

# EFFECTIVE LEADERSHIP THROUGH GOOD GOVERNANCE

**MOMENTUM METROPOLITAN IS COMMITTED TO ACHIEVING HIGH STANDARDS OF GOVERNANCE, ETHICS AND INTEGRITY. OUR APPROACH TO CORPORATE GOVERNANCE SUPPORTS THE ACHIEVEMENT OF ALL 17 OF THE KING IV™ PRINCIPLES.**

We regularly review our corporate governance practices to ensure we act in the best interests of our stakeholders, comply with the laws and regulations applicable to our business, and are able to timeously apply changes to our regulatory environment. Our approach to corporate governance, integrated into our standards, policies, practices and procedures, supports the achievement of all the King IV™ principles.

In line with the JSE Listings Requirements we assess whether, through our application of the King IV™ principles to corporate governance in the Momentum Metropolitan Group, we have achieved

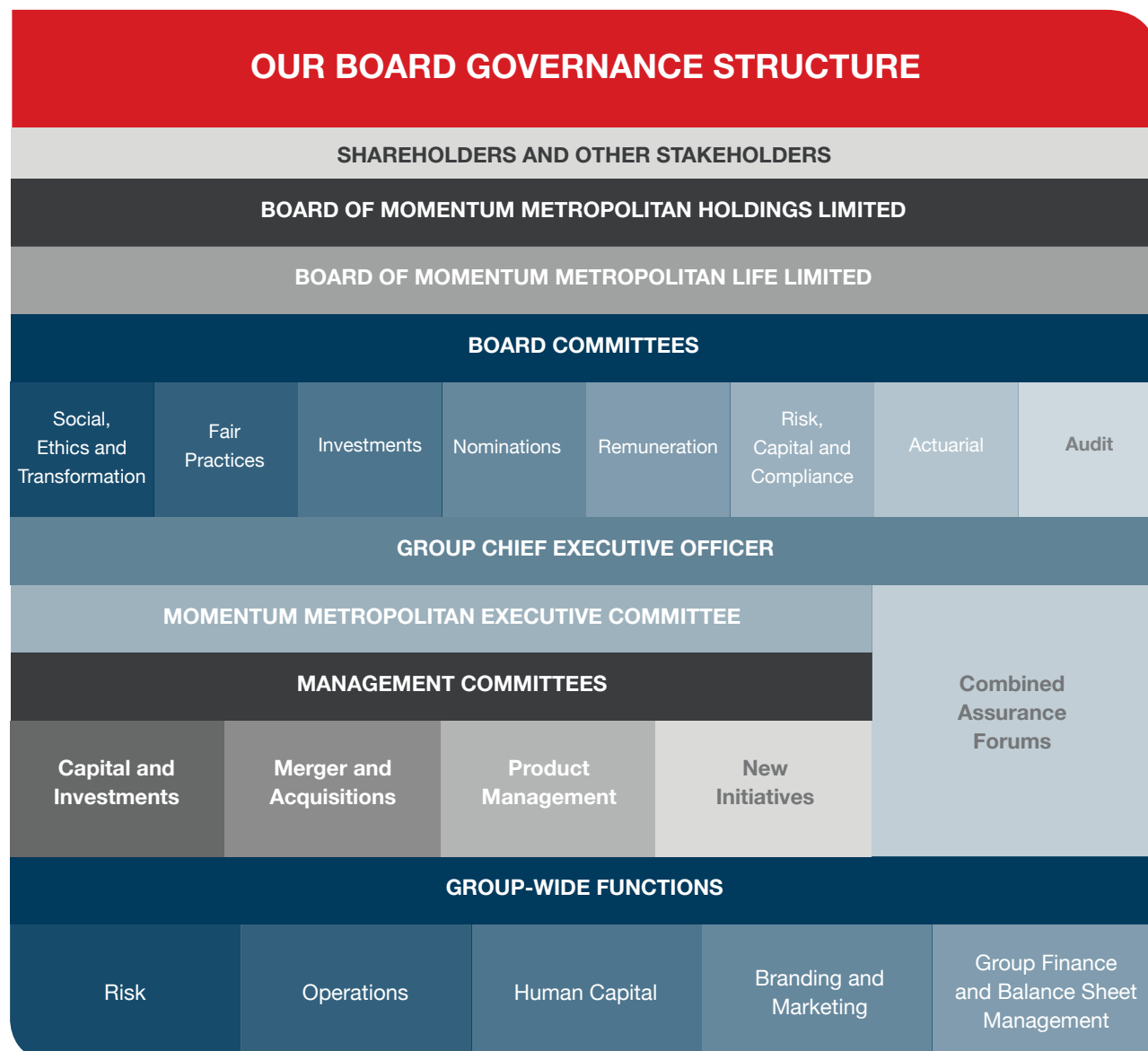
or at least made good progress towards achieving effective leadership through control and legitimacy.

## **OUR BOARD SERVES AS THE FOCAL POINT AND CUSTODIAN OF CORPORATE GOVERNANCE IN MOMENTUM METROPOLITAN**

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Our governance framework positions the Board as the custodian of corporate governance and provides it with effective control of the business. By governing Momentum Metropolitan and taking into consideration our stakeholders' interests, the Board and management create value for both our business and its stakeholders.

## OUR BOARD GOVERNANCE STRUCTURE



## ACHIEVE EFFECTIVE CONTROL AND LEGITIMACY

Directors of Momentum Metropolitan are prohibited from using their position, or confidential or price-sensitive information, to their benefit or that of any related third party, whether financially or otherwise. Directors and officers are required to inform the Board of conflicts of interest or potential conflicts of interest that they may have in relation to particular items of business. Comprehensive registers of individual directors' interests in and outside the company are maintained, updated and signed by the directors, with details noted by the Board at each Board meeting.

### BOARD COMPOSITION

<sup>7</sup> The Board has ensured that the interests of our minority shareholders are protected by the majority of our Board members being strong, independent non-executive directors (see page 18 of this section). Seven of these directors have been members of our Board for close to nine years and the steps we have taken to ensure that the majority of our Board members remain independent are set out on page 27 of this report. We also need to retain an appropriate mix of skills and experience and at the same time introduce fresh perspectives and expertise, by from time to time, appointing new directors to the Board (see page 27). We appointed Sello Moloko as a lead independent director to further strengthen the independence of the Board. While Peter Cooper is a director on the Board of one of our large shareholders, RMI Holdings Limited, he is not an appointed shareholder representative and does not exercise any control or influence on the Board that is any different to that of any other independent Board member. He is therefore considered to be independent.

### PROMOTING INDEPENDENT JUDGEMENT AND EFFECTIVE DISCHARGE OF DUTIES

<sup>8</sup> Our Board performs its duties within a framework of policies and controls that provide for effective risk assessment and management of our economic, environmental and social performance. The Momentum Metropolitan Board Charter, which is closely aligned with the recommendations of King IV™, details the responsibilities of the Board, while our Memorandum of Incorporation (MOI) also addresses certain of the directors' responsibilities and powers. The MOI also requires that one-third of our directors retire from office at every annual general meeting based on their tenure since they were previously elected or re-elected to the Board.

Through the separation and clear definition of the roles and responsibilities of the Chairman and the Group Chief Executive Officer, Momentum Metropolitan has established a clear balance of power and authority at Board level. The Group Chief Executive Officer in turn delegates responsibilities in accordance with the company's delegation of authority framework. The Board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercising of authority and responsibility. Through its Board committees, the holding company provides guidance and monitors the functions of subsidiaries and centralised group functions to ensure that companies within the Group are applying established governance policies and processes.

Momentum Metropolitan's committees report quarterly to the Board on their statutory duties and Board-assigned responsibilities. Their responsibilities are set out in their terms of reference, which are regularly reviewed and are available on request from the office of the Group Company Secretary.

An independent Board effectiveness evaluation was conducted during November 2018. Evaluations included the Board, its committees, individual directors, peer assessments, the Group Chief Executive Officer, the Group Finance Director and the professional governance services. The evaluation process highlighted areas where the skills of Board members can be enhanced and these will be addressed in F2020.

During the year under review, following the resignation of the Group Company Secretary, an acting Group Company Secretary was appointed and subsequently CorpStat, a provider of specialist company secretarial and corporate governance services, was appointed to perform this function. The Nominations Committee was able to report to the Board that CorpStat had the necessary competence, experience and independence to fulfil the role of Group Company Secretary. Subsequent to year-end, Gcobisa Tyusha was appointed as the Group Company Secretary.

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**THE BOARD ENSURES THAT ITS ARRANGEMENT FOR DELEGATION WITHIN ITS OWN STRUCTURES PROMOTES INDEPENDENT JUDGEMENT AND ASSISTS WITH THE BALANCE OF POWER AND THE EFFECTIVE DISCHARGE OF ITS DUTIES. ALL THE COMMITTEES REPORT TO THE BOARD.**

**K<sup>8</sup>** All committees comply with the independence requirements on membership.

<p><b>Audit</b></p>	<p><b>Risk, Capital and Compliance</b></p>
<p>A statutory committee with statutory duties (see its report on page 114 of this integrated report)</p> <p>Key accountability, appropriateness of financial reporting procedures and their application, monitoring and oversight responsibilities delegated to the committee by the Board include:</p> <ul style="list-style-type: none"> <li>• the accuracy and transparency of our financial reporting</li> <li>• technology and information governance</li> <li>• internal and external audit oversight</li> <li>• funding-related matters</li> <li>• the internal control environment</li> <li>• forensic audits</li> <li>• expense and budget variance control</li> <li>• auditor relationship.</li> </ul>	<p>The committee:</p> <ul style="list-style-type: none"> <li>• ensures that the Group has an effective risk management system that will enhance achievement of its strategic objectives</li> <li>• provides objective oversight and review of the information presented by the various management teams on the risks and management of risks specific to their divisions</li> <li>• assists the Board with forming an independent opinion, on the quality, integrity and reliability of Group balance sheet management processes</li> <li>• provides objective oversight and review of the Group's balance sheet management.</li> </ul>
<p><b>Social, Ethics and Transformation</b></p>	<p><b>Actuarial</b></p>
<p>The committee has oversight of:</p> <ul style="list-style-type: none"> <li>• economic development</li> <li>• fraud and corruption</li> <li>• Broad-Based Black Economic Empowerment</li> <li>• employment equity</li> <li>• employee, public safety and health</li> <li>• stakeholder relations</li> <li>• education of employees</li> <li>• organisational ethics</li> <li>• environmental impact</li> <li>• community development</li> <li>• human rights.</li> </ul>	<p>The committee, which acts as an advisory forum for the Board and its committees on actuarial and related technical matters:</p> <ul style="list-style-type: none"> <li>• assists the Board in discharging its fiduciary duties to policyholders and shareholders</li> <li>• assists the heads of the actuarial functions to fulfil their professional and statutory duties</li> <li>• oversees the integrity and correctness of actuarial statements and reporting, including the overall methodology and assumptions used to value the assets and liabilities underlying the statutory and published valuations results and embedded value results</li> <li>• considers the projected valuation results over the business planning period as part of the ORSA process</li> <li>• reviews and recommends bonus declarations on discretionary participation policies to the Board</li> <li>• ensures that details of the design features and pricing of new products and product revisions are regularly reviewed</li> <li>• reports and accounts to the Board at least every quarter.</li> </ul>

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<h3>Fair Practices</h3>	<h3>Investments</h3>
<p>The committee:</p> <ul style="list-style-type: none"> <li>• has oversight of the fair treatment of clients and provides direction in this regard</li> <li>• acts as a discretionary participation committee and governance forum for queries from regulators relating to market conduct obligations.</li> </ul>	<p>This is a new committee established in February 2019 to drive appropriate investment decision-making and post-investment monitoring. The purpose of the committee is to:</p> <ul style="list-style-type: none"> <li>• assist the Board in discharging its fiduciary duties towards policyholders and shareholders</li> <li>• set direction on investment criteria to be met for any new investment, disposal, acquisition, merger and new initiatives and post-investment monitoring</li> <li>• approve investment objectives and guidelines</li> <li>• monitor the Group's investment and funding activities, compliance and results</li> <li>• act as a sounding board for the Risk, Capital and Compliance Committee and Executive subcommittees</li> <li>• review the systems of internal control and management of risks relating to investment, disposal, acquisitions, mergers and new initiatives.</li> </ul>
<h3>Nominations</h3>	<h3>Remuneration</h3>
<p>The committee ensures that there is an appropriate process of corporate governance for:</p> <ul style="list-style-type: none"> <li>• the appointment and removal of directors and non-executive directors and key company executive positions</li> <li>• overseeing the evaluation programme for the Board and its committees</li> <li>• the legislative conflict of interest procedures and the governance frameworks</li> <li>• assessing the competence and experience of the Company Secretarial function and reporting the outcome to the Board.</li> </ul>	<p>The committee supports the Board's efforts to ensure that the Group remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term. The committee:</p> <ul style="list-style-type: none"> <li>• ensures the Group's remuneration policies and practices are designed to align performance with reward and to attract and retain the right talent</li> <li>• reviews key human resource practices, policies and strategies to ensure the organisation remunerates fairly and responsibly</li> <li>• ensures transparent, accurate and complete remuneration disclosure review of the Group's balance sheet management.</li> </ul> <p>Please refer to the remuneration review on page 108 of this report.</p>

## BOARD AND COMMITTEE FOCUS

<p><b>What kept our Board busy this year</b></p> <ul style="list-style-type: none"> <li>• Performance measurement against Reset and Grow turnaround strategy and long-term strategic and business plans for the Group</li> <li>• In-depth review of Board Charter and committees' terms of reference to ensure compliance with recently adopted legislation and ongoing application of King IV™ principles and recommended practices</li> <li>• Establishing a Board Investments Committee.</li> </ul>	<p><b>What will keep our Board busy in F2020</b></p> <ul style="list-style-type: none"> <li>• Performance against strategic and business plans</li> <li>• Review of role of new Investments Committee</li> <li>• Monitoring the integration of Alexander Forbes Insurance post-regulatory approval</li> <li>• Succession planning and board transition given in pending retirements and new appointments</li> <li>• Growth component of Reset and Grow.</li> </ul>
<p><b>What kept our Audit Committee busy this year</b></p> <ul style="list-style-type: none"> <li>• The Group's preparations for the introduction of IFRS 17 in 2021</li> <li>• Appointment of new external auditor in line with JSE Listings Requirements</li> <li>• Dividend discussions</li> <li>• Publication of interim and financial year-end results. (See Audit Committee report on page 114).</li> </ul>	<p><b>What will keep our Audit Committee busy in F2020</b></p> <ul style="list-style-type: none"> <li>• Monitoring the Group's readiness for the introduction of IFRS 17 in 2021</li> <li>• Implementation of new external auditors</li> <li>• Ongoing monitoring of effectiveness and adequacy of internal controls as reviewed by internal audit</li> <li>• Focus on financial reporting.</li> </ul>
<p><b>What kept our Risk, Capital and Compliance Committee busy this year</b></p> <ul style="list-style-type: none"> <li>• Review of risk appetite and statements</li> <li>• Monitoring capital management and capital distribution plan and dividend proposal</li> <li>• Ensuring sufficient attention given to cyber security</li> <li>• Approving policies required in terms of legislature (tax risk policy, anti-money laundering policy and policies combating over-indebtedness and reckless spending).</li> </ul>	<p><b>What will keep our Risk, Capital and Compliance Committee busy in F2020</b></p> <ul style="list-style-type: none"> <li>• Ongoing review of risk appetite and statements</li> <li>• Capital management and optimal allocation of capital to business units</li> <li>• Ongoing review of cyber security, digitalisation, innovation and disruptive technology</li> <li>• Monitoring the impact of Alexander Forbes Insurance acquisition on solvency, capital distribution and dividends</li> <li>• Monitoring solvency support framework for Guardrisk cell structures.</li> </ul>
<p><b>What kept our Social, Ethics and Transformation Committee busy this year</b></p> <ul style="list-style-type: none"> <li>• Monitoring the action items identified by management in response to the culture temperature assessment of the business</li> <li>• Overseeing the implementation of the diversity and inclusion programme</li> <li>• Monitoring the establishment of an ethical culture in the Group and steps taken to safeguard the Group from the risk of commercial crime, corruption and unethical or inappropriate behavior of our employees.</li> </ul>	<p><b>What will keep our Social, Ethics and Transformation Committee busy in F2020</b></p> <ul style="list-style-type: none"> <li>• Ongoing monitoring of the diversity and inclusion programme</li> <li>• Ongoing monitoring of ethics in the Group and steps taken to safeguard the Group from the risk of commercial crime, corruption and unethical or inappropriate behavior of our employees</li> <li>• Finalisation of a group stakeholder engagement framework</li> <li>• Monitoring group progress in terms Financial Sector Charter targets.</li> </ul>
<p><b>What kept our Actuarial Committee busy this year</b></p> <ul style="list-style-type: none"> <li>• Reviewing various aspects of the IFRS, embedded value and statutory reporting basis and results for Momentum Metropolitan Life Limited</li> <li>• Reviewing the solvency position of the Group, including economic capital, balance sheet projections and risk appetite measures</li> <li>• Overseeing the management of discretionary participation business including bonus distribution to policyholders.</li> </ul>	<p><b>What will keep our Actuarial Committee busy in F2020</b></p> <ul style="list-style-type: none"> <li>• Actuarial aspects of the Group's preparations for the introduction of IFRS 17</li> <li>• Oversight of product management matters in the Group.</li> </ul>

<p><b>What kept our Fair Practices Committee busy this year</b></p> <ul style="list-style-type: none"> <li>• Overseeing and revising of the Market Conduct Framework, complaints and claims management policies and frameworks based on the six principles of treating clients fairly</li> <li>• Formation of clients conduct forums</li> <li>• Life claims management, contact centre management and system stability for retail service levels</li> <li>• Collaboration with SETC on compliance with relevant legislation.</li> </ul>	<p><b>What will keep our Fair Practices Committee busy in F2020</b></p> <ul style="list-style-type: none"> <li>• Oversight of the implementation and improvement of market conduct practices</li> <li>• Oversight of the effectiveness of the complaints and claims management policies</li> <li>• Continued collaboration with SETC on compliance with relevant legislation.</li> </ul>
<p><b>What kept our Investments Committee busy this year</b></p> <ul style="list-style-type: none"> <li>• This newly-established committee had its first meeting in February 2019 during which it set its agenda for future meetings and addressed the matters put before it</li> <li>• Alexander Forbes Insurance acquisition.</li> </ul>	<p><b>What will keep our Investments Committee busy in F2020</b></p> <ul style="list-style-type: none"> <li>• Addressing the extensive mandate the Board has given the committee</li> <li>• Review of Momentum Metropolitan's new initiatives</li> <li>• Assessment of appropriateness of risk-return framework</li> <li>• Ongoing post investment monitoring including Alexander Forbes Insurance post regulatory approval.</li> </ul>
<p><b>What kept our Nominations Committee busy this year</b></p> <ul style="list-style-type: none"> <li>• Formalising succession planning for Board members as well as executives</li> <li>• Appointment of a lead independent non-executive director</li> <li>• Setting of annual voluntary Board race and gender targets.</li> </ul>	<p><b>What will keep our Nominations Committee busy in F2020</b></p> <ul style="list-style-type: none"> <li>• Embedding succession planning for executives</li> <li>• Ensuring the Board has a wide range of skills and diversity.</li> </ul>
<p><b>What kept our Remuneration Committee busy this year</b></p> <ul style="list-style-type: none"> <li>• Ongoing discussions regarding changes to remuneration policy and disclosure in terms of King IV™</li> <li>• Benchmarking of executive management compensation and non-executive directors fees</li> <li>• Engaging with dissenting shareholders</li> <li>• Review of short-term incentive scheme scorecard and F2020 scorecard.</li> </ul> <p>(See remuneration review on page 108).</p>	<p><b>What will keep our Remuneration Committee busy in F2020</b></p> <ul style="list-style-type: none"> <li>• Review and approval of performance criteria applicable to long-term incentive scheme</li> <li>• Ongoing engagement with shareholders prior to AGM</li> <li>• Review of performance measures applicable to Exco.</li> </ul>



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## THE BOARD GOVERNS COMPLIANCE WITH APPLICABLE LAWS AND ADOPTED NON-BINDING RULES, CODES AND STANDARDS IN A MANNER THAT SUPPORTS THE ORGANISATION BEING ETHICAL AND A GOOD CORPORATE CITIZEN

### COMPLIANCE GOVERNANCE

Our Board is committed to full compliance with all applicable laws and regulations, and also supports and applies certain non-binding codes and standards, such as the United Nations (UN) Principles for Responsible Investment (PRI). Momentum Metropolitan has also complied with the JSE Listings Requirements during the year under review.

Our regulatory compliance policies, procedures and processes ensure that the effectiveness of the controls in place to mitigate our compliance risks is continually monitored and that risk management plans are in place to ensure compliance with new legislation or amendments to current legislation.



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