial results for the performance or employment period of the incentive, resulting in an adjustment in the audited consolidated accounts of MMI or, where the employee is employed by a subsidiary of MMI, the audited accounts of that subsidiary.
- In the case of incentives that are subject to the achievement of prospective performance objectives, the assessment of any performance metric or condition in respect of an incentive that was based on error, or inaccurate or misleading information.
- The discovery that any information used to determine the quantum of cash incentives, or the number of shares subject to a long-term incentive award was based on error, or inaccurate or misleading information.
- Subsequent under performance on an individual level.
- Events or behaviour of the employee or the existence of events attributable to an employee that have led to the censure of MMI or, where the employee is employed by a subsidiary of MMI, that subsidiary, by a regulatory authority eg the Competition Commission of South Africa. This includes events or behaviour that have had a significant detrimental impact on the reputation of MMI eg a material risk management failure or, where the employee is employed by a subsidiary of MMI, that subsidiary, provided the board is satisfied that the relevant employee was responsible for the censure or reputational damage, and that the censure or reputational damage is attributable to him or her.

The list of trigger events is not exhaustive and the decision to reduce the quantum of unvested incentives ultimately resides with the Remuneration Committee.

The consequence of pre-vesting forfeiture is that any remaining (deferred) bonus tranches or unvested LTIP will be forfeited when a trigger event can be attributed to the actions of a specific individual.

EXECUTIVE AND SENIOR MANAGEMENT – SERVICE AGREEMENTS

Sign-on awards

For appointments that are critical to the business, the group may offer sign-on awards whether in the form of STIs or LTIPs to new members of executive management and key employees. The LTIP sign-on awards are ordinarily subject to a three-year vesting period. The LTIP award will be subject to forfeiture should the employee resign or be dismissed by the group during the vesting period in accordance with the rules of the LTIP. Any cash-based sign-on awards ie STIs will be subject to clawback, and employees will have to repay these awards if they resign from the group within a certain period as documented in their employment contracts. The group CEO has the discretion to determine sign-on awards.

Restraints of trade

The Remuneration Committee may, from time to time, conclude restraint of trade agreements with members of executive management. These restraint of trade agreements may be contractual only ie unpaid or, where appropriate, subject to an appropriate payment, and are aligned with the overall business strategy of the group. Disclosure of these payments will be made in line with any applicable regulatory requirements.

Payments on termination of employment

The employment contracts for members of executive management do not compel the Remuneration Committee to make any payments in the event of termination of employment on account of their failures. Upon termination of employment, any payments made to that executive will be as required in terms of legislation, and the consequences of unvested STIs and LTIPs will be governed by the rules of the incentive plans and the basis for the termination of employment. The Remuneration Committee has discretion regarding all terms of such agreements (to be exercised on a case-by-case basis).

Retention payments

The Remuneration Committee has the discretion to make retention payments to executives and key employees, whether in the form of cash or share-based payments, in exceptional circumstances. The Remuneration Committee reserves the right to make the retention payment subject to vesting periods, performance and/or continued employment, as well as pre-vesting forfeiture where appropriate.

NON-EXECUTIVE DIRECTORS

Non-executive directors, in serving MMI, are paid an annual retainer fee. They do not receive additional fees per meeting. Also, they do not receive performance incentive payments (STI or LTIP), share appreciation rights or options, pension fund benefits, loans on preferential terms, expense allowances or any other form of financial assistance.

The fees for non-executive directors are revised annually and submitted for consideration to the Remuneration Committee. The fees, which require shareholder approval in terms of the law, are further submitted for approval at the MMI Holdings AGM. In considering the non-executive directors' fees, various factors are taken into account, including a review of the market analysis related to non-executive fees. Market benchmarking takes into account the size of the group as well as the complexity of the work performed.

Non-executive directors may receive ad hoc supplementary fees, calculated on an hourly basis, for significant additional work performed during the financial year. Payment of these fees is not guaranteed and is limited to ad hoc committee work required from non-executive directors.

The proposed non-executive directors' fees for F2018 and the fee increase percentages have been approved by the board and are set out below. These will be tabled to shareholders for approval by special resolution in line with section 66(9) of the Companies Act, 71 of 2008.

Non-executive director role	Proposed fee	Current fee	% Increase
Chairperson of the board	1 500 000	1 292 500	16%
Deputy chairperson of the board	750 000	646 280	16%
Board member	465 030	465 030	0%
Chairperson of Audit Committee	387 730	387 730	0%
Member	193 280	193 280	0%
Chairperson of Actuarial Committee	322 510	322 510	0%
Member	193 280	193 280	0%
Chairperson of Remuneration Committee	322 510	322 510	0%
Member	160 660	160 660	0%
Chairperson of Risk Capital and Compliance Committee	387 730	387 730	0%
Member	193 280	193 280	0%
Chairperson of Social, Ethics and Transformation Committee	258 500	258 500	0%
Member	160 660	160 660	0%
Chairperson of Nominations Committee	193 280	193 280	0%
Member	96 640	96 640	0%
Chairperson of Fair Practices Committee	258 500	258 500	0%
Member	160 660	160 660	0%
Ad hoc work (hourly)	The Board may, from time to time, call upon the services of NEDs to undertake additional work and the total paid for such remuneration shall be a market-related hourly rate, subject to approval by the Chairman of the Board.		

Note: The proposal to not increase the non-executive fees (other than for the board chairperson and deputy chairperson, which were adjusted following the annual benchmarking process) takes into account the introduction of VAT on these fees following a recent ruling by the South African Revenue Service, which will not be claimable by MMI Holdings as it has no vatable revenue and is consequently not registered for VAT.

SHAREHOLDER ENGAGEMENT AND VOTING

In line with King IV, the remuneration policy and implementation report are tabled for separate non-binding advisory votes by the shareholders at the MMI Holdings AGM. The Remuneration Committee will engage with shareholders in the event of a 25% or more dissenting vote on the remuneration policy or implementation report (or both) to ascertain the reasons for dissenting votes, and where legitimate and reasonable concerns are raised, we will take the necessary steps to address concerns. The methods of shareholder engagement include conference calls, e-mails and investor roadshows.

TGP outcomes

For F2017, average TGP increase levels for executives were below inflation (excluding any adjustments for role promotions). This is contrasted by average TGP increases for middle management and general staff of 6.0%. MMI remains committed to monitoring, and where possible, mitigating its internal wage gap.

The following table sets out the TGP increases for executive directors:

Executive directors (R'000)[1]	2017	2016	Change (%)
N Kruger	6 875	6 548	5
M Vilakazi	4 688	3 750	25[2]

[1] The remuneration in the table above represents the TGP effective 1 September each year, whereas the remuneration set out in the Directors Emoluments table on page 100 represents amounts actually paid during the financial years ending 30 June.
[2] Includes an adjustment for the change in role to deputy CEO and group financial director.

Total remuneration (single figure)

King IV and the Companies Act require that the individual remuneration of all members of executive management (ie executive directors and prescribed officers) should be disclosed. The identified prescribed officers of MMI are Nicolaas Kruger and Mary Vilakazi.

The single figure remuneration (ie TGP, STI and LTI) disclosure follows the King IV principle to disclose the cash value of TGP and STI for the year, and LTI (LTIPs) that vested on the basis of performance conditions measured on 30 June 2017.

2017 Executive directors R'000[1]	TGP	STI	LTIP[2]	Total
Nicolaas Kruger	6 875	–	10 619	17 494
Mary Vilakazi	4 688	–	4 785	9 473

2016 Executive directors R'000[1]	TGP	STI	LTIP[2]	Total
Nicolaas Kruger	6 548	4 100	12 666	23 314
Mary Vilakazi	3 750	2 250	5 477	11 477

[1] The remuneration in the table above represents the TGP and STI amounts effective 1 September each year, whereas the remuneration set out in the Directors Emoluments table on page 100 represents amounts actually paid during the financial years ending 30 June.

[2] LTIP calculation basis

- *The vesting percentage for the October 2014 performance shares, vesting in October 2017, is 88%.*
- *The year-end share price used for the determination of the LTIP value was R20.24 per share (2016: R22.64 per share).*
- *The LTIP value is based on the value of the number of 2014 performance shares vesting on 1 October 2017 on the basis of performance conditions measured on 30 June 2017, using the share price at 30 June 2017.*
- *In addition, the LTIP value is based on the number of retention shares awarded during the F2017 year at the share price on award date being R22.92 per share (2016: R25.71 per share).*

Subsequent to the year-end, a one-year retention payment was made to the executive directors that forms part of the F2018 remuneration.

STI performance outcomes

MMI’s performance under its STI performance scorecard for the 2017 financial year was as follows:

Key performance indicator	Weight	F2017 target	Actual	Achieved
Core headline earnings	20%	13% growth	0%	↓
Return on embedded value (excluding investment variances)	20%	12.2%	8.9%	↓
Value of new business	15%	R801m	R547m	↓
Expense efficiencies	10%	R200m	R219m	↑
Strategic objectives	35%	Exco assessment	3.4 (max 5.0)	↑

LTIP performance outcomes

Return on embedded value	Target	ROEV*
Notional shares issued in 2014 and vesting in 2017		
Annualised performance for the 36 months – 1 July 2014 to 30 June 2017	9.5%	9.0%
Notional shares issued in 2015 and vesting in 2018		
Annualised performance for the 24 months – 1 July 2015 to 30 June 2017	11.9%	8.6%
Notional shares issued in 2016 and vesting in 2019		
Annualised performance for the 12 months – 1 July 2016 to 30 June 2017	12.2%	4.4%

**Average annualised percentages, measured since inception of each tranche up to 30 June 2017.*

Based on the fact that the actual average ROEV on the performance units vesting on 1 October 2017 has exceeded the threshold set at the allocation date of these units, the performance units will vest at 88% of the allocated number of units.

LTIP table

The table below provides an overview of the LTIP awarded (on an executive director basis) during the year, forfeited and the indicative value of LTIP not yet vested (outstanding LTI). It further illustrates the cash value of LTIP delivered during the year.

Director	Award date	Vesting date	Opening number (‘000)	Awarded during the year (‘000)[1]	Award price per share	Forfeited (‘000)	Settled (‘000)	Closing LTIP (‘000)	Cash received from settled LTIP (R’000)[2]	Indicative value of unvested LTIP (R’000)[3]
N Kruger	1/10/2016	1/10/2019	3 147	779	2220 – 2369	–	(536)	3 390	12 192	30 044
M Vilakazi	1/10/2016	1/10/2019	1 433	409	2220 – 2369	–	(190)	1 652	4 343	14 404

[1] Comprises new awards during the year, dividend units allocated to existing awards and deferred bonus units in terms of the STI deferral policy.

[2] Calculated using the number of LTIPs delivered (ie where the continued employment period was met) multiplied by the MMI share price on date of delivery (ie the value upon which PAYE was levied).

[3] Calculated using the number of unvested instruments multiplied by unvested LTIPs vesting probability (%) multiplied by the MMI share price (at 30 June 2017).

DISCLOSURE OF DIRECTORS’ REMUNERATION

Details of the remuneration of executive and non-executive directors are provided on pages 100 to 101.

DIRECTORS’ EMOLUMENTS

Non-executive directors are paid an all-inclusive retainer, which is annually benchmarked by participation in various market surveys. The non-executive directors’ fees are not linked to the performance of the company in any way.

Remuneration report (continued)

Part 3: Implementation report of remuneration policy for 2017 (continued)

DIRECTORS' EMOLUMENTS

Directors	MONTHS June 2017	MONTHS June 2016	Fees R'000 June 2017	Fees R'000 June 2016	Salary R'000 June 2017	Salary R'000 June 2016	Performance bonus R'000 June 2017	Performance bonus R'000 June 2016
Nicolaas Kruger	12	12	–	–	6 206	5 926	3 148	5 073
Mary Vilakazi	12	12	–	–	3 080	3 152	1 990	2 914
Ben van der Ross	12	12	1 535	1 761				
Fatima Jakoet	12	12	968	958				
Frans Truter	12	12	2 062	2 188				
Jabu Moleketi	12	12	893	937				
JJ Njeke	12	12	1 809	1 791				
Johan Burger[1]	5	12	593	1 470				
Johan van Reenen	12	12	980	970				
Khehla Shubane	12	12	786	778				
Leon Crouse[2]	–	9	–	555				
Louis von Zeuner	12	12	1 914	1 667				
Niel Krige	12	12	626	619				
Sizwe Nxasana[3]	–	3	–	109				
Syd Muller	12	12	1 351	1 067				
Vuyisa Nkonyeni	12	12	658	689				
Peter Cooper	12	7	973	364				
WM Krzychylkiewics[4]	12	–	–	–				
Stephen Jurisich[5]	9	–	1 064	–				
Preston Speckman[6]	–	–	–	–				
			16 212	15 923	9 286	9 078	5 138	7 987

Directors	Long-term incentive payments R'000 June 2017	Long-term incentive payments R'000 June 2016	Termination payments R'000 June 2017	Termination payments R'000 June 2016	Pension fund R'000 June 2017	Pension fund R'000 June 2016	Ad hoc fees R'000 June 2017	Ad hoc fees R'000 June 2016	Total R'000 June 2017	Total R'000 June 2016
Nicolaas Kruger	12 192	11 247			341	338			21 887	22 584
Mary Vilakazi	4 343	–			555	555			9 968	6 621
Ben van der Ross							72	43	1 607	1 804
Fatima Jakoet							36	–	1 004	958
Frans Truter							18	–	2 080	2 188
Jabu Moleketi									893	937
JJ Njeke							54	17	1 863	1 808
Johan Burger[1]									593	1 470
Johan van Reenen							18	–	998	970
Khehla Shubane									786	778
Leon Crouse[2]									–	555
Louis von Zeuner							68	26	1 982	1 693
Niel Krige									626	619
Sizwe Nxasana[3]									–	109
Syd Muller							72	43	1 423	1 110
Vuyisa Nkonyeni									658	689
Peter Cooper							36	–	1 009	364
WM Krzychylkiewics[4]									–	–
Stephen Jurisich[5]							36	–	1 100	–
Preston Speckman[6,7]			10 914	10 000					10 914	10 000
	16 535	11 247	10 914	10 000	896	893	410	129	59 391	55 257

1 Resigned November 2016
2 Resigned March 2016
3 Resigned September 2015
4 Appointed July 2016
5 Appointed October 2016
6 Resigned 30 June 2015
7 In the current year, the amount relates to a restraint of trade payment. In the prior year, the amount related to a loss of office payment.

LTIP PERFORMANCE OUTCOMES

The following section sets out the unvested LTIs awarded under the company's LTIP and OPP schemes.

	N Kruger			M Vilakazi		
	MMI LTIP Retention units '000	MMI LTIP Performance units '000	OPP Performance units '000	MMI LTIP Retention units '000	MMI LTIP Performance units '000	OPP Performance units '000
Units in force at 30 June 2015	256	1 082	1 498	68	272	749
Units granted during year	173	490	100	88	206	50
Granted at prices ranging between (cents)	2 464–2 636	2 464–2 636	2 464–2 498	2 464–2 636	2 464–2 636	2 464–2 498
Units exercised/released during year	(59)	(393)	–	–	–	–
Market value of range at date of exercise/release (cents)	2 489	2 489	–	–	–	–
Units in force at 30 June 2016	**370**	**1 179**	**1 598**	**156**	**478**	**799**
Units granted during year	**134**	**532**	**113**	**83**	**269**	**57**
Granted at prices ranging between (cents)	**2 220–2 369**	**2 220–2 295**	**2 220–2 295**	**2 220–2 369**	**2 220–2 295**	**2 220–2 295**
Units exercised/released during year	**(158)**	**(378)**	–	**(38)**	**(152)**	–
Market value of range at date of exercise/release (cents)	**2 250–2 369**	**2 250**	–	**2 281**	**2 281**	–
Units in force at 30 June 2017	**346**	**1 333**	**1 711**	**201**	**595**	**856**