

TERMS OF REFERENCE

Risk, Capital and
Compliance Committee



Terms of Reference: Risk, Capital and Compliance Committee

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Table of Contents

1. INTRODUCTION.....	4
2. PURPOSE OF THE TERMS OF REFERENCE	4
3. AUTHORITY	4
3.1. General	4
3.2. Mandate In Respect of Subsidiaries	5
3.3. Sub-committees and/ or Forums.....	5
4. COMPOSITION OF THE COMMITTEE	5
5. ROLE.....	6
6. RESPONSIBILITIES – Strategic direction and oversight	6
7. RESPONSIBILITIES - Approving of policies, plans and processes	7
8. RESPONSIBILITIES - Oversight and Monitoring.....	8
9. RESPONSIBILITIES - Reports and Disclosure	10
10. RESPONSIBILITIES – Other	10
11. MEETINGS AND PROCEDURES	11
11.1. Frequency	11
11.2. Attendance:	11
11.3. Agenda and Minutes:	12
11.4. Quorum and voting:	12
12. REMUNERATION	12
13. EVALUATION AND DEVELOPMENT	12
14. REVIEW	13

1. INTRODUCTION

- 1.1. The Risk, Capital and Compliance Committee (“the Committee”) is constituted as a Committee of the Board of Directors (“the Board”) of Momentum Metropolitan Holdings Limited (“MMH”).
- 1.2. The Committee is accountable to the Board, and performs its roles and responsibilities as required by the provisions of the Companies Act, 71 of 2008 (“the Companies Act”), the Insurance Act 18 of 2017 (“the Insurance Act”), the Company’s Memorandum of Incorporation (“MOI”), King IV Report on Corporate Governance for South Africa 2016 (“King IV™”) and any other applicable laws, regulatory and supervisory provisions, corporate governance principles, codes and best practices.
- 1.3. In the context of this document, “Company” means MMH, its subsidiaries, and all business divisions, collectively also referred to as “the Group” or “Momentum Metropolitan”.
- 1.4. The Committee will set direction and oversee the assessment of the quality, integrity and reliability of the Company’s risk, capital and compliance management processes on behalf of the Board.

2. PURPOSE OF THE TERMS OF REFERENCE

- 2.1. The purpose of these Terms of Reference (“ToR”) is to set out the Committee’s scope, role and responsibilities, and requirements for its composition and meeting procedures.

3. AUTHORITY

3.1. General

- 3.1.1. The delegated responsibilities to this Committee may be withdrawn or amended by the Board at any time in accordance with the legal and regulatory requirements.
- 3.1.2. In performing its duties and responsibilities, the Committee will maintain effective working relationships with the Board, management, and the internal and external assurance providers.
- 3.1.3. The Committee will not assume the functions of management, which remain the responsibility of the executive directors and officers, and other members of senior management.
- 3.1.4. The Committee in the fulfilment of its role and responsibilities:
 - 3.1.4.1. Will act in terms of the delegated authority of the Board as recorded in this ToR.
 - 3.1.4.2. Has the power to investigate any activity within the scope of this ToR.
 - 3.1.4.3. Has the right to obtain independent outside professional expertise and advice to assist with the execution of its duties, subject to following a Board-approved process.
 - 3.1.4.4. Shall make recommendations to the Board that it deems appropriate relating to any area within the ambit of this ToR where action or improvement is required.
 - 3.1.4.5. May call upon the Chairman of the other Board committees, any of the executive directors, officers, Group Company Secretary, assurance providers or any member of staff to provide it with information.

3.1.4.6. Has reasonable access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities.

3.1.5. The Committee will continue to serve as a committee of the Board for the period required by relevant legislative provisions, or as determined by the Board.

3.2. **Mandate in Respect of Subsidiaries**

3.2.1. The Committee's role with regard to risk, compliance and balance sheet management as stipulated in this document applies to all subsidiaries of Momentum Metropolitan, subject to the limitations imposed on minority shareholdings.

3.2.2. The Committee is appointed to act on behalf of Momentum Metropolitan as a whole, except to the extent restricted or precluded by law.

3.3. **Sub-committees and/ or Forums**

3.3.1. The Committee is mandated and authorised by the Board, without limiting the generality of its authority, to designate sub-committees of appropriately qualified persons to assist it in discharging its mandate in respect of any particular matter set forth in this ToR, or in respect of any subsidiary or operating or business structure within the Group, whether established and operating locally or internationally. In doing so, the Committee may delegate any of its powers to a person or committee of persons, but will remain accountable towards its responsibilities as stipulated in this ToR.

3.3.2. In the process of delegation, full cognisance shall be taken of the particular governance structure of Momentum Metropolitan in order to prevent duplication of functions between various committees as far as possible. Furthermore, proper controls should be in place to ensure that there is not undue concentration of power in the system of delegation.

3.3.3. The appointment of sub-committees for subsidiaries does not reduce the accountability of the Committee in relation to the roles and responsibilities set forth herein.

4. COMPOSITION OF THE COMMITTEE

4.1. The Committee will comprise of at least three (3) members.

4.2. The members of the Committee shall be executive and non-executive directors, of whom the majority will be non-executive and shall include the Chairman of the Audit Committee of the Board.

4.3. The attendees of the Committee shall include at least the Group Chief Risk Officer ("CRO"), Group Finance Director ("FD") - if not already a member, Group Head of Actuarial Function, Head of Group Balance Sheet Management ("BSM") and the Group Compliance Officer.

4.4. The Chairman and members of this Committee shall be appointed by the Board, or its duly mandated Board Committee. Any change to the composition of the Committee shall be considered and approved by the Board, or its duly mandated Board Committee.

- 4.5. The Chairman of the Committee shall be an independent non-executive director of the Company and the Chairman of the Board may not chair the Committee.
- 4.6. The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties, be fit and proper, and keep up-to-date with developments affecting the required skills-set.
- 4.7. The Group Company Secretary, or his/her nominee, or any other person appointed by the MMH Board, duly mandated Board Committee, or the Committee, shall be the secretary to the Committee.

5. ROLE

- 5.1. The Board is responsible for the total process of risk management, as well as forming its opinion on the effectiveness of the respective processes employed in the Group's Enterprise Risk Management, BSM and Compliance functions.
- 5.2. The role of the Committee is to assist the Board to ensure that *inter alia* the following objectives are achieved:
 - 5.2.1. Ensure that the Group has implemented and maintains an effective risk management system, which will enhance the Group's ability to achieve its strategic objectives.
 - 5.2.2. Provide oversight on the quality, integrity and reliability of the Group's risk and compliance management processes, as well as the reliability of the balance sheet management processes.
 - 5.2.3. Monitor the Group's risk profile, ensuring that material risks are identified and escalated appropriately.
 - 5.2.4. Discharge its duties relating to corporate accountability and the associated risk in terms of management, assurance and risk reporting.
 - 5.2.5. Satisfy itself about the effectiveness of the various processes and disciplines that are employed to manage the Group's risk, compliance, and balance sheet.

6. RESPONSIBILITIES – Strategic direction and oversight

- 6.1. The Committee will perform all the functions necessary to fulfil its strategic role, including but not limited to:
 - 6.1.1. Make recommendations to the Board regarding the Group's appetite/tolerance for risk and set risk strategy policies.
 - 6.1.2. Assist the Board with the identification of a build-up and concentration of risk.
 - 6.1.3. Ensure that management creates strategies for technology and information, including strategies around new technologies adopted or technologies being discontinued.
 - 6.1.4. Satisfy itself with the operational and strategic capital management activities and capital adequacy, as well as the overall approach and strategy towards capital management.

- 6.1.5. Satisfy itself with the Group's overall approach towards allocation of capital to business and risk activities with the aim of creating long-term shareholder value, sustainable growth, and risk-adjusted returns.
- 6.1.6. Satisfy itself with the Group's liquidity and funding position and whether the risk appetite parameters and limits are appropriate.

7. RESPONSIBILITIES - Approving of policies, plans and processes

- 7.1. The Committee will perform all the functions necessary to fulfil its role, in relation to policies, plans and procedures, including but not limited to:
 - 7.1.1. Ensure that there is approval and appropriate management of projects so that they are aligned with enterprise strategy and managed in a controlled manner.
 - 7.1.2. Ensure that a forward-looking risk-based approach to assessing enterprise-wide financial risk through an Own Risk and Solvency Assessment ("ORSA") process forms part of the risk management procedures and tools, over a time frame that is consistent with the Company's business planning.
 - 7.1.3. Assess the design, implementation and monitoring by management of the risk management process, and management's integration thereof into the day-to-day activities of the Group.
 - 7.1.4. Review and approve risk appetite measures annually.
 - 7.1.5. Ensure that there are appropriate processes to identify, assess and limit technology and information related risk within risk appetite.
 - 7.1.6. Satisfy itself with the limits applicable to and risk appetites in respect of market risk exposures.
 - 7.1.7. The Committee should satisfy itself with Shareholder's exposure to credit risks and the risk appetite towards credit risk.
 - 7.1.8. Ensure the development and annual review of risk management plans is performed.
 - 7.1.9. Approve relevant risk management and related policies and frameworks on behalf of the Board.
 - 7.1.10. Ensure that frameworks and methodologies are implemented to facilitate the anticipation / identification of unpredictable risks.
 - 7.1.11. Approve relevant technology and information related policies and frameworks on behalf of the Board.
 - 7.1.12. Ensure that management has a plan to enable the business units to respond and quickly adapt to technology disruptions.
 - 7.1.13. Assess legal and regulatory matters that could have a significant impact on the Group's business and ensure appropriate responses to change and developments.

- 7.1.14. Ensure that management optimises effective governance of the information/data assets across their life cycle, from creation to maintenance, archiving and deletion.
- 7.1.15. Ensure that processes exist to perform technology and information relevant assurance reviews of key business processes and that management remediates issues emanating from this assurance.
- 7.1.16. Ensure that management implements optimal recruitment/acquisition, planning, evaluation and development of technology and information related human resources.
- 7.1.17. Approve where required and satisfy itself with capital management and related balance sheet management policies and frameworks.
- 7.1.18. In respect of shareholders' funding and liquidity, the Committee should satisfy itself with whether the Group's liquidity requirements and funding dynamics are properly identified, quantified, modelled and managed.
- 7.1.19. Satisfy itself with The Group's credit management framework, methodology and capability.
- 7.1.20. Satisfy itself with the appropriateness of methodologies and measures to quantify and monitor market risks, and recommend any changes thereto.
- 7.1.21. Assess the overall approach to determine the optimal capitalisation level and composition of capital resources.

8. RESPONSIBILITIES - Oversight and Monitoring

- 8.1. The Committee will perform all the functions necessary to fulfil its role, in relation to oversight and monitoring, including but not limited to:
 - 8.1.1. Engage in continued identification and evaluation of actual and potential risks, including opportunities, as they pertain to the triple context in which the Group operates and the capitals it uses and affects.
 - 8.1.2. Oversee that the risk management and balance sheet management frameworks are widely disseminated throughout the Group and integrated in the day-to-day activities of the Group.
 - 8.1.3. Monitor the implementation and compliance of the risk management systems and processes in accordance with the said policies and plans.
 - 8.1.4. Ensure that risk assessments are performed on a continuous basis, by both the Enterprise Risk Management and Compliance Functions, at the Divisional and Group levels.
 - 8.1.5. Ensure that management considers and implements appropriate risk responses.
 - 8.1.6. Ensure implementation of an enterprise-wide approach to business continuity management and ensure regular business impact analysis is performed as and when required.

- 8.1.7. Satisfy itself with the ability to remain adequately capitalised over the business planning period, by considering the projected economic capital requirements and available capital resources as part of the ORSA process.
- 8.1.8. Provide oversight of technology and information related financial activities covering budgeting as well as cost and benefit management. This includes prioritisation of spending using formal budgeting practices and using an equitable system of allocating costs to the enterprise.
- 8.1.9. Ensure that appropriate sourcing of third parties (including suppliers), management of relationships, management of contracts and monitoring of third-party performance is performed.
- 8.1.10. Monitor compliance to relevant technology and information related legislation.
- 8.1.11. Ensure that management has an appropriate information security management system implemented to protect systems and information.
- 8.1.12. Ensure that management designs and implements architectures across the business, information/data, application and technology platform architecture layers. This includes technology selection during the pre-procurement states, to ensure re-use of building blocks, cost effectiveness and supportability, as well as decisions on the use of various cloud services.
- 8.1.13. Ensure that management coordinates and executes the activities and operational procedures required to deliver technology services.
- 8.1.14. Review reports concerning the operations, effectiveness and efficiency of the components of risk management and internal control relating compliance management.
- 8.1.15. Monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts.
- 8.1.16. Assess the adequacy of insurance coverage within the Group.
- 8.1.17. Assess the robustness and adequacy of the Group's capital modelling framework and methodology.
- 8.1.18. Assess the management of the Group's liquidity position and risk profile and whether the Group will at all times have sufficient liquidity resources to meet its obligations to policyholders, creditors and other stakeholders.
- 8.1.19. Satisfy itself with:
 - The adequacy of the steps that are taken by the Group to secure shareholding funding at an optimal cost from diversified and sustainable funding sources, within the approved liquidity risk appetite and limits.
 - The adequacy of steps that are taken to ensure that the assets backing the Group's capital resources are sufficiently liquid to meet expected and unplanned capital liquidity requirements from the shareholder capital portfolio and the relevant regulatory requirements for assets backing capital instruments.
 - The limits applicable to the Group's credit risk exposures and the monitoring thereof.

- The adequacy and robustness of the disciplines and tools that are used to measure, monitor and manage the Group's credit risk exposure and risk limits.
 - The identification of risks to the Group's economic value, earnings and solvency, emanating from market risks.
 - The potential implications of funding or capital instruments on the Group's net market risk position and suggest or approve approaches to manage the net market risk position.
 - Management of the Group's exposure to market risks, and whether adequate governance disciplines and management processes are in place.
 - Financial, insurance and operational risks that are directly borne by shareholders, ensuring these are managed in an acceptable manner.
 - Overall capital adequacy as measured by the economic capital requirements, as well as available capital resources.
- 8.1.20. Oversee the appointment, assessment, disciplining and dismissal of the Heads of the Risk and Compliance Functions.
- 8.1.21. Annually assess the performance of the Heads of the Risk and Compliance Functions.

9. RESPONSIBILITIES - Reports and Disclosure

- 9.1. The Committee assists the Board by ensuring accountability for organisational performance through *inter alia* reporting and disclosure. This Committee will perform all the functions necessary to fulfil its role, including but not limited to:
- 9.1.1. Review reports concerning risk, compliance, technology and data management that are to be included in the Group's Annual Financial Statements and/or Integrated Report.
- 9.1.2. Review and recommend for Board approval, the ORSA report and accompanying declaration.
- 9.1.3. Ensure establishment and implementation of impartial and effective communication with the Regulators to ensure that regulatory matters are properly prioritised and dealt with expeditiously and accurately.
- 9.1.4. Review the reports and disclosures concerning the Group's balance sheet management activities that are to be included in the Group's annual reports.

10. RESPONSIBILITIES – Other

- 10.1. The Committee shall report to the MMH Board on a quarterly basis.
- 10.2. Perform any other functions as requested by the Board, provided that those functions are not management functions.
- 10.3. Liaise closely with the Audit Committee to exchange information relevant to risk.
- 10.4. The Committee may meet separately with the Heads of Risk and Compliance Functions where necessary without management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum.

- 10.5. Review the nature, role, responsibility, and authority of the executive balance sheet management functions within the Group.

11. MEETINGS AND PROCEDURES

11.1. Frequency

- 11.1.1. The Committee should hold sufficient scheduled meetings with no less than three (3) meetings a year to discharge all its duties as set out in this ToR and other relevant Company documents and applicable policies or directives.
- 11.1.2. A schedule of regular meetings shall be provided to the Committee members at the beginning of the year.
- 11.1.3. Meetings in addition to those scheduled may be held at the request of the Group Chief Executive Officer, Group CRO, or other members of senior management, or at the instance of the Board, after consultation with the Chairman of the Committee.
- 11.1.4. The Chairman of the Committee may meet with the Group Chief Executive Officer, and must meet with the Group CRO and/or the Group Company Secretary (as may be appropriate) prior to a Committee meeting to discuss important issues and agree on the agenda.
- 11.1.5. Unless varied by this ToR, meetings and proceedings of the Committee will be governed by the Company's MOI insofar as it regulates the meetings and proceedings of Committees.
- 11.1.6. A meeting may be conducted by way of electronic media such as video or telephone conferencing.
- 11.1.7. Should the need arise for a decision to be taken by the Committee outside of its meeting cycle, such decision can be taken on a round robin basis.
 - 11.1.7.1. For a decision to be legitimately taken by round robin procedure, the support of the majority of members (of whom at least half should be non-executive) is required in writing and signed by them (and for the purposes of this procedure, communication per e-mail will be regarded as being in writing). Should a Committee member object to a decision, the remaining members of the Committee must be advised of the objection.
 - 11.1.7.2. At the Committee meeting following the date of the round robin decision, the Committee Secretary must report on the decision so taken by the Committee.

11.2. Attendance:

- 11.2.1. The following persons shall attend Committee meetings as appropriate (but have no voting power):
 - 11.2.1.1. Group CRO.
 - 11.2.1.2. Group Head of Actuarial Function or his/her alternate.
 - 11.2.1.3. Group Head of Compliance Function.

- 11.2.2. If the Chairman of the Committee is absent from a meeting, the members present shall elect one (1) of the members present to act as Chairman for that meeting.

11.3. **Agenda and Minutes:**

- 11.3.1. The Committee shall establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual plan should ensure proper coverage of the matters laid out in this ToR. From this plan, the number, timing, and length of meetings, and the agendas will be determined. The more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period.
- 11.3.2. The notice of each meeting of the Committee, confirming the venue, time and date and enclosing an agenda of items to be discussed, together with the supporting documentation, shall be forwarded to each member of the Committee not less than five (5) working days prior to the date of the meeting.
- 11.3.3. Members must declare a possible conflict of interest on agenda items at the beginning of each meeting, and this will be recorded in the meeting minutes by the Committee Secretary.
- 11.3.4. The minutes of meetings shall be completed as soon as possible after the meeting and circulated to the Chairman for review thereof. The minutes will be formally approved by the Committee at its next scheduled meeting.

11.4. **Quorum and voting:**

- 11.4.1. A quorum for meetings shall be a simple majority of members present, namely 50% (fifty percent) + one (1) member.
- 11.4.2. Individuals in attendance at Committee meetings by invitation may participate in discussions at meetings but do not form part of the quorum for Committee meetings, and shall have no voting rights where decisions are to be voted on.
- 11.4.3. Wherever possible the Committee will take decisions on a consensus basis. Where consensus cannot be reached, voting shall take place by a show of hands.

12. REMUNERATION

- 12.1. Committee members not holding executive office within the Group shall be compensated for their services, with the Chairman being entitled to an additional fee for his / her services.
- 11.2. Any special and ad hoc meetings will be remunerated as determined by the Board from time to time, and approved by the Shareholders as part of the Group Remuneration Policy.

13. EVALUATION AND DEVELOPMENT

13.1. **Evaluation**

- 13.1.1. The Board, and each member of the Committee, will perform an evaluation of the effectiveness of the Committee every two years.

13.2. **Development**

- 13.2.1. The Committee Chairman will use the results of the performance evaluation to identify developmental areas of the Committee and/or individual members.
- 13.2.2. The Committee members must keep up-to-date with developments affecting the required skill-set.

14. REVIEW

- 14.1. This ToR shall be reviewed by Group Company Secretariat annually or as and when it becomes necessary to do so due to legislative, regulatory and/or other changes. The updated ToR will be submitted for approval by the Committee and the Board.