



Fraud Risk Management  
Policy on Managing  
Commercial Crime,  
Bribery and  
Corruption, Employee  
Misconduct and Money  
Laundering

# Contents

- 1. DEFINITIONS AND ABBREVIATIONS..... 3
- 2. INTRODUCTION..... 4
- 3. PURPOSE ..... 4
- 4. MANDATE ..... 5
- 5. RISK APPETITE STATEMENT..... 5
- 6. SCOPE OF APPLICABILITY, GOVERNANCE AND REVISION..... 6
- 7. ESCALATION OF EMPLOYEE MISCONDUCT ..... 6
- 8. REPORTING AND MEETING ATTENDANCE PROTOCOL ..... 6
- 9. ROLE PLAYERS ..... 7
- 9.1 GROUP FORENSIC SERVICES AND ANTI-MONEY LAUNDERING SOLUTIONS..... 7
- 9.2 MANAGEMENT ..... 7
- 9.3 COMPLIANCE AND LEGAL FUNCTIONS ..... 7
- 9.4 HUMAN CAPITAL AND INDUSTRIAL RELATIONS ..... 7
- 9.5 OTHER ASSURANCE PROVIDERS..... 7
- 10. STRUCTURE AND MODEL ..... 7
- 11. THE THREE LINES OF DEFENCE AGAINST RISK ..... 8

## 1. DEFINITIONS AND ABBREVIATIONS

Anti-money Laundering	Encompasses all operational processes in respect of managing the risk of money laundering (AML) and combating of financing of terrorist activities (CFT). Where the abbreviation AML is used it is inclusive of CFT.
Bribery and Corruption	<p>Bribery is the offer, promise, giving, demanding or acceptance of an advantage (Cash or otherwise) as an inducement for an action which is illegal, unethical or a breach of trust.</p> <p>Corruption is an abuse of a position of trust or power in order to gain an undue advantage.</p> <p>Acts of bribery or corruption are designed to influence the individual in the performance of their duty and incline them to act dishonestly. For the purposes of this policy, whether the payee or recipient of the act of bribery or corruption works in the public or private sector is irrelevant.</p> <p>The person being bribed is generally someone who will be able to obtain, retain or direct business. This may involve sales initiatives, such as tendering and contracting; or it may simply involve the handling of administrative tasks such as expediting the issuing of a policy etc. It does not matter whether the act of bribery is committed before or after the action.</p>
Commercial Crime	Commercial crime is defined as any internal or external action or attempt of any such action, by any party against MMH, where the action is, but not limited to, fraud, theft, forgery, uttering, money laundering, financial control abuse, transgressing specific legislation and regulations and internal rules that regulate MMH business and may have a financial or reputational impact on MMH.
Concentration of Risk	The concentration of risk is defined as the risk of larger than expected financial losses due to the large exposure to a single event or the accumulation of exposure to events that may impact financial soundness or sustainability.
Employee misconduct	<p>The term misconduct has a variety of interpretations in term of labour law. In general, misconduct in the workplace is characterised as an objectionable action that is willful and cannot be described as a mistake or an act of negligence.</p> <p>Acts such as poor performance, minor errors in judgment or negligence are not typically considered misconduct, but rather as poor performance, except if the poor performance become habitual or has been previously addressed and is repeated.</p>
Fraud Guidance note	This guidance note sets out the approach to be followed by employees when employee misconduct as well as non-compliance to MMH's policies and procedures is exposed.

<p>Policy on Insurance Fraud Risk</p>	<p>A policy to manage the specific risk of Insurance Fraud within MMH.</p> <p>A policy incorporated in terms of the Long-term and Short-term Insurance Acts, 1988: Governance and risk management framework.</p> <p>(Board Notice 158 of 2014). The Insurance Fraud Risk Policy is to be read and implemented in conjunction with this policy.</p>
<p>Risk</p>	<p>Risk refers to the acts of or potential acts of commercial crime, bribery, corruption employee misconduct and money laundering and will be used as such throughout this document.</p>

## 2. INTRODUCTION

Momentum Metropolitan Holdings Ltd (MMH) is a large, diversified and well capitalised financial services provider which has served as a consolidation vehicle since 1891. MMH is one of the largest financial services providers in South Africa and doing business in various other countries and is continuously exploring business opportunities across the globe.

MMH has a rich past built on a solid foundation of professional and ethical behaviour. It facilitates the enhancement of the financial wellness of people, their communities and their business by investing in new capabilities and strengthening those that MMH has. In this evolving environment, MMH will continue to build its various brands with all of its stakeholders and will strive to be a good corporate citizen to the benefit of all the countries in which it operates.

The success of MMH as a law-abiding corporate citizen requires therefore that all employees will at all time act with honesty and integrity. Employees are therefore expected to comply with all laws relevant to MMH and with MMH’s policies, standards and procedures, or the like, in and across all jurisdictions it operates in.

## 3. PURPOSE

This Policy sets out the mandates, risk appetite, roles as well as responsibilities and the approach to be followed by MMH employees in order to mitigate the risk of commercial crime, acts of bribery and corruption, employee misconduct and money laundering within MMH.

For Solvency Assessment and Management purposes in South Africa, this document forms part of the MMH Own Risk and Solvency Assessment Framework (ORSA).

#### 4. MANDATE

The Board authorises and instructs-

- MMH Group Forensic Services and Anti-money Laundering Solutions Services (GFS) to collaborate with management to set strategy and related policies in order to ensure that the zero-tolerance appetite in respect of commercial crime, bribery, corruption, employee misconduct and money laundering is maintained.
- GFS to assist and support management to implement and maintain pro-active anti-commercial crime, anti-bribery and corruption, employee misconduct and anti-money laundering risk Prevention and Detection functionalities and infrastructure as set out in this Policy.
- GFS and management to appropriately respond to incidents of commercial crime, employee misconduct, bribery, corruption and money laundering as set out in this Policy.
- GFS and management to follow the escalation and reporting protocols set out in this Policy.
- That GFS has full and unrestricted access, as and when required, to all functions, documentation, data, property and employees/contractors within MMH to enable the GFS function to fulfill its duties as outlined in this Policy.
- GFS to report on any deemed control failures/weaknesses and the response to control failures/weakness by either or both of Management GFS. If GFS is of the view that an incident has not been adequately or timeously addressed, the relevant information must be escalated to the MMH Executive Committee and to the MMH Board Risk, Capital and Compliance committee.

#### 5. RISK APPETITE STATEMENT

MMH views willful non-compliance with legislation, any criminal activity and transgressions of MMH's internal rules, policies and procedures as well as its values in an extremely serious light and as such has a zero tolerance to such actions and matters.

MMH further operates in the financial services industry which is a highly regulated industry and compliance with all applicable laws and adopted standards is an imperative.

A zero-tolerance approach implies that MMH will encourage, allow and support the investigation of any employee or external party, regardless of status or stature, implicated in any form of illegal and/or unethical behaviour in or against MMH. No employee, irrespective of seniority or association, will be exonerated from this principle. The investigations will be conducted in a transparent and fair manner, taking into account the constitutional rights to privacy and a fair hearing.

## 6. SCOPE OF APPLICABILITY, GOVERNANCE AND REVISION

The principles described in this Policy apply to MMH. The content of this Policy must be read in conjunction with all relevant values expressions, charters, policies, procedures, frameworks and similar documents of MMH.

Business areas situated in other jurisdictions will be subject to the principles stated herein, insofar as these principles do not contradict requirements of that foreign jurisdiction. The interpretation of applicable foreign legislation and common law shall be obtained from a reputable source resident within the foreign jurisdiction concerned.

Ownership of this Policy vests with GFS.

GFS is responsible for maintaining and reviewing of this Policy. Any proposed changes to this Policy will be submitted to the relevant Board Committee for approval.

The Executive Committees, Chief Risk Officers of each business area and Heads of Support functions in MMH are responsible for adherence to and implementation of this Policy in their business and operational areas.

## 7. ESCALATION OF EMPLOYEE MISCONDUCT

- Where employees are implicated in an incident that warrants investigation in terms of this Policy, GFS will timeously inform the appropriate management and *vice versa*, of the incident and keep each other informed of relevant details and developments.
- Where senior management is implicated in an incident, the appropriate executive management must be informed and kept abreast of developments.
- Where a Group Executive or person reporting directly to a Group Executive is implicated, escalation will be to the CEO of MMH Holdings Limited.
- Where the CEO of MMH is implicated, escalation will be to the Chairman of the MMH Board.

## 8. REPORTING AND MEETING ATTENDANCE PROTOCOL

GFS and management will comply with the reporting requirements of the various risk governing committees and/or regulators.

GFS will independently provide quarterly reports on risk mitigation, incidents of unlawful/criminal and unethical conduct including issues related to money laundering, bribery and corruption, to the:

- Board Risk, Capital and Compliance Committee;
- Other Combined Assurance Forums;
- MMH Social and Ethics Committee;
- Appropriate internal stakeholders;
- Regulators and external stakeholders, where necessary.

Representatives of GFS will attend the committees and/or forums to present the contents of the reports, as and when required.

## **9. ROLE PLAYERS**

### **9.1 GROUP FORENSIC SERVICES AND ANTI-MONEY**

#### **LAUNDERING SOLUTIONS**

GFS is responsible in conjunction with management for the effective mitigation and treatment of the risk of commercial crime, bribery, corruption and employee misconduct as well as ensuring that adequate and effective strategies, methodologies and procedures, to ensure that effective anti-money laundering processes, are implemented. The role of GFS is further defined in section 11.2 of this policy.

### **9.2 MANAGEMENT**

The role and responsibilities of management are set out in 11.1 of this Policy.

### **9.3 COMPLIANCE AND LEGAL FUNCTIONS**

The MMH group wide Compliance and Legal functions will provide input and advice to GFS and management in respect of compliance and legal requirements, as and when required.

### **9.4 HUMAN CAPITAL AND INDUSTRIAL RELATIONS**

GFS and management will engage with Human Capital and Industrial Relations departments within MMH to ensure effective processes are in place to deal appropriately with labour related issues and that appropriate and consistent action is taken against employees in instances of employee misconduct.

### **9.5 OTHER ASSURANCE PROVIDERS**

GFS will collaborate with other risk mitigating functions, methodologies and frameworks employed within MMH, such as that of Internal and External Audit functions, Risk Management functions and Compliance functions to ensure that risk is mitigated.

## **10. STRUCTURE AND MODEL**

The MMH Own Risk and Solvency Assessment Framework (ORSA) identified Operational and Compliance risks as an integral part of risks inherent in MMH. Operational and Compliance risks include the risk of commercial crime, bribery, corruption, employee misconduct and inter alia non-compliance with AML processes.

Management is responsible for fostering an ethical culture within MMH and maintaining effective anti- commercial crime and anti-money laundering strategies to manage the risk.

MMH has further established a centralised unit (GFS) that is responsible for collaborating with management to ensure that commercial crime, employee misconduct and compliance with AML processes are effectively addressed across MMH.

GFS may delegate their responsibilities internally to business areas subject to pre-approval by the Executives of MMH and final approval by the Board Risk Capital and Compliance Committee.

Such established satellite forensic service units are required to comply with this Policy. The central GFS unit will remain accountable for the forensic services and AML activities performed in these units and will therefore have the authority to monitor and ensure adherence to this Policy by these units. Notwithstanding the standard reporting requirements, such units are required to report quarterly details of incidents and mitigation processes undertaken to the central GFS unit. The central GFS unit will determine the reporting standards.

To effectively manage the relevant risks, this policy refers to three lines of defense.

## **11. THE THREE LINES OF DEFENCE AGAINST RISK**

### **11.1 First Line of Defense - Management**

#### **11.1.1 Managing Commercial Crime and Employee Misconduct**

The management of MMH has the responsibility to:

- Implement and maintain strategies and operational functionalities, in collaboration with GFS to manage the risk of commercial crime and employee misconduct;
- Ensure that during the development of, or the enhancements of products or business processes the risk of potential exposure to commercial crime, unlawful and unethical conduct is considered;
- Report all incidents or deemed incidents of unlawful and unethical conduct perpetrated against MMH to GFS as soon as management has reasonable assurance that such an incident has or may have occurred. Thereafter, GFS and management will agree on an appropriate process to ensure that the incident is addressed in a transparent and effective manner;
- Provide access to all functions, documentation, data, property and personnel within MMH to enable the GFS function to fulfill its responsibilities as outlined in this Policy;
- Actively and timeously consider the recommendations made by GFS as it relates to the risk of unlawful and unethical conduct. Management accepts that it is responsible and ultimately accountable for responding to risks by ensuring that weaknesses identified in the control environment are adequately and effectively addressed;
- Ensure that where disciplinary action has been instituted, resulting in the dismissal of an employee, all the necessary details pertaining to such employee is passed on to the relevant HR and IT functions to prevent the re-appointment of



the ex-employee in MMH, or for the ex-employee to maintain access to data / systems owned by MMH;

- Take reasonable action to recover losses incurred as result of unlawful and unethical conduct;
- Ensure that training related to the prevention of unlawful and unethical conduct is provided to all employees;
- Provide assistance to GFS/AMLC to ensure the implementation, usage and promotion of commercial crime and conduct reporting channels to both internal and external stakeholders;
- Ensure adequate engagement and participation with industry bodies related to understand and address commercial crime and anti-money-laundering risk- e.g. FSCA, ASISA, ACFE, ASTUTE, SAICB, BHF, etc.;
- Prevent concentration of risk by continuously documenting control failures in a Risk Register format, document losses on a formal Profit and Loss System and continuously review and assess control failure/weakness as well as loss data, with the intention of preventing past events from recurring and the prevention and detecting of potential future events;
- Management will consider the data against the relevant defined risk appetite and acceptable loss limits set in respect of people conduct, process adequacy, IT System effectiveness and risks of external events, as per the MMH ORSA framework and methodology documents;
- Continuously consider the adequacy and required enhancement of external insurance provisions for individual and or concentration events.

### **11.1.2 Managing Anti-money Laundering Processes**

The management in MMH has the responsibility to implement and maintain strategies and operational functionalities in collaboration with GFS to ensure that the risk of money laundering is adequately addressed. This will include –

- Developing, implementing and applying internal rules and processes to ensure continuous compliance with the AML legislative requirements in respect of, but not limited to:
  - establishing new business relationships and transactional behaviour of clients, intermediaries and employees;
  - adhering to reporting requirements;
  - record-keeping requirements;
  - cash threshold reporting structures and similar processes.
- Ensure reporting in line with legal requirements and internal structures in a timeous manner;
- Apply quality assurance programmes to all operational AML processes to provide for first line of defense assurance;
- Report all incidents or suspected incidents of money-laundering or non-adherence to AML Policies as soon as management has reasonable assurance

that such an incident has or may have occurred to risk mitigating structures and GFS. On reporting, GFS and management will agree on an appropriate process to address the incident in a transparent and effective manner to ensure that non-compliance or process failures are immediately corrected and non-compliant behaviour is adequately addressed;

- Provide access to all functions, documentation, data, property and employees within MMH to enable GFS to fulfill its responsibilities as outlined in this Policy;
- Ensure that regular training is made available to all employees to ensure compliance with AML legislative requirements and internal processes;
- Ensure that during the development or enhancements of products or business processes, AML legislative requirements are considered;
- Ensure adequate engagement and participation with industry bodies related to understand and address anti-money-laundering risk- e.g. FSCA, ASISA, ACFE, ASTUTE, SAICB etc.

### **11.1.3 Managing Bribery and Corruption**

The management in MMH has the responsibility to implement and maintain strategies and operational functionalities in collaboration with GFS to ensure that the risk of bribery and corruption is adequately addressed:

- Management will ensure a single standard of conduct that all employees must comply with. The standard is that all forms of bribery and corruption are prohibited;
- When engaging with third parties, such as agents, distributors or joint venture partners' management is obliged to ensure that the parties are not acting corruptly and will monitor their performance to ensure compliance. This will require that a formal due diligence process is undertaken. Engaging with third parties will include clear contractual terms with specific provisions requiring third parties to comply with anti-bribery and corruption standards;
- Management will ensure that receiving gifts or hospitality to maintain and develop business relationships will be for a genuine purpose, reasonable and given in the ordinary course of business and complies with the MMH Gift Policy;
- Management will ensure that no facilitation payments are made to any party for any cause or purpose.
- Management will ensure that all payments and commissions to third parties are made in accordance with standard MMH protocols, are made via bank transfer through accounts payable systems and will be transparently accounted for;
- Management will ensure that payments are in accordance with the terms off a contract with the party providing services and line with accepted rates and value for service and cannot be unjustifiably excessive or unsupported;
- Management will ensure that when dealing with public officials the provision of any form of advantage to an official will not take place. This is particularly important as dealing with public officials poses a particularly high risk in relation to bribery;

- Management will further ensure that in line with the MMH Code of Ethics and Standards for Employee Behaviour, that no political donations will be effected;
- Management will ensure that compliance with anti-bribery and corruption rules are monitored, that training will be provided to employees and that whistleblowing facilities will be in existence for employees to raise concerns without the fear of retribution.

## **11.2 Second Line of Defense - Group Forensic Services and Anti-money Laundering Solutions**

### **11.2.1 GFS responsibilities: -**

- Collaborating with management to develop, implement and maintain strategic and operational anti-commercial crime programs and processes, that include processes and initiatives to continuously prevent, detect and respond to criminal activities and all other forms of misconduct, by enabling and using continuous data mining and analytical exercises on all appropriate data and processes, where required or deemed necessary;
- Assisting management with the implementation of improved processes and procedures to pro-actively identify potential future incidents of unlawful and unethical conduct based on knowledge gained from responding to incidents;
- Investigating identified incidents in a timeous manner, with the aim of establishing material facts, collating relevant evidence and making appropriate recommendations for corrective action and/or prosecution;
- Ensuring that appropriate disciplinary processes and/or prosecution procedures are applied in a consistent manner in line with the zero-tolerance risk appetite;
- Implementing appropriate record keeping procedures in respect of suspicious incidents and investigations in the form of a case management system and a risk register as to enable the reporting of the progress, outcome and conclusion of investigations and to procure data for proactive initiatives such as a maintaining a RedFlag System, ensuring that data exists for supporting enhancements to control environments etc. ;
- Informing all stakeholders timeously of significant investigations initiated and of significant control breakdowns identified, where appropriate;
- Ensuring that, where necessary, all investigated cases are reported to relevant authorities and where applicable, appropriate action for restitution is instituted;
- Implementing and managing processes and procedures in collaboration with business to maximise the recovery of any losses incurred;
- Ensure in conjunction with management and industrial relations/human resources functions that an effective, reasonable, transparent and consistent disciplinary approach exists and is utilised as to deal with employees that have transgressed;
- Assisting business and other risk mitigating functions when conducting commercial crime risk assessments;

- Ensuring that adequate staffing and infrastructure is in place at GFS to fulfill the responsibilities as outlined in this Policy;
- Ensuring implementation, usage and maintenance of independent reporting structures such as anonymous hotlines and online reporting facilities in collaboration with business;
- Applying oversight processes to the activities of other forensic units (where applicable) to ensure compliance with this Policy;
- Ensuring compliance with this Policy and fulfilling reporting requirements to various stakeholders;
- Ensuring adequate engagement and participation with industry bodies related to commercial crime and unethical risk mitigation- e.g. FSCA, ASISA, ACFE, ASTUTE, SAICB etc.

#### **11.2.2 GFS Anti-money Laundering Solutions Responsibilities:**

- Ensuring with management the embedding of proper and standardised processes and controls related to the prevention, detection and investigation of the crime and related aspects of money laundering in both the people and systems processes, throughout MMH;
- Assist management to apply changes to AML processes, advising business of changes and monitor business on the implementation of changes to programs and processes;
- Manage with business the processes that are defined in terms of Financial Intelligence Centre Act (FICA) Sections 27, 28 and 28 29, 32, etc. These processes include: -
  - The identification, investigation and reporting of Suspicious and Unusual Transaction (SUT) behaviour based on continuous enhanced due diligence (EDD) business processes that are designed to include potential new business relationships and client transactions, these aspects will also include identifying failures in business related to not applying proper Know-Your-Client/EDD processes as well as managing with business, corrective and disciplinary measures.
  - The identification, investigation and reporting of real or potential Terrorist Financing Activities(TFA), these aspects will also include embedding pro-active identification infrastructures and continuous enhanced due diligence (EDD) business processes, and addressing in business aspects related to not applying proper Know-Your-Client/EDD processes as well as managing with business, corrective and disciplinary measures.
  - The accountability of managing the process of identification, investigation and reporting on Cash payment behaviour (CTR) throughout MMH.
  - The accountability to engage with the regulator and relevant authorities in regard to specific FIC inquiries in regard to client behaviour.
  - The accountability to assist business in embedding effective operational anti-money laundering processes in line with compliance, regulator and anti-crime requirements, for example, by embedding an AML risk based approach (RBA) in

business, assisting with introducing a single client view, ensuring and maintaining standardisation of AML/KYC (Identification and Verification standards) processes and guidance documentation.

- The accountability to assist business as a centre of excellence in managing operational requirements on a daily basis; for example, to provide advice on business, client and sales conduct at a transactional level.
- The accountability to assist business with AML training by providing advice on content and design of manuals /questionnaires with regard to operational requirements.
- The accountability to execute all other operational functionalities as to mitigate the risk of money laundering and related crimes in and against MMH.
- Monitoring the application of implemented AML processes by extracting and analysing appropriate data to fulfill monitoring requirements and to support business in its endeavours to identify non-compliant behaviour etc.;
- Communicating findings to all appropriate stakeholders of significant process failures/non-compliance;
- Ensuring the implementation, maintenance and usage of internal reporting structures/channels processes and procedures as required by legislation;
- Providing guidance and input to management on remedial processes to ensure that the knowledge obtained in regard to non-compliance or suspicious and unusual transactions are applied in mitigation of the risk of money laundering and non-compliance as to prevent recurrences;
- Ensuring that an effective, reasonable, transparent and consistent disciplinary approach in conjunction with management and industrial relations/human resources functions is applied, to deal with employees that have transgressed related to anti-money laundering compliance;
- Applying oversight processes to the activities of other AML compliance structures (where applicable) to ensure compliance with this Policy;
- Ensuring adequate engagement and participation with industry bodies related to AML and ensure the sharing of industry relevant information with management and other compliance functions- e.g. FSCA, ASISA, ACFE, ASTUTE, FIC, etc.

### **11.3 Third Line of Defense – Internal and External Audit**

The Internal Audit function is tasked with providing management with independent assurance on the effectiveness of the internal control system within MMH.

The Group Compliance that includes AML Compliance is tasked with providing the MMH Board and management with independent assurance on the effectiveness of the internal AML Compliance control system within MMH. Compliance risk and the compliance function will be subject to review by Internal Audit in order to provide independent assurance regarding the adequacy and effectiveness of the Compliance Risk Management Program.

Such reviews should include:

- i. review the compliance risk assessment results of the Division(s);
- ii. review the compliance with the requirements of this Policy; and
- iii. review the validity, accuracy and completeness of the AML process and compliance risk reports to the various executive as well as board committees.

External Audit provides, on request, in co-operation with Internal Audit, a further level of assurance in respect of the effectiveness of the Compliance Risk Management Program within MMH.

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