

In setting and reviewing our remuneration strategy and policy, we have sought to align our practices with market best practice, as well as the King III Report on Corporate Governance, the draft King IV Report, and all relevant regulations.

Please see the table below for feedback received from shareholders on the 2015 remuneration policy.

SHAREHOLDER FEEDBACK	RESPONSE FROM THE REMUNERATION COMMITTEE
There was a large long-term award for the CEO, with the same ROEV performance condition as featured in the standard LTIP.	The once off long-term outperformance award for the CEO in 2015 had more stretching performance conditions than the standard annual LTIP award. The standard annual LTIP award was targeted for 100% vesting at ROEV of nominal GDP +3%, whereas the once off long-term outperformance award was targeted for 100% vesting when ROEV meets or exceeds nominal GDP +6% at the time.
There were two large loss of office payments made to two directors who left the company.	The payments made were part of a mutual separation agreement, and not part of the executives' employment contracts. The payments took into account a restraint of trade payment, as well as invested short-term incentive (STI) and long-term incentive plans (LTIP) awards.
Hourly payments for non-executive directors will increase their dependence on the company.	The ad hoc hourly fees are supplementary for significant additional work done during the financial year, and are non-guaranteed payments. Supplementary fees are only paid for ad hoc committee work required from the non-executive directors, and are detailed separately in the disclosure of remuneration of non-executive directors.
There is no clear maximum award limit for any of the incentive plans.	The STI is capped at 200% of total guaranteed pay (TGP). The maximum allocation of the annual LTIP is also capped at 200% of TGP. We have disclosed the dilution limits for the overall LTIPs, as well as for individual employees' in part two of this remuneration report which starts on page 66.
The performance period for the LTIP should be longer, with a further holding period.	The minimum shareholding requirements (MSRs) which were introduced in the 2015 financial year create a sufficiently long post-vesting retention period. The three-year vesting period is in line with market practice. Furthermore, the once-off outperformance award introduced in the 2015 financial year vests over five years.
There should be at least two performance metrics, as well as non-financial measures for the incentive plans.	The STI is measured against a balanced scorecard, which incorporates financial and strategic objectives. The LTIP is geared towards growth in ROEV, which is in line with the company's strategic objectives of long-term value creation for shareholders (which, at a group level, is measured as ROEV).



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 52. The activities of the committee for the year under review are detailed on page 56. The remuneration policy is based fundamentally 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 policyholders.
- 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, business unit and individual performance.
- Subjective and objective measures are used for individual performance appraisal purposes.
- The policy takes into account the 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). Pay bands will take into account 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, or collaboration in meeting team objectives.
- The short-term incentive (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.

- 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 functions is determined independently of the various segments in MMI, with performance measures based principally on the achievement of 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.

REMUNERATION STRUCTURE

Guaranteed remuneration/package

- The key objective is to provide the base element of remuneration that reflects the person's role or position at MMI and is payable for doing the expected job.
- Guaranteed remuneration is paid monthly on a cost to company basis.
- Guaranteed remuneration is generally targeted at the median or 50th percentile level.
- Guaranteed remuneration is normally benchmarked against the financial services market.
- Guaranteed remuneration is set at a level that aligns with expected operational performance.
- 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, are eligible for the guaranteed remuneration.

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 preset, 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?

- All employees are eligible to participate in the performance bonus scheme.

What performance objectives have to be met?

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

Who approves the performance objectives?

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

How is performance appraised?

- The group and business unit 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, business unit 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, business unit and personal performance criteria are met, performance bonuses are determined annually and paid as set out below:

- 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, segment or individual deteriorates significantly prior to the payout dates of the remaining tranches.

Long-term incentive plan (LTIP)

- The purpose of the LTIP is to attract, motivate, reward and thus help in retaining 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. On vesting participants are paid a cash amount, calculated using the value of a 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 return on embedded value (ROEV), measured against the 10-year return on RSA government bonds. The targeted ROEV over a financial year is the 10-year zero-coupon RSA bond yield at the start of the financial year, plus 300 basis points. At this level, performance units fully vest. ROEV in excess of a 300 basis point margin designates outperformance, with up to 200% vesting of performance units occurring at a margin of 600 basis points above the 10-year RSA government bond yield.
- For tranches issued prior to 2015, the performance target was expressed not relative to the 10-year bond yield, but relative to the annual growth in nominal GDP, with full vesting occurring at GDP + 300 basis points.
- ROEV is a risk-cognisant metric, because it references economic and other capital consumed by the business. Economic capital is determined using a risk-based approach.
- The vesting of performance units is determined in accordance with performance levels, namely threshold performance (30% vesting), target performance (100% vesting) and stretch performance (200% vesting).
- The Remuneration Committee may, at 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.

BALANCED SCORECARD

In line with the group's client-centric strategy, the F2016 balanced scorecard (in respect of the short-term incentive scheme) was substantially revised compared to previous years. During F2016, the group-level scorecard measured performance under each of the following key focus areas:

- Financial aspirations:
 - Core headline earnings
 - Return on embedded value (ROEV)
 - Embedded value of new business (VNB)
 - Cost efficiency
- Client aspirations and client satisfaction
- Internal objectives
 - Growth (diversification, increasing client base and value of existing clients)
 - Client centricity (Financial Wellness and client relationships)
- Strategic enablers
 - Various focus areas, including flexibility and modularity of systems, analytics capabilities and a collaborative, client-centric and innovative culture
- Transformation

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.

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.

PERFORMANCE SCORECARD 2016

MMI's performance under its short-term performance scorecard for F2016 was as follows:

	Weight	F2015 target	Actual	Achieved
Return on embedded value	20%	11.6%	12.8%	↑↑
Core headline earnings	20%	10% growth	(16%)	↓↓↓
Value of new business	15%	R905m	R850m	↓
Optimisation and expense savings programme	10%	R100m	R104m	↑↑
Strategic initiatives	35%		on target	↔

LONG-TERM INCENTIVE SCHEME (PERFORMANCE TO DATE)

Return on embedded value (ROEV)	Target	ROEV*
Notional shares issued 2013 and vesting 2016		
Annualised performance for the 36 months 1 July 2013 to 30 June 2016	9.8%	13.7%
Notional shares issued 2014 and vesting 2017		
Annualised performance for the 24 months 1 July 2014 to 30 June 2016	9.1%	11.2%
Notional shares issued 2015 and vesting 2018		
Annualised performance for the 12 months 1 July 2015 to 30 June 2016	11.6%	12.8%

* Average annualised percentages, measured since inception of each tranche up to 30 June 2016.

DISCLOSURE OF DIRECTORS' REMUNERATION

Details of the remuneration of executive and non-executive directors are provided on pages 69 to 72.



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.

DIRECTORS' EMOLUMENTS

Directors	MONTHS		Fees R000		Salary R000		Performance bonus R000	
	June 2016	June 2015	June 2016	June 2015	June 2016	June 2015	June 2016	June 2015
	Nicolaas Kruger	12	12			5 926	5 562	5 073
Mary Vilakazi ¹	12	–			3 152		2 914	
Wilhelm van Zyl ²	–	–						
Preston Speckmann ³	–	12				4 485		2 758
Ngao Motsei ⁴	–	12				2 489		2 014
Ben van der Ross	12	12	1 761	1 553				
Fatima Jakoet	12	12	958	1 155				
Frans Truter	12	12	2 188	2 302				
Jabu Moleketi	12	12	937	819				
JJ Njeke	12	12	1 791	1 681				
Johan Burger	12	12	1 470	1 169				
Johan van Reenen	12	12	970	910				
Khehla Shubane	12	12	778	731				
Leon Crouse ⁵	9	12	555	732				
Louis von Zeuner	12	12	1 667	1 442				
Niel Krige	12	12	619	581				
Sizwe Nxasana ⁶	3	12	109	822				
Syd Muller	12	12	1 067	1 262				
Vuyisa Nkonyeni	12	12	689	761				
Peter Cooper ⁷	7	–	364					
			15 923	15 920	9 078	12 536	7 987	10 176

Directors	Long-term incentive payments		Loss of office R000		Pension fund R000		Ad hoc fees R000		Total R000	
	June 2016	June 2015	June 2016	June 2015	June 2016	June 2015	June 2016	June 2015	June 2016	June 2015
	Nicolaas Kruger	11 247	13 380			338	319			22 584
Mary Vilakazi ¹	–				555				6 621	
Wilhelm van Zyl ²				25 000					–	25 000
Preston Speckmann ³		5 295	10 000			225			10 000	12 763
Ngao Motsei ⁴		2 792		10 000		319			–	17 614
Ben van der Ross							43		1 804	1 553
Fatima Jakoet									958	1 155
Frans Truter									2 188	2 302
Jabu Moleketi									937	819
JJ Njeke							17		1 808	1 681
Johan Burger									1 470	1 169
Johan van Reenen									970	910
Khehla Shubane									778	731
Leon Crouse ⁵									555	732
Louis von Zeuner							26		1 693	1 442
Niel Krige									619	581
Sizwe Nxasana ⁶									109	822
Syd Muller							43		1 110	1 262
Vuyisa Nkonyeni									689	761
Peter Cooper ⁷									364	
	11 247	21 467	10 000	35 000	893	863	129	–	55 257	95 962

[#] Bonus payments relate to the 2015 financial year's bonus.

¹ Appointed 1 July 2015

² Resigned 30 June 2014

³ Resigned 30 June 2015

⁴ Resigned 30 June 2015

⁵ Resigned 31 March 2016

⁶ Resigned 30 September 2015

⁷ Appointed 20 November 2015

LTI 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 2014	162	1 075	–	31	125	–
Units granted during year	155	405	1 498	37	147	749
Granted at prices ranging between (cents)	2 826 – 2 833	2 833	2 833	2 826 – 2 833	2 833	2 833
Units exercised/released during year	(61)	(398)	–	–	–	–
Market value of range at date of exercise/release (cents)	2 907	2 907	–	–	–	–
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

	P Speckmann		N Motsei		W van Zyl	
	MMI LTIP Retention units '000	MMI LTIP Performance units '000	MMI LTIP Retention units '000	MMI LTIP Performance units '000	MMI LTIP Retention units '000	MMI LTIP Performance units '000
Units in force at 30 June 2014	98	391	66	267	137	720
Units granted during year	63	135	33	85	–	–
Granted at prices ranging between (cents)	2 826 – 2 833	2 833	2 826 – 2 833	2 833	–	–
Units exercised/released during year	(36)	(146)	(19)	(77)	–	–
Market value of range at date of exercise/release (cents)	2 907	2 907	2 907	2 907	–	–
Units cancelled/lapsed during year	–	–	(80)	(275)	(137)	(720)
Units in force at 30 June 2015	125	380	–	–	–	–
Units cancelled/lapsed during year	(125)	(380)	–	–	–	–
Units in force at 30 June 2016	–	–	–	–	–	–

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

	N Kruger			M Vilakazi			P Speckmann	
	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	MMI LTIP Retention units '000	MMI LTIP Performance units '000
2016								
Financial year 2016/2017	156	363		36	142			
Financial year 2017/2018	151	391		73	150			
Financial year 2018/2019	63	425	959	47	186	479		
Financial year 2019/2020			639			320		
Total outstanding shares	370	1 179	1 598	156	478	799		
2015								
Financial year 2015/2016	57	381		–	–		35	139
Financial year 2016/2017	145	337		33	133		60	121
Financial year 2017/2018	54	364		35	139		30	120
Financial year 2018/2019			899					
Financial year 2019/2020			599					
Total outstanding shares	256	1 082	1 498	68	272	–	125	380

The performance outcomes are set out in the table below.

Return on embedded value (ROEV)	Target	ROEV*
Notional shares issued 2013 and vesting 2016		
Annualised performance for the 36 months 1 July 2013 to 30 June 2016	9.8%	13.7%
Notional shares issued 2014 and vesting 2017		
Annualised performance for the 24 months 1 July 2014 to 30 June 2016	9.1%	11.2%
Notional shares issued 2015 and vesting 2018		
Annualised performance for the 12 months 1 July 2015 to 30 June 2016	11.6%	12.8%

* Average annualised percentages, measured since inception of each tranche up to 30 June 2016.

NON-EXECUTIVE DIRECTORS' REMUNERATION

In compliance with the provisions of section 66(8) (read with section 66(9) of the Act, the company may pay remuneration to its directors for their service as directors in accordance with a special resolution approved by the shareholders within the previous two years. A special resolution, as required by the Act and the company's MOI was passed at the annual general meeting (AGM) of the company in November 2015 and is valid until November 2017. It should be noted that, as determined by the Remuneration Committee and approved by the board of the company, the fees set out below remain unchanged from those fees approved by shareholders at the AGM in November 2015. Thus, the scale of remuneration paid with effect from 1 September 2015 will continue to be effective from 1 September 2016 in accordance with company policy and the decision taken by the board of the company.

Executive directors shall not be remunerated for their services as directors of the company or its subsidiaries.

	Annual fee: 2017 (No increase from 2016)
Chairperson of the board	R1 292 500
Deputy chairperson of the board	R646 280
Board member	R465 030
Chairperson of audit committee	R387 730
Member	R193 280
Chairperson of actuarial committee	R322 510
Member	R193 280
Chairperson of remuneration committee	R322 510
Member	R160 660
Chairperson of risk, capital and compliance committee	R387 730
Member	R193 280
Chairperson of social, ethics and transformation committee	R258 500
Member	R160 660
Chairperson of nominations committee	R193 280
Member	R96 640
Chairperson of fair practices committee	R258 500
Member	R160 660
Chairperson of board*	R258 500
Member*	R160 660
Ad hoc work (hourly)	R4 525

* Boards established for segments and Centres of Excellence in terms of the new MMI client-centric model.