

RISK MANAGEMENT

MMI'S RISK PHILOSOPHY RECOGNISES THAT MANAGING RISK IS AN INTEGRAL PART OF GENERATING SUSTAINABLE SHAREHOLDER VALUE AND ENHANCING STAKEHOLDER INTERESTS.

INTRODUCTION

MMI's risk philosophy recognises that managing risk is an integral part of generating sustainable shareholder value and enhancing stakeholder interests. It also recognises that an appropriate balance should be struck between entrepreneurial endeavour and sound risk management practice.

RISK MANAGEMENT STRATEGY

MMI's key risk management strategies are to:

- understand the nature of the risks MMI is exposed to, the range of outcomes under different scenarios, and the capital required to assume these risks
- manage shareholder value by generating a long-term sustainable return on the capital required to back the risks assumed
- ensure the protection of client interests by maintaining adequate solvency levels
- ensure that capital and resources are strategically focused on activities that generate the greatest value on a risk-adjusted basis
- create a competitive long-term advantage in the management of the business with greater demonstrated responsibility to all stakeholders.

Risk management enables management to deal with uncertainty and its associated risks and opportunities effectively, enhancing the capacity to build value.

The MMI board is ultimately responsible for the end-to-end process of risk management, as well as for assessing its effectiveness. Management is accountable to the board for designing, implementing and monitoring the process and for integrating it into the day-to-day activities of the group.

The board discharges these responsibilities by means of frameworks and policies approved and adopted by the board and its designated committees that direct the implementation and maintenance of adequate processes for corporate governance, compliance, and risk management. The risk management framework applies to all the divisions, business units, subsidiaries and activities of MMI.

RISK APPETITE

MMI's risk appetite is formulated by the Group Executive Committee and approved by the Board Risk and Compliance Committee.

The setting of risk appetite is fundamentally driven by the dual, and at times conflicting, objectives of creating shareholder value through risk taking, while providing financial security for customers through appropriate maintenance of the group's ongoing solvency.

RISK TAXONOMY

MMI actively manages the following risk categories and types of risk:

- Life insurance risk
- Non-life insurance risk
- Credit risk
- Market risk
- Liquidity risk
- Strategic, business and reputational risk
- Operational risk

For further detail on the above risks and their management, please refer to the notes on pages 187 to 225 and the MMI Holdings website www.mmiholdings.com.

