HUMAN CAPITAL

The energy and enthusiasm with which our employees united behind the Reset and Grow strategy played a major part in our achievements both last year and in the first half of the year under review. The resilience, determination and can-do attitude they have demonstrated since the advent of Covid-19 and the consequent lockdown deserves high praise and bodes well for our future. My thanks go to everyone for their outstanding contributions, which have sometimes been made under very challenging circumstances.

Hillie Meyer
Chief Executive Officer

The Covid-19 pandemic has highlighted the duty of care we have towards our employees and society. Our human capital team has a key role to play in delivering on this duty by creating a safe environment, ensuring the holistic well-being of our workforce and supporting business continuity.

During F2020 we spent time on developing a people strategy that will support the Group's strategy beyond Reset and Grow and, following the advent of Covid-19, will support new ways of working.

Three of the SDGs that correlate with our purpose and the key focus areas of our strategic objectives affect our ability to grow our stock of human capital. They are:

3 GOOD HEALTH AND WELL-BEING

SDG 3: Ensure healthy lives and promote well-being for people of all ages

4 QUALITY EDUCATION

SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities

8 DECENT WORK AND ECONOMIC GROWTH

SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

We have highlighted in this section of the report where, through our approach to our people, we have been able to make a contribution to these three SDGs.

Our strategic focus

Our key focus areas in F2020 were:

- the safety, health and overall well-being of our people, particularly during Covid-19
- culture
- being an employer of choice
- improving workforce transformation outcomes
- evolving skills requirements and retaining skills
- leadership development
- digital transformation of our human capital services.

Key elements of our human capital Covid-19 response

- Personal health, safety and employee care
- Communication, education, monitoring, tracking and reporting of cases
- Work-from-home and return-to-work practices
- Digital enablement

Human capital governance

To meet our commitment as a responsible corporate citizen we uphold the United Nations' Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. Our Social, Ethics and Transformation Committee meets its responsibilities for ensuring the Group is a responsible corporate citizen and that our Board-approved employment policies provide a workplace based on:

- mutual respect
- fairness
- integrity
- non-discrimination
- equal opportunity for all
- open and two-way engagement with our employees.

We continually review our human capital policies to ensure they are fit for purpose in a changing world, and we are putting in place a remote working policy.

OUR PEOPLE

8 DECENT WORK AND ECONOMIC GROWTH

78% of our workforce is black

	% change year-on-year	2020	2019	2018
South African employees	7.3	**13 749**	12 812	13 690
Employees outside South Africa	(13.2)	**2 485**	2 862	3 251
Total employees	**3.6**	**16 234**	**15 674**	**16 941**

	2020 %	2019 %	2018 %
Absenteeism*	**1.15**	1.23	1.23
Employee voluntary turnover	**20**	34	29

*Absenteeism includes all sick leave taken over the financial year.
*Annualised employee voluntary turnover includes resignations only.

Our investment in our people

	% change year-on-year	2020 R	2019 R	2018 R
Salaries (total cost to company)	9.0	6 725 865 126	6 163 508 444	5 854 359 091
Training and development	34.6	70 000 000	52 000 000	70 000 000
Employee wellness	(6.0)	3 453 440	3 671 943	3 440 254
Total investment	**9.0**	**6 799 318 566**	**6 219 180 387**	**5 927 799 345**

Inclusivity and diversity

We strive to be an organisation where people from all walks of life can experience a sense of belonging and achieve their potential. In the South African context there is a lot we still need to do in terms of transformation. To achieve this we have a powerful mandate to introduce diverse talent into our business and grow diverse talent going forward in a more intentional way.

Momentum Metropolitan made some progress with employment equity during the year under review, which was the final year of our current five-year plan. We have put a strategy in place to increase both African representation and specifically African female representation in our top three management levels, which will form part of our new five-year employment equity plan. See our Employment Equity report at www.momentummetropolitan.co.za/en/sustainability/transformation.

Female representation

While female employees have made up 64% of our workforce over the past three years, African female employees made up 51% of our employees in F2020 (F2019: 50%). The percentage of black (African, Coloured and Indian) females in top, senior and middle management was 20% in F2020 (F2019: 19%).

Female representation

	2020 %	2019 %	2018 %
Total percentage of females in our workforce	64	64	64
Percentage of African, Coloured and Indian (ACI) females in our workforce	51	50	51
Percentage of ACI female members in management (top, senior and middle management)	20	19	21

Management representation

We have some way to go before we achieve the African representation we want to achieve at top, senior and middle management levels. We did, however, meet our employment equity targets for African males in top management positions on our year-five employment equity plans and we made good progress with black representation in middle management, which on average is 41%.

	2020	2019	2018
Percentage of ACI employees who are members of management (top, senior and middle management)	**41**	40	41

	Top Management		Senior Management		Middle Management		Junior Management	
Year	Black %	Black Female %	Black %	Black Female %	Black %	Black Female %	Black %	Black Fe-male %
2018	36	36	33	12	43	21	83	54
2019	40	30	33	10	40	20	81	51
2020	**36**	**18**	**36**	**13**	**40**	**22**	**82**	**53**
Average %	**37**	**28**	**34**	**12**	**41**	**21**	**82**	**53**

Appointments and promotions

The promotion of black people is a priority focus in Momentum Metropolitan. Forty two percent of the promotions to senior management during F2020 were black people and 33% were African. Of those promoted to middle management positions, 49% were black and 18% were Africans.

Voluntary turnover

While our average annualised voluntary turnover was 22% in F2020 (F2019: 34%) the annualised voluntary turnover of our non-sales employees remained static at 11% (F2019: 11%) while the voluntary turnover of sales employees reduced to 43% in F2020 from 73% in F2021. Metropolitan Life's resetting of its sales force impacted the turnover of sales employees in both F2020 and F2021.

The safety, health and well-being of our employees, particularly during Covid-19

The governance of the safety and health of our employees

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Momentum Metropolitan complies with the Occupational Health and Safety (OHS) Act 85 of 1993 and its regulations, as well as the Compensation for Occupational Injuries and Diseases Act 130 of 1993. Health and safety in Momentum Metropolitan is governed by the Group's health and safety policy in which emergency procedures, employer and employees' rights and responsibilities as well as all OHS-related roles are clearly defined.

Employees who volunteer or are nominated for the various OHS positions in the company are appointed and trained to perform key OHS functions. During the year under review 144 OHS officials were trained.

Our ongoing safety, health and well-being initiatives not only focus on complying with legislation and ensuring the safety of our employees, but also include membership of the Momentum Metropolitan medical scheme and access to our Wise and Well programme.

During Covid-19 the focus of our efforts to care for the health, safety and well-being of our employees intensified and changed.

Communicating to keep our people safe

Our frequent communication with our employees included a frequently asked questions (FAQ) awareness campaign to enable employees to better understand the virus, symptoms and protocols. We also communicated on adapting to a work-from-home environment, which included videos, infographics and quick tips. A PeopleTrax channel was available to employees for queries and more information. We were also transparent with employees regarding the number of employees infected with Covid-19, while keeping the identity of the affected employees confidential. We developed a Covid-19 organisational wellness well-being survey that our business units could use to measure, monitor and track the well-being of their employees during lockdown.

Care for essential workers

We ensured that the work environment was sanitised and that our employees that needed to be on site during lockdown were protected from Covid-19 while at work. We also provided food and transport for them.

Employee well-being

During lockdown we made our Wise and Well call centre available 24 hours a day to provide support to our employees who were anxious and stressed during lockdown.

We also provided a USSD solution to identify Covid-19 symptoms and to call for a doctor for employees who were high-risk cases.

Return-to-work practices

To contain the risk of infection and protect the health and safety of all our employees, our return-to-work practices included a pre-defined process that complied with governmental guidelines, but also provided a non-threatening experience for employees returning-to-work. The process included a return to office questionnaire and a digital passport to clear employees returning to work.

Our employee value proposition

Our Wise and Well programme, provided by Occupational Care South Africa (OCSA), is available under lockdown to all our South African employees 24 hours a day, and face-to-face counselling (via Zoom or Skype during lockdown). Normally it provides onsite counselling and critical incident debriefings, but these will also be delivered via a video platform or, if not available, telephonic support will be provided.

The programme usually includes training, wellness days and awareness events, which are not available under lockdown. The Wise and Well service was extended to our African operations including Namibia, Lesotho, Botswana, Kenya and Ghana from 1 April 2020, providing a telephonic advice service.

A Safety Button that employees could press to call a security response team will be rolled out in F2021.

We also provide our employees with access to the Smartfunder benefit which assists employees to pay school fees in a more tax efficient manner. The benefit is based on an incentive created by government to make education more affordable and accessible. Momentum Metropolitan was also able to secure a fee discount for its employees at certain private schools.

We took a number of steps to financially support our commission-earning employees who were not able to earn during lockdown.

Employees as shareholders

Momentum Metropolitan considers the alignment of their interests as the most effective way of achieving meaningful value creation for all our stakeholders. The Group proposes establishing a broad-based employee share ownership scheme, which will acquire 3% of the Group's ordinary share capital. The share ownership scheme is structured as a trust to the benefit all of the Group's South African employees. Currently, the scheme is subject to certain suspensive conditions, including approval from existing shareholders. The scheme aspires to realise broad-based black socio-economic transformation, by empowering our employees through the opportunity to participate as shareholders in our business.

Shares will be allocated in accordance with the terms of the scheme and the allocation policy, which provide for approximately 85% of the economic benefits of the scheme accruing to black employees and at least 55% of the economic benefits accruing to black women employees.

By establishing the scheme in terms of Annexure 100(C) of the B-BBEE Codes, the Group will also be meeting its B-BBEE objectives.

Digital enablement

The digitalisation of human capital services, based on what our employees told us they would like to be able to access through a self-service facility, has been under way for some time. Digital enablement made it possible for our employees, leaders and human capital team to communicate and effectively manage remote working.

Included in our digital offering is our **Human Hub**, which provides an easy-to-navigate platform and gives our employees access to the latest announcements; people tools and systems, which enable the management of personal and management responsibilities; and policies, processes and practices.

Enhanced PeopleConnect capabilities

Emergency
Employees can easily update their emergency contact and location details in one place

Essential
Employees can easily be classified as essential service workers to allow ease of management and reporting of

Remote working
Employees can indicate whether they are working remotely or at the office with a simple toggle indicator,

Contractors
All contractors can now be added to PeopleConnect, allowing one view of the entire workforce and detailed views of

Manager
Line managers have access to reporting on all their remote workers, contractors and essential service workers

Employer of choice

To achieve our goal of being an employer of choice we aim to meet and exceed employee expectations of Momentum Metropolitan as an employer and their expectations that our leadership should be caring, compassionate transparent and trustworthy. We believe that the quality of our leadership and our employee value proposition will enable our achievement of this goal. Our human capital team is focused on ensuring that interacting with human capital at Momentum Metropolitan makes our employees feel that they belong. We are examining touch points such as the performance process to ensure it meets employees' expectations of leaders as being transparent, caring and trustworthy.

When most of a workforce is working remotely keeping employees connected with the business is challenging. Our focus is on finding new and innovative ways to engage employees and keep them connected to the brand.

Learning and development

4 QUALITY EDUCATION

We have been able to make a significant contribution to the Group's achievement as a Level 1 B-BBEE contributor through our skills score of 12.9. The contribution that our transformation efforts are making to the increased employability of the unemployed, which include learnerships, internships, bursaries and short programmes, are covered under transformation in the social and relationship section of this report on page 111.

To support the rapid digitalisation of the business we provided training during the year under review that is designed to make our employees digitally fit, and included the enabling of remote working.

Equipping our employees with the skills they need to better serve our clients, grow the business and adapt to the changing world of work are also a focus of our learning and development programmes.

6 930 employees received training during the year (F2019: 7 295)

63% of these learners **were female** (F2019: 59%)

84% were black (F2019: 86%)

55% were Africans (F2019: 58%)

Leadership development

4 QUALITY EDUCATION

During the previous financial year we invested in a development programme for 129 key junior, middle and senior managers for which they received an accredited qualification. Leadership development remains a key focus for our learning and development team. Particularly important, currently, is supporting leaders in leading remotely and assisting them with identifying what is expected of a leader in this context.

Talent management

Our powerful mandate to introduce diverse talent into our business and grow diverse talent going forward in a more intentional way is a key element of talent management and the talent management frameworks we have established at Momentum Metropolitan. We recognise that in the world of remote working competition for talent could well increase as it becomes possible for South African talent to stay at home while working anywhere in the world. We will need to ensure that our value proposition attracts and retains the skills and talent necessary to continue growing the business and creating value for our stakeholders.

People philosophy and culture

While it is important that we all belong to one family with its own culture, we also encourage the development of sub-cultures in our business units. Our focus in terms of culture is on the golden thread of our people management and people philosophy and the values that drive us.

Embedding an ethical culture

During F2020 to create awareness of our commitment to an ethical culture we launched a reviewed and approved Momentum Metropolitan gift policy. It requires that employees declare gifts or hospitality received twice a year, and employees are alerted to this requirement.

In addition to the sales environment related policy an employee-specific conflict of interest policy was approved and communicated to employees during F2020. The policy introduced a new process that requires employees to self-declare any possible conflicts of interest. The employee's direct manager engages with the employee following receipt of the alert to discuss and make a finding on whether the declaration constitutes a conflict of interest to Momentum Metropolitan and address the matter accordingly.

Our existing whistle-blowing policy, which was only for South Africa, was reviewed and customised for use by our international operations.

Our Internal Audit reviewed the Momentum Metropolitan Code of Ethics and Standards of Behaviour structures and programme during the second and third quarters of F2020. There findings were positive as they related to the existence of policies on ethical issues and guidance notes on all aspects of employee behaviour, including statements on bribery and corruption, etc, with one exception. A finding was raised regarding the absence of a formal structured ethics training and awareness programme, although various awareness communications are sent to staff from time to time. Management has since worked with Group Training to establish a more formal Group-wide training and awareness-creating programme to ensure continuous learning and awareness of ethics. This programme will begin in F2021. The findings of Internal Audit were accepted by the Social, Ethics and Transformation Committee and the Board.

The way forward

The year ahead is no doubt going to be a challenging one, during which managing our operational costs and the new way of working will be a key focus. We believe that the sudden change in our environment brought about by Covid-19 presents us with opportunities to think differently and consider how best to equip our employees for this changing environment. We also need to develop new remote and mostly digital strategies if remote working, flexible working arrangements and a digital-first approach becomes the norm. But our most important role as a human capital team is to ensure we provide our employees with a human capital experience that makes them feel they belong, equip them with the skills they will need and support our leadership in developing new skills for leading remotely.

PART 1 – REPORT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

After a strong earnings recovery in F2019, the group was on track to meet the Reset and Grow normalised headline earnings (NHE) target for F2020. However, the negative impact of the Covid-19 Pandemic, and the resulting lockdown from the end of the third quarter, resulted in normalised headline earnings declining by 51% compared to the prior year. The largest negative earnings impacts arose from the significant investment market declines and market volatility, and the creation of an additional provision for Covid-19-related deaths. Excluding the impact of these two items, earnings from operational activities of R3 478 million (after-tax) demonstrate a continuation of our pre-Covid-19 momentum, and the robustness of our underlying results.

The result of the precipitous decline in earnings was that the threshold financial targets for F2020, in terms of the Group scorecard, were not met.

In response to these factors, the Remuneration Committee took the following decisions:

- In order for salaries to remain competitive, an annual salary increase would be awarded. An average increase of 4% will be granted in September 2020, with an additional 0.5% set aside for out-of-cycle adjustments. Annual increases at executive and senior management levels will average between 3% and 3.5%, while general employees at the lower earnings levels will receive an average increase of between 5% and 6%.
- In deciding whether variable incentives could be awarded on an ex gratia basis, the Committee considered the following:
  - The fact that, prior to the lockdown, both the earnings trajectory, and the operational metrics such as new business and service levels, were on track to meet or exceed the annual targets.
  - The actions taken by management to successfully limit the operational impact of the lockdown. This includes a smooth transition to a work-from-home approach, and the increased use of alternative digital engagement channels, which resulted in service metrics and policyholder persistency being maintained.
  - The need to retain and motivate top talent that will help manage the business through a tough operating environment.
  - The fact that Momentum Metropolitan Life remained well capitalised, even at the height of the drop in investment markets. Having sufficient liquidity buffers to fund cash calls under even the more extreme scenarios, enabled the Group to navigate through the market crisis in March without undue liquidity concerns.

The Committee concluded that they would award an ex gratia variable remuneration pool of R487m, comprising a short-term incentive (STI) pool of R365m and a long-term incentive pool (LTIP) of R122m.

- The STI pool has declined by 29% from the prior year, while
- the LTIP pool has declined by 13% and will be fully subject to performance conditions to be measured over the next three years.

It is important to note that, in line with the Group's bonus deferral policy, 50% of the STI payments to those with bonuses above R300 000 are deferred into the LTIP for a period of three years, resulting in the STI pool being split into a cash bonus payment of R275m, and a deferral of R90m. By design the STI deferral is greater at the executive and senior management levels.

With regard to the impact of the F2020 earnings decline on the performance conditions set for the long-term incentive awards in issue, the Committee decided as follows:

- **October 2017 LTIP performance award** — the threshold financial performance condition imposed on the performance units in the LTIP awarded in October 2017, namely the achievement of a return on embedded value (ROEV) of risk free + 1.5% per annum (pa), was not achieved at 30 June 2020, which would have resulted in the full forfeiture of these performance units vesting in October 2020. In reviewing the performance over the vesting period the Committee decided to approve an ex gratia vesting of 15% of the performance units. The good progress towards the Reset and Grow targets in F2019 and F2020 was taken into account, together with the significant negative adjustments to the embedded value, following the change in executive management in F2018. This represents a total vesting amount of R30m to be paid to around 500 individuals, with no single amount being above R700 000 pre-tax, based on the current share price. The remaining 85% of these performance units will be forfeited.
- **October 2018 share appreciation rights (SAR) performance award** – this option-based scheme has a three-year vesting period (F2019 to F2021), with three performance conditions, being an NHE target of R3.9bn, an ROEV target of risk free + 3% pa, and a total shareholder return (TSR) in excess of a peer group. The Committee decided to extend the vesting period to four years (i.e. F2022), and to set an earnings target for F2022 of R3.2bn, effectively an average increase of 43% pa between F2020 and F2022. No adjustments to the ROEV or TSR measures were made, however, the Committee agreed to critically evaluate the ROEV outcome at the vesting date to ensure a fair outcome relative to the targeted ROEV. The option strike price remains unchanged.
- **October 2019 LTIP performance award** – this LTIP tranche has a three-year vesting period, with three performance conditions, being two levels of NHE and a relative TSR measure. Due to this tranche only being in effect for nine months to June 2020, the Committee agreed to the adjustment of the earnings targets in F2022 to a threshold NHE of R3.2bn, and a stretch target of R3.6bn , from the previous threshold of R4.0bn and a R4.2bn stretch. The TSR measure remains unchanged.

The discretions exercised fall within the mandate of the Committee. We believe that the outcome derived gives some recognition to the effort and success achieved in the Reset and Grow initiative. By lengthening the time horizon of the in-force long-term incentives and keeping them 'in play' as it were, we are allowing management to continue building out Reset and Grow through the trough of

the pandemic, with a future reward that is likely to have a lower cost to other stakeholders, than having the existing incentives lapse (without any benefit being received from their cost to date).
Other matters considered by the Remuneration Committee in F2020 included:

- Ongoing discussions around the implementation of changes to the remuneration policy and remuneration disclosure in terms of King IV and the Companies Act 71 of 2008.
- Benchmarking the executive management compensation to a comparator group, which is the financial services market.
- Engaging with shareholders regarding the reasons for voting against the Group's remuneration policy at the AGM that took place on 26 November 2019.
- Reviewing the short-term incentive scheme balanced scorecard for F2020.
- Reviewing the share scheme hedging strategy.
- Approval of the long-term incentive scheme rule changes to allow for the clawback provisions on incentive payments made after September 2019.
- Review of the impact of Covid-19 and the resulting lockdown on the incentive pool determination, and the impact on the share scheme performance conditions for tranches in issue.
- Approving the performance criteria applicable to the October 2020 long-term incentive scheme allocation.

Shareholder voting

The Group is committed to shareholder engagement, and as such, the following table represents a summary of the results of voting on remuneration-related shareholder resolutions for the past two years.

Resolution	2018	2019
Overview of the remuneration policy	99% For	86% For
Implementation report	62% For	88% For

At the Group's 26 November 2019 AGM, the remuneration policy received a 14% dissenting non-binding advisory vote from shareholders, while the implementation report received a 12% dissenting non-binding advisory vote from shareholders. The vote on the implementation report represented an improvement of more than 26% from the 2018 AGM vote, which we attribute to our active shareholder engagement in order to address and discuss shareholder concerns. However, irrespective of the vote against being below 25%, we elected to engage with shareholders (and proxy voting advisers) regarding their concerns. Areas that were covered in these discussions included:

- the use of NHE as the main metric for determining LTIP vesting criteria
- the move away from ROEV as vesting criteria in LTIPs, and its continuing relevance in measuring short-term performance
- The role and setting of value of new business targets in the incentive structures.

The Group will continue its practice of proactively engaging with shareholders in the run up to the AGM to address comments and concerns that may flow from our current approach, as set out in this report.

Achievement of the stated objectives of the remuneration policy

The Remuneration Committee is committed to ensuring that the Group remuneration policy and remuneration structures are fair and responsible, and that there is alignment between shareholder and employee interests. The Remuneration Committee believes that the policy supports the delivery of the Group strategy in a responsible and sustainable manner.

F2021 focus areas

The Remuneration Committee will be focusing on the following areas:

- Ongoing assessment of the impact of the Covid-19 pandemic on remuneration practices, especially forward-looking target-setting and the mix between short- and long-term incentives.
- Develop an Ethical Pay Framework, including tools in terms of which progress in pay equity and fairness can be measured and demonstrated.
- Monitoring the implementation of the remuneration aspects of the proposed employee share ownership scheme.
- Assessing the impact of the changing world of work, most notably Remote Work, and the increased use of Contract and Variable Time Workers, on our remuneration practices.

Independent advice

The Group makes use of external advice and market benchmarking information from PwC, PwC REMchannel, Willis Towers Watson and 21st Century Pay Solutions, and is satisfied that their input is objective and independent.

Approval

At the AGM in November 2020 the shareholders will be asked to endorse the remuneration policy and the implementation report. The Remuneration Committee encourages and pursues open and regular dialogue with all stakeholders, and values the shareholders' continued support and feedback regarding the remuneration framework. In the event that either the remuneration policy (as set out in part 2) or the implementation report (as set out in part 3) receives 25% or more votes against, Momentum Metropolitan will release a SENS announcement inviting dissenting shareholders to engage with it, and the details regarding such engagement.

Peter Cooper
1 September 2020

PART 2 – OVERVIEW OF THE GROUP'S REMUNERATION POLICY

The Group's remuneration philosophy

The Group's remuneration philosophy is to recruit, motivate, reward and retain employees who believe in, and live by our culture and values. We endeavour to encourage entrepreneurship by creating a working environment that motivates high performance, so that all employees can positively contribute to the strategy, vision, goals and values of the Group.

This philosophy, supported by a robust performance management practice, strives to set our employees' total remuneration package at a competitive level, by benchmarking to the market and providing incentives geared to agreed performance outcomes, where appropriate.

The Group believes that its long-term success is directly linked to the calibre of employees that we employ, and the working environment that we create. It is, therefore, imperative that we make a concerted attempt to align the best interests of our employees with those of our other stakeholders.

Our remuneration policy, which is linked to sustainable value creation, is based on the following fundamental principles:

Alignment to the Group strategy: The remuneration policy is aligned with the overall business strategy, objectives and values of the Group, without being detrimental to the interests of its clients.

Pay for performance: Remuneration is structured around incentivising a performance culture in the organisation, with differentiation based on performance taking place for guaranteed and variable remuneration.

Risk-taking versus fiduciary roles: 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 conflicts of interest are minimised.

Benchmarking and competitiveness: Roles are benchmarked based on a job grading process, and then compared with market benchmarks in the financial services sector. The Group targets the 50th percentile of the market, although there is differentiation above and below the market median depending on the level of experience, scarce skills and level of performance.

Talent attraction: Remuneration and benefits are considered a key lever in ensuring that top talent is attracted, motivated and retained by the organisation to ensure the achievement of the Group's strategic objectives.

Consistent and fair practices: The Group's remuneration practices provide a basis for the fair and equitable treatment of employees, yet allow for differentiation where justified, for instance in relation to scarce skills, level of experience and performance.

Flexibility: The remuneration policy offers flexibility for the customisation of remuneration and benefits to cater for better work/life balance, and specific business needs.

Governance: Remuneration practices are designed to ensure adherence to the principles of good corporate governance, as depicted in best practice and regulatory frameworks (such as King IV and Prudential Standards).

Remuneration structure and design

The Group's remuneration structure supports the business need to offer an appropriate mix of fixed and variable remuneration depending on the level and complexity of the specific role. The remuneration structure, which follows, is made up of total guaranteed pay, short-term incentives and long-term incentives, and forms the basis of the overall remuneration applicable to all employees

Remuneration element	Purpose and link to strategy	Eligibility	Remuneration policy	Performance conditions
Total guaranteed pay (TGP) – Cash Salary plus benefits	To attract and retain talent by providing the core guaranteed element of remuneration for the role	All staff employed by the Group	TGP is benchmarked against the financial services market, targeting the 50th percentile. Increases are awarded on 1 September annually.	Meet the requirements of the role
Short-term incentive (STI)	To support a high-performance culture within the organisation through reward for performance, and to ensure retention through the deferral of STIs above a threshold	All full-time staff	STIs are discretionary, and are awarded as a percentage of TGP, which varies according to the level and complexity of the role. The actual award is based on a weighted mix of the level of performance achieved by the Group, the division and the individual using performance metrics that are weighted towards financial outcomes. Above a certain value threshold, STIs are deferred into the LTI scheme to enhance retention and improve shareholder alignment.	The Group scorecard rating determines the size of the group STI pool. The elements of the scorecard are set out below under short-term incentives
Long-term incentive (LTI)	To incentivise executive and senior management to achieve performance targets that align with shareholder interests	Executives and senior managers	LTI awards are discretionary, and are awarded based on a percentage of TGP required to meet a targeted portfolio size. LTIs are subject to performance criteria that are approved by the Remuneration Committee.	Performance units issued out of either the LTIP or SAR schemes are subject to the performance conditions set out in Part 3 (implementation report) on page 103) Retention units (in run-off) or deferred STI units issued out of the LTIP, are subject to participants maintaining a satisfactory level of individual performance

Total guaranteed pay

In order to ensure that the Group's TGP remains in line with the market, salaries are benchmarked regularly against the 50th percentile of the financial services market. In addition, the Remuneration Committee annually reviews the TGP benchmarks of the Executive Management.

The Group uses a recognised job grading system, and continually conducts job evaluations and grading whenever there are changes within the organisation, or when new employees are appointed.

The Group awards TGP increases on 1 September annually.

Short-term incentives

The Group's key STI is a discretionary performance bonus pool, the size of which is based on a percentage of pre-tax pre-incentive NHE, based on the overall scorecard rating. The on-target (i.e. 3-rating on a scale of 1 to 5) pool is based on 12.5% of pre-tax pre-incentive NHE, while exceeding targets results in a higher percentage sharing of the out-performance portion, and underperforming results in a lower percentage sharing.

Most employees are eligible to participate in the STI, excluding employees who are already on pay-for-performance contracts, which includes tied agents who are paid on a commission basis. The STI is paid annually as a percentage of an individual's TGP, and includes a deferral into the long-term incentive scheme above a set threshold.

Group objectives are reviewed and approved by the Remuneration Committee. Business unit objectives are approved by the Executive Committee. Individual objectives must be agreed with the employee's line manager or team leader. For Executive Committee members, objectives are agreed with the Group Chief Executive Officer (CEO) (and approved by the Remuneration Committee), while the CEO's 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 business unit against targets determines how the aggregate bonus pool gets distributed.

The financial KPIs represent the key financial metrics that drive value generation, while the strategic objective KPIs represent the key non-financial deliverables against which members of executive management are measured. The threshold, target and stretch performance levels are set based on the historical volatility of the various financial metrics. The range from the threshold to the stretch is set to ensure that in order to achieve a stretch rating one would have to outperform significantly, rather than to occasionally benefit from favourable market/economic conditions.

In addition, each major business unit has its own scorecard that aligns with the Group scorecard, but contains business unit-specific targets and objectives.

Details regarding the actual performance of the Group in terms of the annual balanced scorecard are set out in Part 3 (implementation report) on page 103.

Vesting level

The Group's overall STI pool is based on an on-target percentage of normalised headline earnings before tax before STI. Performance in excess of target results in a pool above 100% of the on-target pool, and performance below the target results in a pool below 100%. Should the Group perform significantly below target, the Remuneration Committee retains the discretion to allocate an incentive pool to reward performing divisions and individuals.

The Group STI pool is then allocated to divisions based on their own scorecard ratings, again resulting in a performance-adjusted pool.

The individual employee vesting level is based on an on-target percentage of TGP, driven by the level and complexity of the role, adjusted for the actual weighted performance of the individual, based on a mix of divisional and individual performance ratings.

Maximum STI cap

The maximum cap on the STI for all employees and executives (inclusive of the portion of the STI deferred into the LTI) is equal to 200% of TGP.

Deferral of STI into the LTI

The STI plan has a compulsory deferral component, which provides that a portion of all STIs above a minimum threshold are paid in cash, with the remaining portion of the STI being deferred into the LTIP. The following STI deferral policy applies.

Quantum of STI	Deferral terms
Below R300 000	No deferral and bonus is paid in cash
Above R300 000	The first R100 000, plus 50% of the amount above R100 000 is paid in cash (subject to a minimum cash payment of R300 000), with the remainder being deferred into the LTIP in three equal tranches, vesting after one, two and three years

The purpose of the deferral component of the STI is to act as a retention mechanism.

Long-term incentives

The Group currently operates two LTI schemes:

- The Long-term Incentive Plan (LTIP)
- The Share Appreciation Rights scheme (SAR).

Both these schemes are cash-settled phantom share plans with vesting periods of three years, with an additional two-year holding period. In addition, for the LTIP scheme, where dividends are paid on ordinary shares, these are credited to participants as additional units that vest in line with the vesting date (and subject to the achievement of performance conditions) of the LTIP units to which they relate. In the SAR scheme, the value of dividends paid during the vesting and settlement periods are credited to participants by deducting them from the option strike price.

LTIP scheme

The Group adopted the LTIP in 2011. The LTIP is a cash-settled scheme comprising both retention and performance units that reference their value to the Momentum Metropolitan share price. As from 1 July 2018 participation in the LTIP includes the deferral of STI payments above a threshold, as set out in the STI section above.

All allocations from the LTIP post-2018 represent performance units, which vest after three years subject to the achievement of performance conditions set at the award date, with an additional two-year holding period. The only exception relates to the deferral of STI payments into the LTIP through the awarding of retention units (as the underlying STI payment represents an earned reward).

The performance conditions for the performance units allocated out of the LTIP up to 1 April 2018, along with the vesting profile, are set out below:

Threshold	Target	Stretch
Annualised ROEV over the performance period (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 (three years) to meet/exceed the risk free rate + 3%	Annualised ROEV over the performance period (three years) to meet/ exceed the risk free rate + 6%.

Details regarding the LTIP performance vesting outcomes for the tranche vesting in October 2020 are set out in Part 3 (implementation report) on page 105 .

The original performance conditions for the October 2019 award, measured on the June 2022 results, along with the recently revised performance conditions, as referred to in the Report from the Chair of the Remuneration Committee, are set out below:

Performance measure	% weighting	Original target	Revised target
Normalised headline earnings - lower bound	33	R4.0bn	R3.2bn
Normalised headline earnings - upper bound	33	R4.2bn	R3.6bn
Total shareholder return (TSR) vs equal-weighted peer index	33	Exceed peer group TSR	Exceed peer group TSR

The above performance conditions are binary, with a maximum vesting percentage of 33% each, or 100% in total. These performance conditions are applicable to the Chief Executive Officer, Financial Director and all Group-wide service employees, while for business unit executives and senior managers, 50% of the performance conditions relate to the above, and the other 50% to equivalent, but business unit-specific, financial targets.

The three performance conditions are measured independently, i.e. the achievement of one of the conditions will result in one-third of the total benefit vesting, achieving two will result on two-thirds vesting and achieving all three will result in 100% vesting.

SAR scheme

The SAR scheme is a cash–settled performance-based scheme that was implemented in October 2018. In terms of the scheme a small group of senior managers and executives were allocated share appreciation rights (SARs) that reference their value to the growth in the Momentum Metropolitan share price over the vesting period, with vesting taking place over three years. Settlement of the vested benefit takes place in three annual tranches after three, four and five years. There is therefore an additional two-year holding period.

The original performance conditions for the October 2018 award, measured on the June 2021 results, along with the recently revised performance conditions and the extension of the vesting period to four years, as referred to in the Report from the Chairman of the Remuneration Committee, are set out below:

Performance measure	% weighting	Original target (2021)	Revised target (2022)
Normalised headline earnings	33	R3.9bn	R3.2bn
Return on embedded value	33	Risk-free rate + 3%	Risk-free rate + 3%
Total shareholder return (TSR) vs equal-weighted peer index	33	Exceed peer group TSR	Exceed peer group TSR

The three performance conditions are measured independently, i.e. the achievement of one of the conditions will result in one-third of the total benefit vesting, achieving two will result on two-thirds vesting, and achieving all three will result in 100% vesting.

No further awards have since been made from the SAR scheme.

Ensuring fair, equitable and responsible remuneration

Role levels

All roles in the organisation are subject to a job evaluation process, which results in a particular grade being attached to the role, thus enabling the appropriate benchmarking of the role against the market. Job grades are broadly based on the level of responsibility, skills and qualifications, effort and complexity of the role.

Internal pay equity

Jobs are benchmarked centrally in the Group, to ensure a consistent assessment of the level of the role relative to other similar roles in the Group, and relative to the market. Salary benchmark surveys that are appropriate to the markets in which we operate, are used across the Group, to ensure comparability with peers, and to ensure a consistent benchmark outcome for jobs of equal value.

Pay comparisons are performed across areas where the potential exists for unfair pay discrimination. For example, pay equity is assessed by comparing the remuneration relative to the job benchmark, across gender and race, to identify and address areas of unfair discrimination.

Fair and responsible remuneration

In awarding annual salary increases, the increase percentages granted to general staff are higher than those granted to senior and executive management, thereby narrowing the pay gap that exists between the highest and lowest paid employees.

Fair remuneration is achieved through:

- Fair pay differentiation based on factors such as skills, experience and performance.
- Applying the principle of 'equal pay for work of equal value' to identify possible areas of pay discrimination or bias.

Responsible remuneration is achieved through:

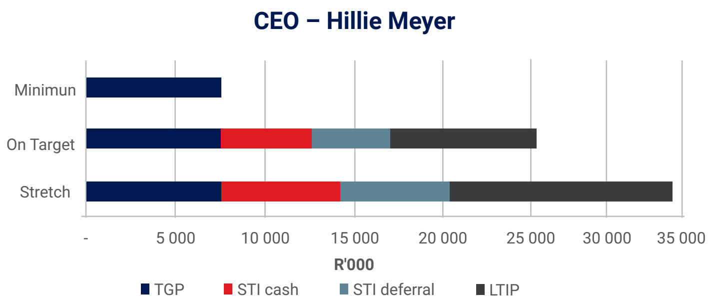
- A review of the minimum guaranteed package of employees at the basic skills level, to ensure that this is set at a level that offers employees a decent standard of living.
- The level of variable remuneration paid is based on performance outcomes against targets, and benchmarked against the financial services market.

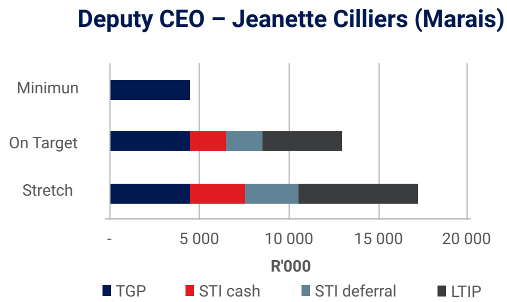
Executive director pay mix

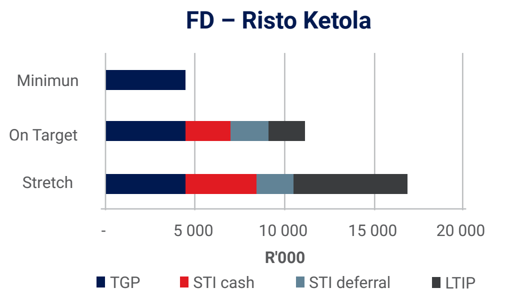
On an executive management level, the graphs below show the pay mix for the CEO, Deputy CEO and the FD respectively, at minimum, on target and stretch levels of performance. The pay mix at executive level is weighted towards "at-risk" variable pay, and in turn the variable pay is contingent on meeting financial and strategic performance targets. The objective is to achieve a balanced pay mix appropriate for the job demands and performance of each executive.

The basis for determining the quantums under the minimum, on target and stretch performance levels are as follows:

- **Minimum:** The Group scorecard does not meet the threshold performance level, and the Remuneration Committee does not award any discretionary STI or LTI. Only the TGP is guaranteed.
- **On target:** Is based on an on-target rating, where the STI represents 110% of TGP for the CEO and 90% of TGP for the other executive directors. The LTI is assumed to meet two of the three performance criteria (ie. 67% vesting), and is based on the current LTIP scheme allocation, and no share price growth.
- **Stretch:** Is based on meeting the stretch targets, where the STI represents 165% of TGP for the CEO, and 135% of TGP for the other executive directors. The LTI is assumed to meet all performance criteria (ie. 100% vesting), and is based on the current LTIP scheme allocation, and no share price growth.







The STI deferral and the LTIP vesting amounts above will be earned as follows:

- STI deferral: equal thirds after one, two and three years.
- LTIP: vesting after a performance period of three years, with settlement taking place in three equal tranches after three, four and five years.

As can be seen from these graphs, a significant proportion of the total executive remuneration represents variable performance-based remuneration, i.e. deferred to between three and five years from the award date.

Malus and clawback

The Group has developed and implemented a malus and clawback policy which allows for the pre-vesting forfeiture (malus) and post-vesting recovery (clawback) policy that applies to all vested and unvested deferred STI and LTIP amounts, relating to executive directors, senior managers, heads of control functions and other material risk takers, in circumstances where actual risk events occurred.

The Remuneration Committee may, at any time on or before the vesting date for unvested incentives, reduce the quantum of the deferred STI, or number of units comprising the LTIP and SAR, in whole or in part, after the occurrence of an actual risk event.

In addition to the pre-vesting forfeiture of unvested incentives, from 1 September 2019 the Committee introduced a clawback policy for all variable incentive awards from that date. In terms of this policy the Remuneration Committee may pursue the recovery of previously vested and paid STI, LTIP or SARs amounts where:

- there is reasonable evidence of material error or employee misbehaviour and/or
- the Group suffers a material risk event that can be reasonably attributed to the actions of a specific individual or group of individuals.

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 cash or LTIPs to new members of executive management and key employees. The sign-on awards are ordinarily subject to a three-year vesting period, with a two-year compulsory holding period thereafter. The LTIP award is subject to forfeiture should the employee resign or be dismissed by the Group during the vesting period, in accordance with the rules of the scheme. Any cash-based sign-on awards are 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. No sign-on awards were made at the executive management level in the past year.

Restraints of trade

The Remuneration Committee may, from time to time, conclude restraint of trade agreements with members of executive and senior management. These restraint of trade agreements may be contractual only, i.e. 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. Restraint agreements are in place for certain key executive and senior management roles in the Group.

Payments on termination of employment

The employment contracts for members of the 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, LTIPs and SARs will be governed by the rules of the incentive plans and the basis for the termination of employment. The Remuneration Committee has discretion regarding the terms of such agreements (to be exercised on a case-by-case basis). No payment shall be made due to a termination based on a lack of performance.

In the event of resignation or dismissal for just cause, all unvested incentives in the form of deferred STIs, SARs and LTIPs 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 period of employment from award date to termination of service date, at the discretion of the Remuneration Committee

The table that follows sets out how payments under each element of remuneration are dealt with, for the various reasons for termination:

	Reasons for termination			
	Voluntary resignation	**Dismissal termination for cause**	**Normal and early retirement, retrenchment and death**	**Mutual separation**
TGP	Paid over the notice period or as a lump sum	No payment	Normally no payment is made, however, in some cases pre-retirement leave is paid in terms of certain legacy employment contracts	Paid over the agreed notice period or as a lump sum
STI - cash	Forfeited if not in the employ of the Group at the payment date of the STI	No payment	No payment	Discretion applied based on terms of the separation agreement
STI - deferral	Automatic forfeiture of unvested deferred bonus units	Automatic forfeiture of unvested deferred bonus units	All unvested deferred bonus units vest on the date of termination (as these have already been subject to past performance criteria and are therefore earned)	Discretion applied based on terms of the separation agreement
LTI	All unvested awards shall be forfeited in their entirety and will lapse immediately on the date of termination	All unvested awards shall be forfeited in their entirety and will lapse immediately on the date of termination	In respect of LTIP and SAR performance units, the pro rata portion shall vest subject to the measurement of performance at the original vesting date, except on death or disability where the Remco will apply its discretion as near as is practical to the date of death or disability	Discretion applied based on terms of the separation agreement

Retention payments

The Remuneration Committee has the discretion to make retention payments to executives and key employees in exceptional circumstances. Such retention payments are subject to an appropriate clawback period, and may be subject to certain minimum performance hurdles. Save for the retention element inherent in the deferral of STIs, no retention payments were made during F2020.

Minimum shareholding requirements

Minimum shareholding requirements introduced in 2015 are in line with global best practice. These requirements encourage executives to use their LTI vesting benefit to buy Momentum Metropolitan Holdings shares, and to be personally invested in the company, thus increasing executive ownership and alignment between executive and stakeholder interests. Executives are required to invest at least 25% of their annual long-term incentive payouts in MMH shares towards achieving the required level of exposure.

The CEO's requirement (expressed as a percentage of TGP) is 200%, and for other executives 100%, to be achieved within five years of being appointed to the executive Committee.

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. The progress to date with regard to the Executive Directors's achievement of these requirements is set out under Part 3 (Implementation Report) on page 108.

Non-executive director fees

Non-executive directors, in serving the Group, are paid an annual retainer fee. They do not receive additional fees per meeting. Also, they do not receive performance incentive payments, share appreciation rights, pension fund benefits, loans on preferential terms, expense allowances or any other form of financial assistance. The Group pays for all travel and accommodation costs in respect of the attendance of Board meetings.

The fees for non-executive directors are revised annually and submitted for consideration to the Remuneration Committee. The fees are also submitted annually for approval at the AGM. In considering the non-executive directors' fees, various factors are taken into account, including a review of the market 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 details regarding the proposed non-executive director fees for F2021 are set out in the Notice of Annual General Meeting, Special Resolution Number 3 which is available on our website www.momentummetropolitan.co.za/en/investor-relations/financialresults

Voting statement (Non-binding advisory vote on the remuneration policy)

The remuneration policy is subject to an advisory vote by shareholders at the November 2020 AGM. Shareholders are requested to cast a non-binding advisory vote on Part 2 of this remuneration report, as it appears above.

PART 3 – IMPLEMENTATION REPORT

Executive directors - Single Figure Disclosure

The South African Companies Act 71 of 2008 (amended) (Companies Act) has defined the term 'prescribed officer'. The duties and responsibilities of directors under the Companies Act also apply to 'prescribed officers'. The Remuneration Committee has considered the definition of "prescribed officers" and resolved that the executive directors are the prescribed officers of the Group. Remuneration earned by the executive directors in accordance with the single figure remuneration disclosure guidance set out in King IV is set out below:

Single-figure remuneration: Executive directors

	Hillie Meyer		Jeanette Cilliers (Marais)		Risto Ketola		Previous CEO		Total	
R'000	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Guaranteed Remuneration[1]	6 756	7 033	4 321	4 083	4 129	3 866	-	-	15 206	14 982
Salary	6 756[4]	7 033	4 042	3 820	3 772	3 447	-	-	14 570	14 300
Retirement Contributions	-	-	224	212	235	278	-	-	459	490
Medical Aid Contributions	-	-	55	51	122	141	-	-	177	192
Short-term incentives[2]	3 900	5 950	3 100	4 000	2 700	4 175	-	-	9 700	14 125
Cash	2 000	3 025	1 600	2 050	1 400	2 138	-	-	5 000	7 213
Deferred	1 900	2 925	1 500	1 950	1 300	2 037	-	-	4 700	6 912
Long-term incentives[3]	-	-	-	-	631	-	-	-	631	-
Contractual payments	-	-	-	-	-	-	-	5 506	-	5 506
Total Remuneration	**10 656**	**12 983**	**7 421**	**8 083**	**7 460**	**8 041**	**-**	**5 506**	**25 537**	**34 613**

1 The total guaranteed package in the table above represents cash payments made during the financial years ending 30 June, whereas the remuneration set out in the TGP table on page 104 represent amounts granted as part of the annual remuneration review on 1 September annually. As a result these amounts will not agree.

2 The short-term incentive represents the approved performance bonus in the year to which it relates, split between the cash and deferred portions.

3 The calculation basis for long-term incentives is:

2019:
- For LTIP performance units – the value is based on the value of the number of October 2016 performance units vesting in October 2019, on the basis of performance conditions measured on 30 June 2019. In terms of these LTIP performance conditions all performance units were forfeited.
- No LTIP retention units were issued to executive directors in the 2019 year, other than the deferred bonus units, which are included in the short-term incentive amounts above.

2020:
- For LTIP performance units – the value is based on the value of the number of October 2017 performance units vesting in October 2020, on the basis of performance conditions measured on 30 June 2020. In terms of these LTIP performance conditions, 85% of the performance units will be forfeited.
- No LTIP retention units were issued to executive directors in the 2020 year, other than the deferred bonus units, which are included in the short-term incentive amounts above.

4 After deduction of unpaid leave amounting to R615 000.

Companies Act Disclosure: Executive directors

	Hillie Meyer		Jeanette Cilliers (Marais)		Risto Ketola		Previous CEO		Total	
R'000	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Guaranteed Remuneration	6 756	7 033	4 321	4 083	4 129	3 866	-		15 206	14 982
Salary	6 756	7 033	4 042	3 820	3 772	3 447	-	-	14 570	14 300
Retirement Contributions	-	-	224	212	235	278	-	-	459	490
Medical Aid Contributions	-	-	55	51	122	141	-	-	177	192
Short-term incentives	3 025	1 050	2 050	675	2 138	1 925	-	-	7 213	3 650
Long-term incentives	345	-	209	-	2 208	-	-	-	2 762	-
Contractual payments	-	-	-	-	-	-	-	5 506	-	5 506
Total Remuneration	**10 126**	**8 083**	**6 580**	**4 758**	**8 475**	**5 791**	**-**	**5 506**	**25 181**	**24 138**

The table above sets out the remuneration of the executive directors in terms of the requirements of Section 30 (4)(4)(6) of the Companies' Act of 2008 (amended), and includes all remuneration paid to executive directors during the year, whereas the single figure remuneration disclosure is based on the King IV definition of executive remuneration.

Guaranteed remuneration adjustments

As set out in Part 2, in order for salaries to remain competitive, an annual salary increase is awarded. An average increase of 4% will be granted in September 2020, with an additional 0.5% set aside for out-of-cycle adjustments. The annual increases at the executive and senior management levels will average between 3% and 3.5%, while general staff at the lower earnings levels will receive an average increase of between 5% and 6%.

The TGP of the executive directors and their respective increases from 1 September 2020, are set out in the table below.

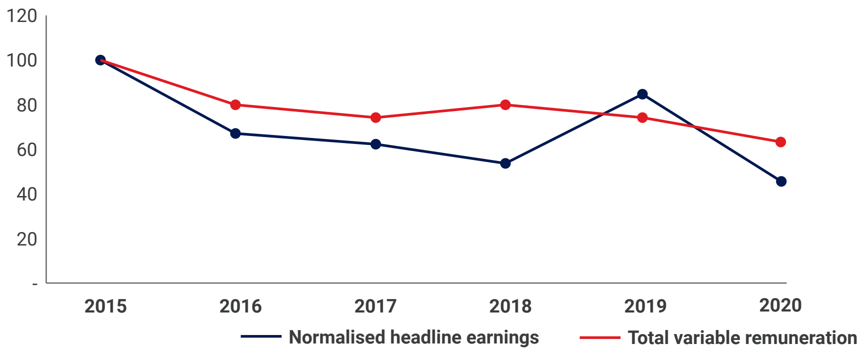
	Total guaranteed package		
	1 September 2020 R'000	1 September 2019 R'000	% increase
Hillie Meyer	7 650	7 430	3.0
Jeanette Cilliers (Marais)	4 470	4 340	3.0
Risto Ketola	4 300	4 175	3.0

Variable Remuneration

Both components of variable remuneration, being STI and LTI, are subject to performance criteria set at the beginning of the performance period being measured.

The graph below illustrates the change in the overall variable remuneration pool (STI plus LTI awarded) over the past five years, together with the normalised headline earnings trend over the same period (indexed to 100 in 2015):

Earnings relative to variable remuneration pool



Given the significant impact of the Covid-19 pandemic on current year earnings, and the ex gratia nature of the current year pool, there is not a direct correlation between the variable remuneration pool in 2020 and the earnings decline, but the directional trend remains intact.

Set out below are the performance outcomes for both the STI and LTI benefits for the current year.

Short-term incentives

Short-term incentives (STI) are determined with reference to the Group's performance in terms of the annual balanced scorecard. The following table sets out the various key performance indicators, along with the targets for each and the actual results achieved for 2020. The overall Group scorecard rating of a 1.7 score (on a 5-point scale, with a 3-rating being on target), is set out below:

Key performance indicator	Weighting	2020 target	Actual	Achieved (5-point scale)
Financial measures				
Core headline earnings	30%	R3 300m	R1 521m	1.0
Value of new business	15%	R426m	R280m	1.0
Return on embedded value (excl. investment variances)	15%	12%	3.7%	1.0
Strategic objectives				
Client experience	10%	Board assessment	On-Target	2.9
Strategic priorities	20%	Board assessment	On-Target	3.0
Transformation	10%	EE targets	Below threshold	1.8

As mentioned in the Report from the Remuneration Committee Chairman, the threshold financial performance conditions were not met for 2020, resulting in no formulaic variable incentive pool. The Committee decided to award an ex gratia variable remuneration pool, of which a short-term incentive (STI) pool of R365m was approved.

Short-term incentives awarded in cash and deferred - Executive Directors

Set out below are the short-term incentives awarded to executive directors for the 2020 financial year, payable in the 2021 financial year, subject to the short-term incentive deferral rules as referred to in Part 2 of the remuneration report.

	Approved STI 2020 R'000	2020 % of TGP	Approved STI 2019 R'000	2019 % of TGP
Hillie Meyer	3 900	51	5 950	80
Jeanette Cilliers (Marais)	3 100	69	4 000	92
Risto Ketola	2 700	63	4 175	100

The approved STI bonuses for the 2020 financial year are settled as follows:

	Cash – September 2020 R'000	Deferred into LTIP R'000
Hillie Meyer	2 000	1 900
Jeanette Cilliers (Marais)	1 600	1 500
Risto Ketola	1 400	1 300

The performance ratings for the executive directors are determined based on a mix between their achievement of individual objectives, and the overall Group scorecard.

Long-term incentives

Long-term incentive vesting and anticipated vesting of outstanding awards

The performance unit component of the LTIP allocations up to 2017 are subject to an ROEV target that is set at the award date. Executive management had an 80% exposure to performance units for the 2017 LTIP allocation. The table that follows summarises the actual performance to date for all outstanding LTIP tranches:

LTIP tranche	Performance threshold	Actual RoEV[1]
Units issued in 2017 and vesting in 2020	10.8%	1.5%
Annualised performance for the 36 months – 1 July 2017 to 30 June 2020		
Units issues in 2018 and vesting in 2021[2]	10.6%	2.6%
Annualised performance for the 24 months – 1 July 2018 to 30 June 2020		

1. Average annualised percentages, measured since inception of each tranche up to 30 June 2020.
2. The 2018 LTIP performance units were awarded to the CEO and Deputy CEO upon joining the Group.

Based on the above, none of the LTIP performance units issued in October 2017 would vest in October 2020, which would have resulted in the full forfeiture of performance units with regard to this tranche. In reviewing the performance over the vesting period, the Committee decided to approve an ex gratia vesting of 15% of the performance units, taking into account the good progress towards the Reset and Grow targets in F2020, together with the impact of the significant negative adjustments to the embedded value following the change in executive management in F2018. This represents a total vesting amount of R30 million to be paid to 500 individuals, with no single amount being above R700 000 pre-tax, based on the current share price. The remaining 85% of these performance units will be forfeited.

Long-term incentives to be awarded in October 2020 - Executive Directors

The following table sets out the approved LTIP performance unit awards to the executive directors, with effect from 1 October 2020:

	Approved LTIP face value 2020 R'000	% of TGP 2020	Approved LTIP face value 2019 R'000	% of TGP 2019
Hillie Meyer	12 500	163	13 300	179
Jeanette Cilliers (Marais)	8 000	179	7 200	166
Risto Ketola	7 000	163	7 200	172

Long-term incentive table of unvested awards - Executive Directors

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

Executive Director	Opening number on 1 July 2018	Granted during 2019[1]	Forfeited during 2019	Vested during 2019	Closing number on 30 June 2019	Cash flow on settlements 2019[2]	Estimated closing fair value on 30 June 2019[3]
	'000	'000	'000	'000	'000	R'000	R'000
Hillie Meyer	**1 246**	**2 415**	**-**	**-**	**3 661**	**-**	**40 591**
LTIP - performance units							
Award date – 9 April 2018	1 246	26	-	-	1 272	-	24 130
Award date – 1 October 2019	-	-	-	-	-	-	-
LTIP - deferred bonus units							
Grant date – 1 October 2018	-	57	-	-	57	-	1 081
Grant date – 1 October 2019	-	-	-	-	-	-	-
SAR - performance units							
Award date - 1 October 2018	-	2 332	-	-	2 332	-	15 380
Jeanette Cilliers (Marais)	**271**	**1 439**	**-**	**-**	**1 710**	**-**	**15 128**
LTIP - performance units							
Award date – 1 April 2018	271	6	-	-	277	-	5 255
Award date – 1 October 2019	-	-	-	-	-	-	-
LTIP - deferred bonus units							
Grant date –1 October 2018	-	34	-	-	34	-	645
Grant date –1 October 2019	-	-	-	-	-	-	-
SAR - performance units							
Award date – 1 October 2018	-	1 399	-	-	1 399	-	9 228
Risto Ketola	611	1 521	-	-	2 132	-	13 989
LTIP - retention units							
Grant date – 1 October 2016	83	2	-	-	85	-	1 612
Grant date – 1 October 2017	56	1			57	-	1 081
LTIP - deferred bonus units							
Grant date – 1 October 2018	-	109	-	-	109	-	2 068
Grant date – 1 October 2019	-	-	-	-	-	-	-
LTIP - performance units							
Award date – 1 October 2016	248	5	-	-	253	-	-
Award date – 1 October 2017	224	5	-	-	229	-	-
Award date – 1 October 2019	-	-	-	-	-	-	-
SAR - performance units							
Award date - 1 October 2018	-	1 399	-	-	1 399	-	9 228
Previous CEO	**4 076**	**-**	**(3 954)**	**(122)**	**-**	**2 068**	**-**
LTIP – retention units	333	-	(211)	(122)	-	2 068	-
LTIP – performance units	1 940	-	(1 940)	-	-	-	-
OPP – performance units	1 803	-	(1 803)	-	-	-	-

1 Comprises new awards and grants during the year, dividend units on existing awards and grants, and deferred bonus units granted in terms of the STI deferral policy.
2 Represents the cash settled on vesting date, including vested dividend units.
3 Calculated as:
- LTIP retention units and deferred bonus units – the number of unvested units multiplied by the MMH share price at the reporting date
- LTIP performance units – the number of unvested units multiplied by the latest probability of future vesting at the reporting date, multiplied by the share price at the reporting date
- SAR performance units– the number of unvested units multiplied by the latest probability of vesting at the reporting date, multiplied by the option valuation per unit as at the reporting date

Executive Director	Granted during 2020[1]	Forfeited during 2020	Vested during 2020	Closing number on 30 June 2020	Cash flow on settlements 2020[2]	Estimated closing fair value on 30 June 2020[3]
	'000	'000	'000	'000	R'000	R'000
Hillie Meyer	**1 175**	**-**	**(19)**	**4 817**	**345**	**30 784**
LTIP - performance units						
Award date – 9 April 2018	56	-	-	1 328	-	7 717
Award date – 1 October 2019	950	-	-	950	-	11 209
LTIP - deferred bonus units						
Grant date – 1 October 2018	2	-	(19)	40	345	704
Grant date – 1 October 2019	167	-	-	167	-	2 941
SAR - performance units						
Award date – 1 October 2018	-	-	-	2 332	-	8 213
Jeanette Cilliers (Marais)	**637**	**-**	**(12)**	**2 335**	**209**	**14 103**
LTIP - performance units						
Award date – 1 April 2018	12	-	-	289	-	763
Award date – 1 October 2019	513	-	-	513	-	6 053
LTIP - deferred bonus units						
Grant date – 1 October 2018	1	-	(12)	23	209	405
Grant date – 1 October 2019	111	-	-	111	-	1 955
SAR - performance units						
Award date - 1 October 2018	-	-	-	1 399	-	4 927
Risto Ketola	648	(253)	(122)	2 405	2 208	16 084
LTIP - retention units						
Grant date – 1 October 2016	2	-	(87)	-	1 545	35
Grant date – 1 October 2017	3	-	-	60	-	1 057
LTIP - deferred bonus units						
Grant date – 1 October 2018	4	-	(37)	76	663	1 338
Grant date – 1 October 2019	116	-	-	116	-	2 043
LTIP - performance units						
Award date – 1 October 2016	-	(253)	-	-	-	-
Award date – 1 October 2017	10	-	-	239	-	631
Award date – 1 October 2019	513	-	-	513	-	6 053
SAR - performance units						
Award date - 1 October 2018	-	-	-	1 399	-	4 927
Previous CEO	**-**	**-**	**-**	**-**	**-**	**-**
LTIP – retention units	-	-	-	-	-	-
LTIP – performance units	-	-	-	-	-	-
OPP – performance units	-	-	-	-	-	-

Minimum shareholding requirement measurement

The following table reflects the current shareholding by executive directors in MMH shares, relative to the minimum shareholding requirement (MSR) as set out in the Group remuneration policy:

Number of MMH ordinary shares at 30 June 2020 ('000):

	Minimum shareholding requirement	Current qualifying shareholding[1]	Date by which the minimum shareholding requirement must be met
Hillie Meyer	746	845	1 March 2023
Jeanette Marais	216	323	1 March 2023
Risto Ketola	206	192	1 July 2022

[1] Comprises the directors' shareholding as set out in the tables below, and the number of deferred bonus units in the LTIP, as this remains a relatively constant share exposure through the replacement of vesting tranches with new tranches.

Non-executive directors' fees

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

R'000	Months service		Fees	
	2020	2019	2020	2019
Peter Cooper	12	12	1 160	1 136
Lisa Chiume	12	4	1 492	366
Fatima Daniels	12	12	981	994
Linda de Beer	12	4	1 330	292
Stephen Jurisich	12	12	1 570	1 595
Niel Krige	5	12	285	791
KG Legoabe-Kgomari	12	1	806	-
Sharron McPherson	12	4	854	248
Jabu Moleketi	5	12	338	808
Sello Moloko	12	4	1 692	280
Syd Muller	-	5	-	1 139
JJ Njeke	12	12	2 126	2 197
Vuyisa Nkonyeni	12	12	1 024	766
David Park	7	-	805	-
Khehla Shubane	12	12	991	865
Frans Truter	12	12	2 321	2 223
Johan van Reenen	12	12	926	952
Louis von Zeuner	-	8	-	1 447
			18 701	**16 099**

Interest of directors in share capital

Directors' MMH shareholding – Number of ordinary shares ('000):

	Direct beneficial	Indirect beneficial	2020	2019
Hillie Meyer	248	390	638	638
Jeanette (Cilliers) Marais	189	-	189	189
Peter Cooper	292	150	442	442
Stephen Jurisich*	-	-	-	-
Niel Krige	-	-	-	408
Jabu Moleketi	-	-	-	112
Khehla Shubane	78	7	85	85
Frans Truter	44	433	477	477
Johan van Reenen	-	144	144	144
Total Ordinary Shares at 30 June	**851**	**1 124**	**1 975**	**2 495**

* 169 direct beneficial shares held in MMH.

MMH shareholding of directors who resigned or retired during F2020 – Number of ordinary shares ('000):

	Direct beneficial	Indirect beneficial	Total
Niel Krige *	-	408	408
Jabu Moleketi *	-	112	112
Total ordinary shares	**-**	**520**	**520**

* Resigned as directors of MM Holdings on 26 November 2019.

Directors' RMI shareholding at 30 June 2020 – Number of ordinary shares ('000):

	Direct beneficial	Indirect beneficial	2020	2019
Hillie Meyer	26	18	44	44
Peter Cooper	795	3 061	3 856	3 819
Stephen Jurisich	3	-	3	3
Jabu Moleketi *	-	-	-	20
JJ Njeke	17	-	17	17
Khehla Shubane	13	-	13	23
Frans Truter	21	154	175	185
Total ordinary shares at 30 June	**881**	**3 247**	**4 128**	**4 111**

* resigned as director of MM Holdings on 26 November 2019

No changes in the above shareholding/interest occurred between 30 June 2020 and the date of approval of the annual financial statements.

Fair and responsible remuneration

The Group is cognisant of its internal wage gap. As envisaged by the principles of fair and responsible remuneration, the Remuneration Committee considered the following:

- A review of the minimum guaranteed package of employees at the basic skills level to ensure that this is set at a level that offers employees a decent standard of living. The current minimum guaranteed package amounts to R137 000 per annum, which represents a 6.2% increase from the prior year.
- Ensuring that the average increases in guaranteed packages at executive and senior levels are lower than for general employees, reflecting the reality that inflationary pressure is more marked amongst general employees. For the current remuneration review cycle, the average increase for executive directors and executive management was 3.0%, and that for the rest of the organisation 3.8%. Employees earning a guaranteed package below R350,000 received an average increase of 4.9%.
- The level of variable remuneration paid is based on the outcome of the annual balanced scorecard, which is reviewed and approved by the Remuneration Committee at the beginning of the financial year.

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

Voting statement (non-binding advisory vote on the implementation report)

This report is subject to an advisory vote by shareholders at the November 2020 AGM. Shareholders are requested to cast an advisory vote on the implementation report as contained in Part 3 of this report.

Approval of remuneration report

This remuneration report was approved by the Remuneration Committee of Momentum Metropolitan Holdings on 1 September 2020