

# REPORT BY THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

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Report by the Social, Ethics and Transformation Committee (SETC) to be presented at the 19th (nineteenth) Annual General Meeting of the Shareholders to be held on 26 November 2020, at Momentum Metropolitan Head Office, 268 West Avenue, Centurion.

## Introduction

The SETC's mandate, received from Momentum Metropolitan Holdings Ltd (MMH or the Group)'s Board of Directors, is to fulfil the following monitoring and oversight roles:

- Transformation, focusing on broad-based black economic empowerment (B-BBEE) under the Financial Sector Code (FSC) and Employment Equity legislations.
- Compliance with relevant social, ethics and legal requirements, as well as best practice codes to promote an ethical culture within the Group.
- Diversity and Inclusion.
- Environmental sustainability.
- Corporate social investment.
- Good corporate citizenship.

## Key activities of the committee

### Transformation and people practices

The Momentum Metropolitan Group continues its steadfast commitment to transformation; hence, transformation goals are integrated into its business and governance structures. The Group's progress on transformation is monitored by the SETC. The SETC believes that transformation is integral to achieving the Momentum Metropolitan Group's vision of being the preferred lifetime financial wellness partner with a reputation for innovation and trustworthiness. B-BBEE underpins the Group's strategic objective to enhance financial wellness, promote access to financial services and improve financial literacy in a country that continues to grapple with inequality.

### Latest B-BBEE verification

Momentum Metropolitan Holdings was the first major insurance group to attain a Level 1 B-BBEE rating under the Amended Financial Sector Codes (FSC) in 2019 and has continued to maintain its Level 1 rating as part of its 2020 scorecard with a total score of 110.96.

The Group is proud of its Level 1 rating and in view of its efforts to maintain this positioning, it continues to focus on a holistic approach to the transformation plan, including Management Control; Skills Development and Access to Financial Services elements of the B-BBEE scorecard.

A Transformation Steering Committee, represented by business and pillar champions, and lead by the Group Transformation Function, has been established to proactively manage BEE and provide assurance to MMH Exco.

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### MMH's Amended FSC Scorecard

B-BBEE Element	Maximum Points	MMH 2019
Equity Ownership	28	24.82
Management Control (including Employment Equity)	20	11.55
Skills Development	23	11.91
Preferential Procurement	19	19.00
Enterprise and Supplier Development	14	12.84
Socio-Economic Development, including Consumer Education	8	8.00
Empowerment Financing	15	14.91
Access to Financial Services	12	7.93
<b>Total</b>	<b>120 + 19</b>	<b>110.96</b>
	<b>Bonus Points</b>	<b>Level 1</b>

#### Equity Ownership

We appreciate that the Group's empowerment shareholding is negatively impacted as and when our black empowerment investors reduce their shareholding. In this regard, we have seen a reduction in our equity ownership points, of 1.04, during the year.

There is a process underway to review MMH's long term empowerment shareholding structure.

#### Employment Equity

MMH believes that a diverse workforce will yield better results; thus, diversity has been adopted as one of the key strategic priorities for the Group, which continues to grapple with retention of African employees at senior management level.

Momentum Metropolitan's current EE Plan expires on 31 December 2020 and a new 5 year plan has been developed to coincide with the Group's financial year, to run from 1 July. A bottom up target setting process from our Group businesses was followed, which also assessed barriers to employment equity; and a top-down review by the Executive Committee ensured concerted efforts towards transformation, in particular at senior and middle management levels.

When compared to the economically active population (EAP), MMH has a fair amount of work to do in diversifying its workforce; hence, a number of interventions are in place in this regard, with collaboration between our Human Capital and Transformation areas. Group leadership continues to focus on efforts to improve the status quo.

#### Skills Development

MMH's commitment to developing its people includes the Group's investment of:

- Over R176 million spent towards developing our black employees.
- R107 million spend towards female employees.
- Over 815 unemployed learnership opportunities created.

## Preferential Procurement

During the year under review, MMH continued its procurement strategy of supporting transformed businesses, resulting to an improved score on this element. The procurement team is committed to proactively identify opportunities for preferential procurement throughout the value chain. The view is to maintain/improve the status quo and continue to go beyond compliance by supporting and developing small businesses, to enable them to graduate onto our supply chain and be able to access other markets. The table below highlights our efforts in going beyond compliance.

Measure	Target (%)	Achieved %	Under/Over
Recognised BEE SPEND	75%	64.30%	Under target
Qualifying Small Enterprise (QSE)	14%	8.80%	Under target
Exempt Micro Enterprise	8%	4.70%	Under target
Black Ownership	20%	26.50%	Over target
Black Women Ownership	9%	18.10%	Over target
Designated Groups	2%	4.00%	Over target
Intermediaries	5%	67.10%	Over target

Our future initiatives are focusing on the following:

- Dedicated efforts to improve spend with QSE suppliers.
- Enterprise and Supply Development Programmes to transform existing brokers and add new black brokers (intermediaries).
- More spend with suppliers from the designated groups, especially the youth and disabled.

## Enterprise and Supplier Development (“ESD”) and Empowerment Financing

MMH recognises that entrepreneurship is a key driver of economic and socioeconomic improvement. Hence, our enterprise and supplier development strategy promotes impactful development of small and medium sized enterprises. The Momentum Metropolitan ESD Trust is committed to improving the ability of qualifying entrepreneurs to access markets and funding, and to develop their businesses in a way that fosters inclusive growth.

The key elements of the Trust strategy include:

- Enabling platform
- Business development
- Improving entrepreneurs' ability to gain access to markets and funding
- Assisting in the transformation of the untransformed
- Sustainability (beyond survival)

Through the ASISA ESD Fund and our internal Enterprise Development programmes, the following were key achievements for the year:

- 29% increase in average revenue across SMEs supported
- 750 SMEs developed
- 4 324 jobs supported
- 1 550 jobs created
- R190 million in industry procurement from supported SMEs
- 75 500 hours of SME developmental support provided.

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### **Corporate Social Investment (CSI)**

#### **Consumer Financial Education**

At the start of the 2020 financial year, the Momentum Metropolitan Foundation (MMF) had three key programmes, KickStarz and Making Money Matter boardgame for schools, as well as Motheo Financial Dialogues for young professionals. During the Covid-19 lockdown in Q4 of the financial year, our financial education chatbot, FinEazy, was added to the programme portfolio. Over two months 1 000 people participated. We will continue to grow our online programme solutions to service schools as face-to-face programmes are posing a challenge currently and in near future.

#### **WeThinkCode interns**

This programme is run in partnership with WeThinkCode Academy to develop women in IT skills. At successful completion, these students will be awarded an NQF level 7 qualification, having also gained experience that gives them opportunities for permanent placements.

#### **Covid-19 response relief efforts**

The MMF board made R4.7m available to six youth employment partners, six NPOs from our staff volunteer network, UNICEF and the South African Red Cross, before the Covid-19 lockdown in March 2020. The 2020 financial year contribution to the National Education Collaboration Trust (NECT) of R1.6m, was also redirected by the NECT to the Department of Basic Education's national Covid-19 response programme.

All six NPO partners implemented their Covid-19 response plan with one NPO increasing their food parcel distribution from 2 000 to 60 000.

All our Youth Employment Programme (YEP) partners focused on areas of vulnerability in their Covid-19 responses, coupled with a strong education drive to disseminate credible scientific information. A total of R3.6m emergency response funding was released by the MMF board to assist with their respective efforts. A further total of R1.1m was made available to the South African Red Cross, UNICEF, in particular their Child Protection Services, and non-profit organisations on our MMH Forgood Online Volunteer Programme, whose day-to-day needs were exacerbated by the impact of the lockdown.

#### **Ethical Conduct**

The centralised Group Forensic Services (GFS) team is mandated by the SETC to collaborate with various stakeholders, including human capital, industrial relations and business units, to develop strategy and implement related policies and control processes to ensure that any risk and/or potential risk of unethical conduct by employees that could bring harm to the business, is not only prevented, but where it occurs, is effectively managed in line with Momentum Metropolitan standards and within the ambit of relevant legislation.

The SETC monitors and evaluates detailed quarterly reports provided by GFS on employee conduct.

The SETC has taken cognisance of the review of ethical practices and programmes conducted by the Group Internal Audit Function during the year and takes comfort in the positive findings related to the ethical standards and practices within the Group. The SETC further endorses the suggested future enhancements of a continuous training and awareness making programme related to ethical and compliance training that will be implemented in the coming year.

## Environmental Sustainability

Momentum Metropolitan actively subscribes to the recommendations set out under the King IV Report on Corporate Governance™ for South Africa, 2016; the United Nations Principles for Responsible Investing; and the Code for Responsible Investing in South Africa. In addition, the Group strives to comply with relevant legislation relating to environment, social and governance (ESG) enactments. To this end, the Group has various environmental sustainability policies in place, which are available on the Momentum Metropolitan website.

During the year under review, the Group has considered global developments in climate change. Momentum Metropolitan Holdings signed the "Statement of Investor Commitment to Support a Just Transition on Climate Change". This is an international statement of investor commitment to support the just transition to a low carbon economy. This statement focuses on strategies that incorporate the full ESG dimensions of responsible investment. This initiative complements the Momentum Metropolitan climate change investment policy and climate change positioning statement that were both published in 2019. Furthermore, we have finalised our Sustainability Framework which articulates our commitment to sustainability by incorporating the sustainability concepts as part of our decision-making at all levels of the business and activities for all our stakeholders.

Momentum Metropolitan has been listed on the Johannesburg Stock Exchange (JSE) Socially Responsible Investment Index since 2010 and is listed on the current FTSE/JSE Responsible Investment Top 30 Index and FTSE4Good Index. The Group calculates its carbon footprint on an annual basis, and participates in the CDP (formerly the Carbon Disclosure Project) process. The Group has met its carbon emissions reduction target two years ahead of schedule, and has introduced an updated longer-term target. Over the years, Momentum Metropolitan has implemented several energy efficiency initiatives which have contributed to us achieving our carbon emissions reduction target and we will continue to implement interventions which will contribute to us achieving our newly set carbon emissions reduction target. Detailed information regarding this is available on our website.

The SETC considers quarterly reports on Momentum Metropolitan's sustainability activities.

## Conclusion

The Committee is satisfied that it has fulfilled its mandate as prescribed by the regulations to the Companies Act and as laid out in its terms of reference. There are no instances of material non-compliance to disclose in those respects.



**Khehla Shubane**

*Chairman: Momentum Metropolitan Social, Ethics and Transformation Committee*

05 August 2020