

TERMS OF REFERENCE

Fair Practices Committee



Terms of Reference: Fair Practices Committee

Document Control

Key Document Summary and Version History

Document Status and Version	Approved V7
Document Owner	Group Company Secretary
Document Location	Tiberius / Charters and Committee Terms of Reference MM website

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1. INTRODUCTION

- 1.1. The Fair Practices Committee (“FPC” or “the Committee”) is constituted as a Committee of the Board of Directors (“the Board”) of Momentum Metropolitan Holdings Limited (“MMH”), and is accountable to the Board.
- 1.2. In the context of this document, “Company” means MMH, its subsidiaries, and all business divisions, collectively also referred to as “Momentum Metropolitan” or “the Group”.
- 1.3. These Terms of Reference (“TOR”) are subject to the provisions of the Companies Act, 71 of 2008 (“Companies Act”), the Insurance Act 18 of 2017 (“Insurance Act”), the Company’s Memorandum of Incorporation, 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.

2. PURPOSE OF THE TERMS OF REFERENCE

- 2.1. The purpose of this TOR is to set out the Committee’s scope, role and responsibilities as well as the requirements for its composition and meeting procedures.

3. AUTHORITY

3.1. General

- 3.1.1. The Board delegated certain responsibilities and duties to this Committee, which authority may be withdrawn or amended by the Board from time to time. The nature of the delegation is as set out in the roles and responsibilities hereunder, and the Committee will act in terms of this delegated authority.
- 3.1.2. The FPC’s responsibilities as an independent governance forum for Treating Customers Fairly (“TCF”) will be undertaken in keeping with the TCF requirements as published by the Financial Sector Conduct Authority (“FSCA”). Decisions taken by the FPC in this regard will be as an independent forum from management and Board.
- 3.1.3. The duties and responsibilities of the members of the Committee are in addition to those that they may have as members of the Board, where applicable. The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members with regard to their fiduciary duties and responsibilities.
- 3.1.4. The Committee will have an independent role with accountability to the Board. In performing its duties and responsibilities, the Committee will maintain effective working relationships with the Board, management, and external and internal assurance providers.
- 3.1.5. The Committee will continue to serve as a Committee of the Board as required by relevant legislative provisions, or as determined by the Board.
- 3.1.6. In order to meet its responsibilities and fulfill its functions, the Committee:
 - 3.1.6.1. Acts in terms of the delegated authority of the Board as recorded in these Terms of Reference.

- 3.1.6.2. Has the power to investigate any activity within the scope of these Terms of Reference.
 - 3.1.6.3. May call upon the Chairmen of the other Board Committees, any of the executive directors, officers or Group Company Secretary to provide it with information.
 - 3.1.6.4. Has reasonable access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities.
 - 3.1.6.5. Has the right to obtain independent outside professional expertise and advice to assist with the execution of its duties, at the Company's cost, subject to following a Board approved process.
- 3.1.7. Makes recommendations to the Board that it deems appropriate on any area within the ambit of these Terms of Reference, where action or improvement is required.

3.2. **Mandate in Respect of Subsidiaries**

- 3.2.1. The Committee is appointed to act on behalf of the Momentum Metropolitan Group of companies as a whole, except to the extent restricted or precluded by law, or otherwise indicated by a subsidiary and excluding any Joint Ventures not controlled by the Momentum Metropolitan Group.

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 a sub-committee of appropriately qualified persons to assist it in discharging its mandate in respect of any particular matter as set forth in this Terms of Reference, 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 shall not abdicate its responsibilities, as stipulated in this Terms of Reference.
- 3.3.2. In the process of delegation, full cognisance shall be taken of the particular governance structure of Momentum Metropolitan Group in order to prevent duplication of functions between various committees as far as possible.
- 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 Chairman and members of this Committee will be appointed by the Board, or its duly mandated Committee.
- 4.2. Any change to the composition of the Committee will be considered and approved by the Board, or its duly mandated Committee.
- 4.3. The Committee will comprise of at least three (3) members, the majority of which will be non-executive members, and will include at least one (1) independent non-executive director.

- 4.4. 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.
- 4.5. The Group Company Secretary, or his/her nominee, or any other person appointed by the Board or the Committee, will be the secretary to this Committee.

5. ROLE

- 5.1. The Committee has an independent role, with accountability to the Board. The FPC will not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.
- 5.2. The role and objectives of the FPC are primarily three-fold:
 - 5.2.1. Firstly, the FPC will consider the fair treatment of customers within Momentum Metropolitan and has an oversight role in this regard.
 - 5.2.2. Secondly, the FPC will provide oversight and guidance on the Discretionary Business within the Group and act as the Discretionary Participation Committee (“DPC”) of the Momentum Metropolitan Life business.
 - 5.2.3. Thirdly, the FPC will be an independent governance forum responsible for dealing with the requirements of the FSCA’s market conduct obligations, as amended from time to time. The FPC’s scope will include business practices pertaining to linked (i.e. LISP) products, unit trust products, healthcare business, investment business, employee benefits business and all other operations forming part of Momentum Metropolitan.

6. RESPONSIBILITIES

- 6.1. The FPC takes an oversight responsibility to make sure that Momentum Metropolitan embeds fair treatment of customers at all levels in the organisation.
- 6.2. The FPC will monitor the ongoing, proactive, demonstrable management of conduct risk indicators established in the:
 - 6.2.1. Continuous improvement of product design, service delivery, customer experience.
 - 6.2.2. Fair pricing.
 - 6.2.3. Appropriate products.
 - 6.2.4. Clear and understandable disclosures.
 - 6.2.5. Improved claims handling practices.
 - 6.2.6. Reduction in persistent complaints.
 - 6.2.7. Meaningful management information and reporting.
 - 6.2.8. Enhanced governance and oversight of the distribution channel.
 - 6.2.9. Customer-centric decision making.
- 6.3. The FPC will oversee the policies, processes, and disciplines. to ensure that the six (6) fairness outcomes of TCF are complied with, namely:
 - 6.3.1. Customers are confident that they are dealing with a company where the fair treatment of customers is central to the company’s culture.
 - 6.3.2. Products and services marketed and sold are designed to meet the needs of identified customer groups and are targeted accordingly.

- 6.3.3. Customers are given clear information and are kept appropriately informed before, during and after the time of contracting.
 - 6.3.4. When customers receive advice, the advice is suitable and takes account of their circumstances.
 - 6.3.5. Customers are provided with products that perform as the Group companies have led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect.
 - 6.3.6. Customers do not face unreasonable post-sale barriers to change products, switch providers, submit a claim or make a complaint.
- 6.4. The FPC's oversight role over the Momentum Metropolitan Life's discretionary participation business is undertaken in compliance with any regulations and guidance issued by the FSCA, from time to time. Momentum Metropolitan Life defines the Principles and Practices of Financial Management ("PPFM") as it applies to its discretionary participation business. The PPFM is made available to customers, advisors and market commentators, and the FPC considers changes and compliance with these principles annually.
 - 6.5. The FPC will, when appropriate, submit reports to the SETC on social and ethics matters which have a Market Conduct element or key principles demonstrated in issues or matters held for discussions.
 - 6.6. The FPC will monitor the Company's activities for any relevant legislation, other legal requirements or prevailing codes of best practice, relevant to matters or concerns that relate to consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws.
 - 6.7. The Committee's reporting responsibilities will be to the MMH Board, and to the Momentum Metropolitan Life Limited Board for Discretionary Participation activities.
 - 6.8. The FPC's consideration of the fair treatment of customers will be executed by accepting responsibility for guiding management in developing and establishing principles of fair treatment for Momentum Metropolitan's business practices. In addition, the FPC will seek to ensure that the spirit of doing ethical business is implemented across the business.
 - 6.9. The FPC's functions will include:
 - 6.9.1. Evaluation of Momentum Metropolitan's current business practices against the principles of fair treatment.
 - 6.9.2. Consideration of submissions from management regarding new practices which might be interpreted to be unfair to customers by particular interest groups.
 - 6.9.3. Reviewing decisions made by management to ascertain whether they are consistent with the principles of fair treatment.
 - 6.9.4. Evaluation of Momentum Metropolitan's progress towards embedding the principles of fair treatment of customers in its strategy, culture and day-to-day operations.
 - 6.10. In its role as oversight for the Momentum Metropolitan Life Limited Discretionary Participation Business, the FPC will consider the interests of discretionary participation policyholders and provide the Board with an assessment of Momentum Metropolitan's compliance with the requirement to conduct discretionary participation business in accordance with the PPFM.
 - 6.11. Other Responsibilities:
 - 6.11.1. Requesting and considering any additional information necessary to fulfil the functions of the Committee.

- 6.11.2. Performing responsibilities required by the relevant Board approved policies including the review and approval of such policies, where applicable.
- 6.11.3. Performing any other functions as requested by the Boards, provided that those functions are not management functions.

7. MEETINGS AND PROCEDURES

7.1. Frequency

- 7.1.1. The Committee should hold sufficient scheduled meetings with not less than three (3) meetings per year to discharge all its duties as set out in these Terms of Reference and other relevant Company documents and applicable policies.
- 7.1.2. A schedule of regular meetings shall be provided to the Committee members at the beginning of the year.
- 7.1.3. Meetings in addition to those scheduled may be held at the request of the Chief Executive Officer, the Chairman or on request from a member of the Committee (with consent of the Chairman), or at the instance of the Board, after consultation with the Chairman of the Committee.
- 7.1.4. Unless varied by these Terms of Reference, meetings and proceedings of the Committee will be governed by the Company's Memorandum of Incorporation that regulates the meetings and proceedings of Committees.
- 7.1.5. A meeting may be conducted by way of electronic media such as video or telephone conferencing.
- 7.1.6. Should the need arise for a decision to be taken by the Committee and, due to urgency, the matter cannot be postponed until the next Committee meeting, the required decision may be obtained by following the process as set out hereunder:
 - 7.1.6.1. An appropriate memorandum must be prepared, addressing the relevant background facts and setting the proposed resolution.
 - 7.1.6.2. The Committee Secretary must e-mail the documentation to each member and advise the members of the time and date when a written response is required.
 - 7.1.6.3. For a decision to be legitimately taken by round robin procedure, the support of the majority of members 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 such objection.
 - 7.1.6.4. At the Committee meeting following the date of the round robin decision, the Committee Secretary must report fully on the decision so taken by the Committee. The Committee Secretary must also record the decision in the minute book.

7.2. Attendance

- 7.2.1. The Committee and the Chief Executive Officer may in consultation with the Chairman invite any member of staff from Momentum Metropolitan, or its subsidiaries, or any Division, including external professional advisors, to Committee meetings as and when required. Invitees to meetings attend by invitation only and they may not vote.
- 7.2.2. Committee members will attend all scheduled meetings of the Committee, including meetings called on an ad hoc basis for special matters, unless prior apology, with reasons, have been submitted to the Chairman or Committee Secretary.

- 7.2.3. If the Chairman of the Committee is absent from a meeting or is not present within 15 minutes of the stipulated time for such meeting, the members present shall elect one (1) of the members present to act as Chairman for that meeting.

7.3. **Agenda and Minutes**

- 7.3.1. 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 the Committee 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.
- 7.3.2. 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.
- 7.3.3. Committee members must be fully prepared for Committee meetings, to provide appropriate and constructive input on matters discussed.
- 7.3.4. Members must declare a possible conflict of interest with agenda matter at the beginning of each meeting, and this will be recorded in the meeting minutes by the Committee Secretary.
- 7.3.5. The Chairman is responsible for the smooth running of meetings, ensuring the view of each member are heard and that sufficient time is devoted to each issue for discussion.
- 7.3.6. 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.

7.4. **Quorum and voting**

- 7.4.1. A quorum for meetings shall be a simple majority of members present, namely 50% (fifty percent) + one (1) member.
- 7.4.2. As granted by the Board (per resolution R12/2020), any individuals who are appointed as members of the Committee, but are not directors of Momentum Metropolitan, have full voting rights on the matters to be decided by the Committee.
- 7.4.3. Individuals in attendance at Committee meetings by invitation may participate in discussions at meetings but do not form part of the quorum, and shall have no voting rights where decisions are to be voted on.
- 7.4.4. 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.

8. REMUNERATION

- 8.1. Committee members not holding executive office in the Momentum Metropolitan Group shall be compensated for their services, with the Chairman being entitled to an additional fee for his / her service.
- 8.2. 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 Momentum Metropolitan Remuneration Policy

9. EVALUATION AND DEVELOPMENT

9.1. Evaluation

- 9.1.1. The Board, and each member of the Committee, will perform an evaluation of the effectiveness of the Committee every two (2) years.

9.2. Development

- 9.2.1. The Committee Chairman will use the results of the performance evaluation to identify developmental areas of the Committee and/ or individual members.
- 9.2.2. The Committee members must keep up-to-date with developments affecting the required skill-set. All members should attend update training to be arranged by the Committee Secretary.

10. REVIEW

- 10.1. 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.