

momentum
group

Momentum Group Fit and Proper Policy

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1. DEFINITIONS AND ABBREVIATIONS

ABBREVIATIONS	DEFINITIONS / MEANING
Companies Act	Companies Act, 71 of 2008 and its Regulations (as amended from time to time).
Fit and Proper requirements	In terms of the Insurance Act means in relation to: <i>Key Person</i> : personal character qualities of honesty, integrity and competence, including experience, qualifications and knowledge as may be prescribed. <i>Significant Owner</i> : qualities of honesty and integrity and financial standing as may be prescribed.
FSCA	Financial Sector Conduct Authority instituted by the FSR.
FSR	Financial Sector Regulations Act, 9 of 2017.
GOI 3	Prudential Standard: Risk Management and Internal Controls for Insurers.
GOI 4	Prudential Standard: Fitness and Propriety of Key Persons.
Insurance Act	The Insurance Act, 18 of 2017.
Joint Standard	Joint Standard 1 of 2020 as published by the Prudential Authority and FSCA under Sections 107 and 159(1) of the FSR.
Juristic	In relation to a representative, means a representative that is not a natural person (BN194 of 2017).
Key Person	A Key Person applicable to the Momentum Group refers to the following: <ul style="list-style-type: none"> a. <i>A Director</i>: Board Members / Directors of Momentum Group entities b. <i>A Senior Manager</i>: Managing Executives / Senior Management, which, for the purposes of this policy, is the Momentum Group Executive Committee (“Group EXCO”) c. <i>A Head of a Control Function</i> (The Control Functions are Internal Audit, Compliance, Risk Management, and Actuarial) d. An External Auditor as defined by section 32 of the Insurance Act e. A Trustee of a Trust referred to in section 41 of the Insurance Act f. Alternates of the above Key Persons, where appointed.
King IV™	King IV Report on Corporate Governance for South Africa 2016.
Momentum Group / the Group	Momentum Group Limited and its subsidiaries, including MML.
MML	Momentum Metropolitan Life Limited, a subsidiary of Momentum Group Limited.
Momentum Group Boards or Group Boards	The Board of Directors of Momentum Group Limited and its subsidiaries, including MML.
Nominations Committee	The Nominations Committee established and tasked by the Momentum Group Board to <i>inter alia</i> monitor compliance with the Fit and Proper Policy.

Qualifying Stake	<p>a. Is a company, that a person, directly or indirectly, alone or together, with a related or inter-related person-</p> <ul style="list-style-type: none"> i. Holds at least 15% of the issued shares of the financial institution; ii. Has the ability to exercise or control the exercise of at least 15% of the voting rights attached to the securities of the financial institution; iii. Has the ability to dispose of or control the disposal of at least 15% of the financial institution's securities; or iv. Holds the rights in relation to the financial institution that, if exercised, would result in the person, directly or indirectly, alone or together with a related or inter-related person – <ul style="list-style-type: none"> (aa) holding at least 15% of the securities in the financial institution; (bb) having the ability to exercise or control at least 15% of the voting rights attached to shares or other securities of the financial institution; or (cc) having the ability to dispose of or direct the disposal of at least 15% of the financial institution's securities; <p>b. Is a close corporation, that a person, directly or indirectly, alone or together with a related or inter-related person, holds at least 15% of the members' interests or controls, or has the right to control, at least 15% of members' votes in the close corporation;</p> <p>c. Is a trust, that a person, directly or indirectly, alone or together with a related or inter-related person-</p> <ul style="list-style-type: none"> i. the ability to exercise or control at least 15% of the votes of the trustees; ii. the power to appoint at least 15% of that trustees; or iii. The power to appoint or change any beneficiaries of the trust. <p><i>An increase or decrease of 5 or more percentage in the qualifying stake constitutes an increase or decrease in the extent of the ability of a person, alone or together with a related or inter-related person, to control or influence materially the business or strategy of the financial institution. Furthermore, a decrease in qualifying stake will occur when a person no longer has the power to appoint or change any beneficiaries of the trust.</i></p>
Prudential Authority	A juristic person operating within the administration of the South African Reserve Bank.
Related Business	A business where the Key Person has been involved or is involved, as a Director or member of the Senior Management of the Business, or Key Person in Internal Control Function.
Senior Management	<ul style="list-style-type: none"> a. The Chief Executive Officer or the person in charge of an insurer or a controlling company; or b. A person, other than a Director or Head of a Control Function who makes or participates in making decisions that affect the whole or a substantial part of the business of an insurer or a controlling company, or have the capacity to significantly affect the financial standing of an insurer or a controlling company, or who oversees the enforcement of policies and the implementation of strategies approved, or adopted by the Board of Directors.
Significant Owner	A person (alone or together with another) who can, directly or indirectly, control or materially influence the business or strategy of the Momentum Group.

A person is a Significant Owner of a financial institution if the person, directly or indirectly, alone or together with a related or inter-related person, has the ability to control or influence materially the business or strategy of the financial institution. Without limiting the above, a person has the ability referred to above if—

- a. the person, directly or indirectly, alone or together with a related or inter-related person, has the power to appoint 15% of the members of the governing body of the financial institution;
- b. the consent of the person, alone or together with a related or inter-related person, is required for the appointment of 15% of the members of a governing body of the financial institution; or
- c. the person, directly or indirectly, alone or together with a related or inter-related person, holds a qualifying stake in the financial institution.

2. INTRODUCTION

The Momentum Group is committed to implementing and maintaining sound corporate governance practices as set out in the JSE Listings Requirements, Companies Act, King IV™, Insurance Act and other applicable laws, regulatory and supervisory provisions, principles, codes and best practices, including the Prudential Authority's Governance and Operational Standards for Insurers (GOI).

Prudent business management of an insurer is dependent on the fitness and propriety of role players who have the capacity to significantly impact the financial standing of the insurer. Thus, 'fit and proper' behaviour is expected of all Key Persons appointed in the Momentum Group, and of the Significant Owner/s of the business.

3. PURPOSE

The purpose of this Policy is to establish and set forth Momentum Group's policy relating to the testing and assessing of the 'fit and proper' status of Key Persons and Significant Owners. Fitness and propriety of Key Persons are linked to integrity and capacity to meet the demands of their roles, and for Significant Owners integrity and financial resources commensurate with supporting the company's business.

The Policy will assist the Group in managing the risk that Key Persons may not be 'fit and proper' for their roles, which could have significant negative repercussion for the sound and prudent management of the Group. This ensures that the Momentum Group business is conducted with high standards of market practice, honesty and integrity.

4. SCOPE

This Policy applies to the Key Persons and Significant Owners as defined herein. However, to the extent that the Momentum Group operational structures / business units / entities deem it necessary to apply the Policy (duly adapted) to other persons within their structures / entities, they may do so, and shall manage this internally within such operational structure / business units / entities. Likewise, legal entities within the Momentum group of companies which are incorporated outside South Africa, are encouraged to apply this Policy to their structures, as far as is reasonably possible, and provided that the Policy does not conflict with local laws and policies.

By accepting to act in the capacity of person / position encompassed within the ambit of a Key Person, an individual at Momentum Group consents by implication to adhere to the requirements of a 'fit and proper' person contained in this Policy. However, a formal consent should be obtained and retained by the Group Company Secretariat Function.

5. KEY PERSONS

5.1. Criteria

In line with Momentum Group's value of integrity and as part of Momentum Group's efforts of embedding a strong culture of good corporate governance and ethical behaviour and in order to meet the 'fit and proper' requirements, Key Persons or their alternates must have the competence and integrity to perform the duties, and carry out the responsibilities required by their position.

In addition to the defined key persons, the Group Company Secretary will be subject to the same fit and proper assessment as required for Key Persons. It is incumbent on the Board to empower the Company Secretary with the necessary authority and ensure that the Company Secretary has the requisite knowledge and experience to carry out the duties of a Company Secretary of a public company.

The Momentum Group Boards are committed to ensuring that individuals appointed as Key Persons and those persons with fiduciary responsibilities towards the Momentum Group meet the 'fit and proper' requirements set out in this Policy.

5.2. Competence

Competence will be assessed taking into account a person's professional or satisfactory educational qualifications, experience or expertise, and relevant skills and knowledge within the insurance and/ or financial industries, or other industries if relevant, and whether the person performs his / her duties and/or responsibilities in accordance with the highest standards of ethics and integrity that promote sound governance.

5.3. Honesty, Integrity and Good Standing

Key Persons (and their alternates) must at all times, demonstrate the personal qualities of honesty and integrity and they must be persons of good standing. Integrity will be assessed by considering the GOI 4 criteria, as summarised below. A person with integrity will display honest and strong moral behaviour. Momentum Group will consider the following incidents as examples when Key Persons are not honest, lack integrity or good standing:

- a. Any conviction involving dishonesty, theft, fraud, forgery, uttering a forged document, perjury, breach of fiduciary duty, dishonourable or unprofessional conduct; or any corruption-related offence. The penalty for this conviction could be either an imprisonment or a fine.
- b. The acceptance of liability for theft, fraud, forgery, uttering a forged document, perjury or any conduct involving dishonesty, breach of fiduciary duty, misrepresentation, or negligent, dishonourable and unprofessional conduct under any law of any jurisdiction.
- c. The person has been declared to be mentally unfit or disordered through a court order.
- d. If the person has an impaired ability to discharge his / her duties in respect of the business of the financial institution because of a conflict of interest or any other reason.
- e. That the person has been involved, or is involved, as a director or a member of the senior management of a business that has been the subject of statutory management or curatorship, business rescue or in liquidation while the person has been connected with that organisation, or within one year of that connection.
- f. Any incidence of repetitive misconduct or enforcement actions from the Regulator.

- g. Any removal from an office of trust due to the commission of an offence involving deceit, dishonesty, a breach of a fiduciary duty or business conduct, theft, fraud, forgery, uttering a forged document or misrepresentation.
- h. Any suspension, dismissal or disqualification from being a Key Person, including any pending action which if successful will achieve the above outcomes.
- i. Any refusal of the registration, approval or authorisation to carry on a trade, business or profession, including any suspension, revocation or termination of such registration, approval or authorisation by a Regulator.
- j. The person has been found to not be 'fit and proper' by the responsible authority or another designated authority in any previous assessments of fitness and propriety, and the reasons for being found not 'fit and proper' have not been remedied.
- k. Any incidence that demonstrated a lack of readiness and willingness to comply with legal, regulatory or professional requirements and standards.

5.4. Processes related to Key Persons

a. Process to assess the suitability of a prospective Key Person

During assessment of a Key Person the responsible authority must consider the existence of any of the factors mentioned in Paragraph 5.3, in addition to any other reasonable considerations that the responsible authority deems relevant, having due regard to:

- The seriousness and surrounding circumstances of an adverse situation that could potentially or had a negative impact on the competence or integrity evaluation / assessment.
- The relevance of such adverse situation to the current and future duties and responsibilities of the person / entity.
- The time lapse since the adverse situation.

In assessing the 'fit and proper' status of a prospective candidate as a Key Person, any one or more of the following may be requested or undertaken to support the criteria above:

- Submission of substantiating documentation such as identification documents, proof of qualifications and/ or memberships with professional bodies, references, historical and statutory disclosures, etc.
- Verification checks with any regulatory body, supervisory authority, credit bureau, or other bodies as deemed appropriate.
- Completion of a 'fit and proper' evaluation/assessment questionnaire.

b. Decision-making Process relating to a prospective Key Person

- In making a determination about the fitness and propriety of a prospective Key Person the Momentum Group Boards/ Nominations Committee/ Head of the applicable Momentum Group operational structure, as the case may be, may consider, individually or in combination, the criteria listed above in 5.3 and per GOI 4 in respect of the duties that that person must perform.
- The Momentum Group Boards / Nominations Committee / Head of the applicable Momentum Group operational structure, as the case may be, conducting the 'fit and proper' evaluation / assessment, will evaluate all information and may invite the candidate to attend an interview.
- After consideration of the relevant information, or conducting the interview, the Group Boards / Nominations Committee / Head of the applicable Momentum Group operational structure, as the case may be, may consult with any other person or Committee as deemed necessary.

- A final decision will then be made by the Momentum Group Boards / Nominations Committee / Head of the applicable Momentum Group operational structure, or persons to whom authority has been sub-delegated, on whether to appoint the candidate, or not. The decision on whether to appoint or not, shall be/ followed through in accordance with the established internal human resource protocols or delegated authority.
 - All appointments shall be finalised in writing. Shareholder approval should be requested, if applicable and as prescribed.
 - The Momentum Group Boards / Nominations Committee / Head of the applicable Momentum Group operational structure shall determine, on an ad hoc basis, the extent to which the criteria listed above should be considered for any interim appointment.
 - Momentum Group must evaluate the 'fit and proper' status of a Director, Auditor, Senior Manager or Head of Control Function prior to their appointment or re-appointment, where applicable. Notices to the Prudential Authority must be given as per Section 7 of this Policy.
- c. Process to assess the periodic suitability of an appointed Key Person
- A 'fit and proper' evaluation questionnaire incorporating the criteria listed above in 5.3 will be conducted annually on Key Persons.
 - Non-executive Directors must declare all professional commitments on an annual basis and confirm that they have capacity, as well as sufficient time available to fulfil the responsibilities of a Momentum Group Board member.
 - Momentum Group must continuously monitor and evaluate the 'fit and proper' status of Key Persons.
 - A notice must be given to the Prudential Authority within thirty (30) days of Momentum Group becoming aware of any change that may adversely affect the 'fit and proper' status of a Key Person.
- d. Decision-making process for an appointed Key Person
- The reports from the annual evaluations will be tabled for consideration to the applicable governance structure(s) to determine whether any action is required to be taken.
 - Where a Key Person is assessed as not being 'fit and proper', action shall be determined by the applicable executive and/ or governance structures. The action shall include but not be limited to taking disciplinary, corrective or other appropriate actions as per internal protocols and policies, as well as notifying the applicable authority of such evaluation / assessment and actions taken. Where appropriate, a negative outcome in this regard may lead to dismissal.

6. SIGNIFICANT OWNERS

Procedures should be in place for assessing and attesting to, on an annual basis and also upon written request by an Authority, its fitness and propriety as per the requirements set out in section 5.3 which is *mutatis mutandis* applicable to Significant Owners who are natural persons.

During assessment of Significant Owners, the following should be taken into consideration:

- a. The nature and scope of the Significant Owner's business.
- b. The structure of the group that the Significant Owner is part of.
- c. Significant Owners should have integrity (displayed through Corporate Behaviour as defined by the Prudential Authority) and the financial resources compatible with supporting the insurer's business of which it is a significant owner.

It will be considered *prima facie* evidence that a Significant Owner is in good financial standing if the Significant Owner:

- a. Has adequate financing or funding and future access to capital.
- b. Is or likely to be able to meet any of its financial obligations if they fall due.

- c. Has not been the subject of a civil judgment in respect of an unpaid debt, which debt remains unpaid, or is the subject of pending proceedings which may lead to such a judgment.

Integrity will be assessed by considering the following for a Significant Owner that is a legal entity:

- a. If the direct or indirect Significant Owner who is a natural person fails to meet the integrity criteria for a natural person, for which guidance is provided in 4.3 of this Policy.
- b. It has been placed under business rescue or is the subject of any pending action to place it under business rescue.
- c. It has entered into, or is entering into, a scheme or arrangement with creditors within the meaning of the Companies Act.
- d. in the case of a financial institution, it has not successfully implemented its recovery plan or has been placed in resolution.

If a person wishes to assert that it is fit and proper despite the existence of one or more of the factors specified above, the person must, when seeking the approval of the responsible authority submit a declaration indicating the existence of one or more of the specified factors and providing reasons as to why the person believes it is, notwithstanding the existence of such factors, fit and proper to be a Significant Owner.

Significant Owners' requirements, as prescribed, shall only apply to insurer entities within the Momentum Group and not for other legal entities within the Group.

7. REGULATORY NOTIFICATION AND/OR APPROVAL

7.1. Prudential Authority

Group Company Secretariat will notify the Authority within thirty (30) days of appointments, resignations or other status changes of Key Persons.

An application for the approval of the appointment of a Director or Auditor must be submitted to the Prudential Authority and the appointment will be effective from the date of approval by them.

A notice must be given to the Prudential Authority within thirty (30) days of:

- a. Appointment of a Senior Manager or a Head of Control Function.
- b. Becoming aware of 'significant ownership' or potential significant ownership in respect of MMH
- c. Becoming aware of non-compliance with the Joint Standard relating to Significant Ownership or a change in the 'fit and proper' status of the Significant Owner.

Where a person or an entity is appointed as a 'fit and proper' person / entity despite one (1) of the prescribed criteria not being met or where the appointment of a director or auditor is proposed, a declaration from the Momentum Group Boards / Nominations Committee / Head of the applicable Momentum Group operational structure confirming that 'fit and proper' criteria are not met with a justification for an appointment despite this fact will be submitted to the Prudential Authority.

8. CONFIDENTIAL REPORTING

Any person, who believes that a Key Person does not meet the 'fit and proper' requirements set out in this Policy may use the Group's business specific fraud and ethics lines provided for in the Momentum Group Code of Ethics and Standards for Conduct Policy to report the non-compliance.

9. DISCLOSURE BY FORMER KEY PERSONS

Momentum Group acknowledges that to the extent required by law, a Key Person who resigned, was removed or went on early retirement may be required by the Authority to disclose relevant information (including reasons for their resignation, removal or early retirement) directly to the relevant Authority.

10. RETENTION OF RECORDS

The Group Company Secretary will retain sufficient documentation in respect of each fit and proper evaluation/assessment conducted in terms of this Policy relating to Key Persons and Significant Owners. The record will be retained for a period of seven (7) years, or such other retention period as prescribed in terms of relevant legislation.

Group Company Secretariat will retain sufficient documentation in respect of each fit and proper appointment request submitted to the Authority and specifically related to the appointment of Key Individuals for a period of five (5) years, or such other retention period as prescribed by legislation.

11. GOVERNANCE

11.1. Ownership of Policy

Ownership of this Policy vests with Group Company Secretariat.

11.2. Drafting and Amendments

Group Company Secretariat is responsible for co-ordinating, drafting and effecting amendments to this Policy on an annual basis, or as and when required by a change in legislative, regulatory and supervisory provisions, principle codes and best practices.

11.3. Approval

This Policy must be approved by the Group Boards.

12. COMPLIANCE

Momentum Group views any non-compliance with this Policy in a serious light and therefore non-compliance with the Policy, any Group policies, standards or procedures could result in disciplinary action, or any other sanction deemed appropriate being taken against transgressors.

Document Control**Key Document Summary**

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