

REMUNERATION REPORT

REMUNERATION POLICY

MMI's remuneration policy is one of the key components of the group's overall human resources (HR) strategy. It supports the HR strategy by helping to build a high-performance,

values-driven culture with a view to capitalising on growth and expansion opportunities, raising the group's levels of innovation and entrenching its entrepreneurial approach to business. The full MMI remuneration policy is available on the MMI website www.mmiholdings.com.




KEY ELEMENTS OF MMI'S REMUNERATION POLICY

- The Remuneration Committee, which is responsible to the board, oversees the setting and administration of the remuneration policy, subject to constant monitoring and regular review. The full terms of reference of the committee are available on the MMI website www.mmiholdings.com. Directors' attendance at committee meetings is available on page 55. The activities of the committee for the period under review are detailed on pages 46 and 47.
- The remuneration policy is aligned with the overall business strategy, objectives and values of the group.
- Metrics to assess performance will take into account not only the level of achievement, but also the risks taken in achieving that level of performance, ie performance measures will be risk adjusted where appropriate.
- Employees are offered a competitive total remuneration package, benchmarked to the market.
- All remuneration (guaranteed and variable) is differentiated based on performance.
- Guaranteed remuneration is normally set at the median market level. However, it can be targeted at levels in the upper quartile for key positions where a premium is payable due to the scarcity and/or technical nature of skills.
- Three performance components are appraised, based on a robust performance management system – group, divisional and individual performance.
- Subjective and objective measures are used for individual performance appraisal purposes.
- The policy differentiates between level 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) and pay band (related to the going market rate for the particular job).
- Pay bands are broad and allow flexibility.
- Individuals are remunerated for their unique individual contribution (individual worth) as well as for their contribution to/collaboration in meeting team objectives.
- The short-term incentive (or performance bonus) scheme is used to promote goal attainment (mutually agreed, strategically aligned outcomes/targets that contribute to the successful implementation of the group's strategic business plans) over a one-year period.
- A long-term incentive plan focuses on the realisation of the group's vision for the future and aligning performance with longer-term value-adding objectives over a three-year period.
- Pay-for-performance incentive systems have also been instituted based on predefined quantitative and qualitative measures.
- The remuneration of employees in the risk and compliance function is determined independently of the various divisions in MMI, with performance measures based principally on the achievement of their function's current objectives.



REMUNERATION REPORT *CONTINUED*



Pay-for-
Performance

Short-term
incentives

Long-term
incentives

MMI'S SHORT-TERM INCENTIVE (PERFORMANCE BONUS) SCHEME

The group's key short-term incentive scheme is a non-guaranteed performance bonus, paid annually as a percentage of an individual's total guaranteed remuneration package.

WHY A PERFORMANCE BONUS?

- Performance bonuses are awarded for the attainment of pre-set, business-aligned performance objectives.
- Bonuses serve as both motivation and reward for scheme participants who achieve or exceed these performance objectives.

WHO QUALIFIES FOR A PERFORMANCE BONUS?

- Only employees with a high level of accountability are eligible to participate in the performance bonus scheme.
- Other high-performing employees are eligible for participation in a budgeted short-term incentive payment pool, based on a percentage of the total payroll.

WHAT PERFORMANCE OBJECTIVES HAVE TO BE MET?

- Performance objectives are set at three levels: group, divisional and individual.
- To strengthen the link between pay and individual performance, strategic objectives, as set out in the group and divisional operating plans, are translated into personal goals, including knowledge, skills and competence to be acquired.
- Personal goals are agreed upfront, ie at the start of each performance period.

WHO APPROVES THE PERFORMANCE OBJECTIVES?

- All group targets have to be approved by the Remuneration Committee of the board.
- Individual goals/targets have to be agreed with the employee's line manager or team leader.

HOW IS PERFORMANCE APPRAISED?

- The group and divisional components of performance are appraised based on a balanced scorecard comprising metrics of a financial and non-financial nature. The same metrics apply in part to individual performance in line with the individual's level of accountability.

- Group performance is evaluated by the Remuneration Committee, divisional performance by the group chief executive officer and individual performance in terms of MMI's performance management system.

HOW ARE PERFORMANCE BONUSES PAID?

Provided all relevant group, divisional and personal performance criteria are met, performance bonuses are determined annually and paid as set out below:

- Performance bonuses are not guaranteed.
- Performance bonuses above a certain threshold level are paid out in two tranches, depending on the overall amount involved. Bonuses below the threshold level are paid in cash by way of a lump sum payment once the bonus has been determined.
- Performance bonuses above a certain second threshold are paid out in three tranches with a percentage of the final tranche deferred into retention units of the long-term incentive plan, vesting after two years.
- Bonus amounts not yet paid can be withheld if the performance of the group, division or individual deteriorates significantly prior to the payout dates of the remaining tranches.

BALANCED SCORECARD

The balanced scorecard incorporates five key performance indicators/metrics, all of which are reviewed annually.

For 2014, the following metrics applied:

- Three financial metrics
 - Core headline earnings
 - Return on embedded value (ROEV)
 - Embedded value (EV) of new business
- Two non-financial metrics
 - Strategic projects
 - Transformation (FSC scorecard)

A five-point rating scale is used to assess performance:

- 1 = underperformance,
- 2 = threshold performance,
- 3 = target performance,
- 4 and 5 = outperformance.

MMI's scorecard contains the group's objectives. In addition to that, each division has its own scorecard that aligns with the group scorecard, but contains division-specific targets and objectives.

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 division against its scorecard determines how the aggregate bonus pool is allocated between divisions.

SHORT-TERM INCENTIVE SCHEME (PERFORMANCE OVER THE YEAR)

KPI	Weight	F2014 target	Actual	Achieved
Return on embedded value (ROEV)	20%	11%	16%	Target exceeded
Core headline earnings	25%	11% growth	12%	Target achieved
Value of new business (VNB)	20%	R756m	R779m	Target achieved
Transformation	15%	FSC score of 75	79	Target achieved
Strategic initiatives	20%	Internal assessment Refer to list below		Target achieved

REMUNERATION REPORT *CONTINUED*

STRATEGIC INITIATIVES

- Products
 - Launch MMI's new short-term insurance offering in South Africa
 - Launch the first products for the middle-income segment in South Africa
- Clients
 - Commence the implementation of MMI's client-centric strategy and operating model
- Growth and diversification
 - Further develop geographical diversification by implementing acquisition and other strategies in Africa, finalising the business case and operating model in India, and investigating opportunities in Southeast Asia
- Culture
 - Develop and nurture a culture of innovation and collaboration

NON-FINANCIAL METRICS

STRATEGIC PROJECTS

These strategic initiatives have been identified as essential to the ongoing success of MMI. They have been included to ensure that the focus of the scorecard is not exclusively on short-term profitability but gives due recognition to initiatives expected to add value over the longer term by improving the group's strategic positioning in areas other than purely financial.

OVERALL B-BBEE SCORECARD

The Financial Sector Charter (FSC) takes into account the various pillars of broad-based black economic empowerment, including all labour and transformation-related policies and practices: eg ownership, employment equity, skills development, procurement, socio-economic development and enterprise development.

SHORT-TERM INCENTIVE PAYMENTS (FOR OPERATIONAL EMPLOYEES)

These payments have been instituted to motivate employees with lower levels of functional accountability who are not eligible to participate in the performance bonus scheme to exceed performance expectations.

- Only high performance and/or consistent outperformance is recognised and rewarded.
- Payments are made from a budgeted pool, based on a percentage of the total guaranteed remuneration packages of all employees and not on group or divisional performance.

LONG-TERM INCENTIVE PLAN (LTIP)

- The purpose of the LTIP is to attract, motivate, reward and thus help to 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.
- The LTIP is a cash-settled share scheme. Participants are paid a cash bonus calculated using the value of an MMI Holdings Ltd share on the JSE.
- Each tranche of shares (allocated on an annual basis) contains a combination of performance (acting as a performance driver) and retention (acting as a retention mechanism) units, all of which vest after three years.
- For each tranche of shares, performance criteria are measured and averaged over the three-year vesting period, thus eliminating short-term fluctuations and focusing on long-term value creation.
- The primary metric under the LTIP is the group's ROEV, measured against the country's growth in gross domestic product (nominal GDP) and against the average ROEV achieved over the three years by the five largest insurance groups in South Africa. The targeted ROEV is nominal GDP growth + 3% per annum, and the maximum additional vesting due to the outperformance of the peer group is 150% of the allocated performance units.
- Vesting rates of the performance units are determined according to three cut-off points: threshold performance, target performance and outperformance.
- The Remuneration Committee may, in its sole discretion, waive or 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.

LONG-TERM INCENTIVE SCHEME (PERFORMANCE TO DATE)


Return on embedded value	Target (GDP+3%)	Actual*
Tranche 1 (2011 to 2014) Annualised performance for the period 1 July 2011 to 30 June 2014	10.8%	16.3%
Tranche 2 (2012 to 2015) Annualised performance for the period 1 July 2012 to 30 June 2014	10.5%	18.9%
Tranche 3 (2013 to 2016) Annualised performance for the period 1 July 2013 to 30 June 2014	10.8%	20.4%


* Average annualised percentages, measured since inception of each tranche up to 30 June 2014.

DISCLOSURE OF DIRECTORS' REMUNERATION

King III and the Companies Act require that the individual remuneration of all prescribed officers should be disclosed.

The identified prescribed officers of MMI are Nicolaas Kruger,

 Ngao Motsei, Preston Speckmann and Wilhelm van Zyl. Their remuneration is set out on pages 62 and 63.

 Details of the remuneration of executive and non-executive directors are provided on pages 62 and 63.

DIRECTOR'S 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*

DIRECTORS' EMOLUMENTS

Directors	Months		Fees R'000		Salary R'000		Performance bonus R'000	
	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013	June 2014	June 2013
Nicolaas Kruger	12	12			5 082	4 795	7 104	6 333
Wilhelm van Zyl ²	12	12			4 695	4 100	6 256	5 573
Preston Speckmann	12	12			3 270	2 972	3 798	3 455
Ngao Motsei	12	7			1 897	1 618	2 027	1 405
Morris Mthombeni ³	–	2			4 107	3 037		
Johan Burger	12	12	1 043	1 292				
Leon Crouse	12	12	652	794				
Blignault Gouws ⁴	5	12	868	1 255				
Fatima Jakoet	12	12	1 456	1 626				
Niel Krige	12	12	543	747				
Jabu Moleketi	12	12	683	751				
Syd Muller	12	12	1 215	1 495				
John Newbury	–	5	–	473				
JJ Njeke	12	12	1 604	2 013				
Vuyisa Nkonyeni	12	12	739	840				
Sizwe Nxasana	12	12	839	683				
Khehla Shubane	12	12	614	747				
Frans Truter	12	12	2 249	2 569				
Ben van der Ross	12	12	1 097	1 479				
Johan van Reenen	12	12	850	924				
Mary Vilakazi ⁵	5	12	907	1 600				
Louis von Zeuner ⁶	6	–	518	–				
			15 877	19 288	19 051	16 522	19 185	16 766

¹ Share-based payment charge relating to the group's existing shares schemes for the period. This will be reflected under long-term incentive payments when paid.

² Resigned 30 June 2014

³ Resigned 31 August 2012 (Included in the salary figure is a loss of office payment of R4 106 521)

⁴ Retired 27 November 2013

⁵ Resigned 27 November 2013

⁶ Appointed 1 January 2014

The group directors and prescribed officers are all remunerated by MMI Holdings Limited.

REMUNERATION REPORT CONTINUED

EXECUTIVE DIRECTORS' INCENTIVISATION

	MomCSP*			MetLTRS**			MMI LTRAS***		
	N Kruger '000	W van Zyl '000	P Speckmann '000	N Kruger '000	W van Zyl '000	P Speckmann '000	N Kruger '000	W van Zyl '000	P Speckmann '000
Units in force at 1 July 2012	447	313	155	458	489	305			
Granted at prices ranging between (cents)	–	1 340	1 340	–	–	–			
Units granted during year	–	5	2	–	–	–			
Units exercised/released during year	(417)	(318)	(157)	–	–	–			
Market value of range at date of exercise/release (cents)	1 959 – 2 149	2 074	2 074	–	–	–			
Units in force at 30 June 2013	30	–	–	458	489	305			
Units granted during year	–	–	–	–	–	–			
Units exercised/released during year	(30)	–	–	(458)	(489)	(305)			
Market value of range at date of exercise/release (cents)	2 515	–	–	2 530	2 530	2 530			
Units in force at 30 June 2014	–	–	–	–	–	–			

Units outstanding (by expiry date) for the MMI LTIP are as follows:

	N Kruger		W van Zyl		P Speckmann		N Motsei	
	Retention units '000	Performance units '000	Retention units '000	Performance units '000	Retention units '000	Performance units '000	Retention units '000	Performance units '000
2014								
Financial year 2014/2015	61	399	51	268	36	146	19	77
Financial year 2015/2016	53	359	45	240	33	130	19	76
Financial year 2016/2017	48	317	41	212	29	115	28	114
Total outstanding shares	162	1 075	137	720	98	391	66	267
2013								
Financial year 2014/2015	61	399	51	268	36	146	19	77
Financial year 2015/2016	51	343	44	230	32	125	18	73
Total outstanding shares	112	742	95	498	68	271	37	150

Units outstanding (by expiry date) for the MomCSP are as follows:

	N Kruger '000
2013	
Financial year 2013/2014	30
Total outstanding shares	30

Units outstanding (by expiry date) for the MMI LTRAS are as follows:

	N Kruger '000	W van Zyl '000	P Speckmann '000
2013			
Financial year 2013/2014	458	489	305
Total outstanding shares	458	489	305

* Momentum Conditional Share Plan.

** Metropolitan Long-term Replacement Scheme.

*** MMI Long-term Retention Award Scheme.

**** MMI Long-term Incentive Plan.



For more detail please refer to note 21.2(e) on pages 169 to 173.

MMI LTIP****								
N Kruger		W van Zyl		P Speckmann		N Motsei		
Retention units '000	Performance units '000	Retention units '000	Performance units '000	Retention units '000	Performance units '000	Retention units '000	Performance units '000	
61	399	51	268	36	146	19	77	
-	-	-	-	-	-	-	-	
51	343	44	230	32	125	18	73	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
112	742	95	498	68	271	37	150	
50	333	42	222	30	120	29	117	
-	-	-	-	-	-	-	-	
162	1 075	137	720	98	391	66	267	