

The logo for Momentum Group, featuring the word "momentum" in a bold, sans-serif font. The letter "m" is red, and the remaining letters "omentum" are black.

group

## **TERMS OF REFERENCE**

### **Audit Committee**

## Terms of Reference: Audit Committee

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### Key Document Summary

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## 1. INTRODUCTION

- 1.1. The Audit Committee (“the Committee”) is constituted as a statutory committee of Momentum Group Limited (the controlling company of the insurer, Momentum Metropolitan Life Limited) in terms of section 94(7) of the Companies Act No. 71 of 2008 (“the Companies Act”) and section 23 of the Insurance Act No. 18 of 2017 (“Insurance Act”).
- 1.2. In the context of this document, “Company” means Momentum Group Limited, its subsidiaries, and all business divisions, collectively also referred to as “the Group” or “Momentum”.
- 1.3. The Committee will assist the Momentum Group Board of Directors (“the Board”) by fulfilling its statutory and other oversight responsibilities for the Group.
- 1.4. The Committee will perform the audit committee functions as required under the Johannesburg Stock Exchange (“JSE”) Listings Requirements, Companies Act, Insurance Act, King IV Report on Corporate Governance for South Africa 2016 (“King IV™”), and other relevant legislation and/or governance practices. The Committee will, amongst others, oversee the integrity of integrated reporting, review the effectiveness of the financial reporting process, the system of internal control and management of financial risks, the assurance process, and the Group’s process for monitoring compliance with laws and regulations and its own code of business conduct in relation to the activities within the ambit of the Committee’s scope.

## 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 the requirements for its composition and meeting procedures.

## 3. AUTHORITY

### 3.1. General

- 3.1.1. The Board delegated certain duties and responsibilities to this Committee, which authority may be withdrawn or amended by the Board at any time. The nature of the delegation is as set forth in the roles and responsibilities hereunder.
- 3.1.2. The duties and responsibilities referred to above are in addition to those duties and responsibilities that the members have as directors of the Board. The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities.
- 3.1.3. The Committee makes recommendations to the Board for its consideration and final approval relating to its statutory duties, taking into account the input from executive management and the respective Heads of Control Functions.
- 3.1.4. The Committee will have an independent role with accountability to both the Board and shareholders.
- 3.1.5. In performing its duties and responsibilities, the Committee will maintain effective working relationships with the Board, management, and the internal and external assurance providers.
- 3.1.6. The Committee will not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.
- 3.1.7. The Committee will continue to serve as a Committee of the Board for the period required by the relevant legislative provisions, or as required by the Board.
- 3.1.8. The Committee, in the fulfilment of its role and responsibility:
  - 3.1.8.1. Has the power to investigate any activity within the scope of this ToR.
  - 3.1.8.2. 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.

- 3.1.8.3. Shall make recommendations to the Board that it deems appropriate relating to any area within the ambit of its ToR where action or improvement is required.
- 3.1.8.4. May call upon the Chairmen of the other Board Committees, any executive directors, officers, Group Company Secretary, assurance providers or any member of staff, to provide it with information.
- 3.1.8.5. Has reasonable access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities.

### 3.2. **Mandate In Respect Of Subsidiaries**

- 3.2.1. The Committee is appointed as Audit Committee for all Group companies, unless otherwise indicated, or except to the extent restricted or precluded by law.
- 3.2.2. The Committee Secretary will maintain and table a list of the subsidiaries (registered public companies) and will obtain formal letters from subsidiary boards requesting that their audit committee functions be performed by the Committee.

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

- 3.3.1. Sub-audit committees and/or forums within the Group may be established to the extent provided or required by law. Where such committees/forums are established, the Committee shall review the reports as submitted by them.
- 3.3.2. The Committee is mandated and authorised by the Board, without limiting the generality of its authority, to designate one (1) or more Combined Assurance Forums ("CAFs") of appropriately qualified persons to assist it in discharging its mandate in respect of any particular division, subsidiary or operational structure within the Group, whether established and/or operating locally and/or internationally. In doing so, the Committee may delegate any of its powers to a person or Audit Panel of persons.

## 4. **COMPOSITION OF THE COMMITTEE**

- 4.1. The Committee will consist of not less than three (3) members who are independent non-executive directors of the Company, to be elected by the shareholders at each Annual General Meeting ("AGM") on recommendation by the Nominations Committee and the Board.
- 4.2. The members of the Committee should collectively have the necessary financial literacy, skills and experience to execute their duties effectively. They should have sufficient qualifications and experience to fulfil their duties, including but not limited to an understanding of financial and sustainability reporting; internal financial controls; external audit processes; internal audit processes; combined assurance; corporate law; risk management; sustainability issues; information technology governance as it relates to integrated reporting; and governance processes within the Group. At least one (1) of the members of the Committee must be a chartered accountant.
- 4.3. Members shall be eligible for annual reappointment at the annual general meeting.
- 4.4. The Board shall elect an independent non-executive member as the Chairman of the Committee.
- 4.5. The Chairman of the Board is not eligible to chair, or to be a member of the Committee.
- 4.6. The Group Company Secretary, or his / her nominee, will be the Secretary to this Committee.
- 4.7. The Chairman or his / her alternate shall attend the Annual General Meeting to answer questions concerning matters falling within the ambit of the Committee.
- 4.8. A vacancy on the Committee must be filled within 40 days after the vacancy arises.

## 5. ROLE

- 5.1. To provide independent oversight of, amongst others:
  - 5.1.1. The effectiveness of the Group's assurance functions and services, with particular focus on combined assurance arrangements, including external assurance service providers, internal audit, risk management relating to finance and the finance function.
  - 5.1.2. Provide oversight of the quality of external audits and assess that the external auditor is and remains independent.
  - 5.1.3. The integrity of the Annual Financial Statements ("AFS") and, to the extent delegated by the Board, other external reports issued by the Group.
  - 5.1.4. Management of financial and other risks that affect the integrity of external reports issued by the Group.
  - 5.1.5. Enabling an effective control environment.

## 6. RESPONSIBILITIES

The Committee has the following specific duties and responsibilities:

### 6.1. External Audit

- 6.1.1. Nominate an external auditor for appointment or re-appointment as auditor.
- 6.1.2. Ensure the appointment of external auditor complies with the Companies Act, good corporate governance and any other legislation, policies or best practices relating to such appointment.
- 6.1.3. Review and approve the external auditor's proposed scope and approach.
- 6.1.4. Approve the auditor's engagement letter, the terms, their tenure, nature and scope of the audit function, and the audit fee.
- 6.1.5. Review the overall audit role and ensure that the audit fee will sustain a proper audit and value for money.
- 6.1.6. Review the latest inspection report by the Independent Regulatory Board for Auditors ("IRBA"), including the decision letter, findings report and proposed remedial action to address the findings, related both to the firm as well as the individual/designated auditor.
- 6.1.7. Consider whether any significant ventures, investments or operations should be subject to external audit.
- 6.1.8. Determine the nature and extent of any non-audit services which the auditor may provide and pre-approve the contract terms per the Momentum Group Non-Audit Services Policy.
- 6.1.9. Consider the independence of external auditor including reviewing the range of services provided.
- 6.1.10. Consider the external auditor's proposed audit report and key matters reported by the auditors.
- 6.1.11. Consider the auditor's management letter and management's response.

### 6.2. Internal Audit

- 6.2.1. The Committee has the following responsibilities in relation to the Chief Audit Executive ("CAE"):
  - 6.2.1.1. Ensure that the position of CAE is set up to function independently from management.
  - 6.2.1.2. Ensure that the person who fills the position of CAE has the necessary competence and objectivity to carry his/her duties in accordance with legislation and Board-approved policies and/or procedures.

- 6.2.1.3. Approve the removal and appointment of the CAE, including his/her employment contract and remuneration.
- 6.2.1.4. Where internal audit services are co-sourced or outsourced, the Committee should ensure that there is clarity on who fulfils the role of CAE, among the parties.
- 6.2.1.5. The Committee shall annually assess the CAE's performance.
- 6.2.2. Set direction for internal audit arrangements needed to provide objective and relevant assurance that contributes to the effectiveness of governance, risk management and control processes.
- 6.2.3. Ensure that internal audit provides an overall statement annually as to the effectiveness of the internal financial controls and of the risk governance and control environment.
- 6.2.4. Approve an internal audit charter that defines the role and associated responsibilities and authority of the internal audit function. The internal audit charter will ensure that the CAE is provided with the necessary authority to have unrestricted access to information necessary to fulfil his/her role and responsibilities.
- 6.2.5. Ensure that the internal audit function is appropriately and adequately resourced to properly address the complex environment in which the Group operates, to be complemented by specialist services, where required.
- 6.2.6. Monitor on an ongoing basis that internal audit:
  - 6.2.6.1. Follows an approved risk-based internal audit plan.
  - 6.2.6.2. Reviews the Group's risk profile regularly and proposes adaptations to the internal audit plan accordingly.
- 6.2.7. Consider if internal audit's objectives, staffing plans, budgets, audit plans and standing provides adequate support to the Committee.
- 6.2.8. Assess reports on the work performed by internal audit.
- 6.2.9. Oversee that a formal process is in place to follow-up on the status of significant recommendations and that internal audit reports to the Committee, any slow progress or non-implementation of their or external audit recommendations.
- 6.2.10. Review significant differences of opinion between management and the internal audit function.
- 6.2.11. The Committee should ensure that an external, independent quality review of the internal audit function is conducted at least once every five years.

### 6.3. Combined Assurance

- 6.3.1. The Committee should oversee that the combined assurance model is designed and implemented to effectively cover the Group's significant risks and material matters through a combination of the assurance service providers and functions appropriate for the Group.
- 6.3.2. Provide oversight over the effectiveness of the Group's assurance functions and services through the CAFs.
- 6.3.3. The Committee should assess the output of the Group's combined assurance with objectivity and professional skepticism, form their own opinion on the integrity of information and reports and the degree to which an effective control environment has been achieved.
- 6.3.4. The Committee will receive written reports from the CAFs (subsidiaries and other relevant Board Committees, including but not limited to the Board Risk and Compliance, Actuarial and Investments Committees) to enable the Committee to consider the impact of any material issues on the Group's financial results.

### 6.4. Financial Reporting

- 6.4.1. Financial Statements

- 6.4.1.1. Assess the quality of the financial information, interim and annual financial statements, directors' reports and other public and regulatory reporting to determine whether they accurately and fairly present the state of affairs of the Group in terms of IFRS and other relevant requirements.
  - 6.4.1.2. Consider the appropriateness of the accounting policies, judgments, assumptions and the disclosure thereof.
  - 6.4.1.3. Pay particular attention to complex and/or unusual transactions.
  - 6.4.1.4. Meet separately with management and the external auditors to review the financial statements and the results of the audit.
  - 6.4.1.5. Review a documented assessment prepared by management of the going concern status of the Company.
  - 6.4.1.6. Include the Committee's report in the annual financial statements to be published by the Group.
  - 6.4.1.7. Recommend approval of the annual financial statements to the Board.
- 6.4.2. Preliminary/Provisional Announcements, Interim Financial Statements/ Summarised Integrated Information or Other Press Releases in relation to the JSE:
- 6.4.2.1. Be briefed on how management develops preliminary announcements, interim financial information, etc., the extent of internal audit involvement and the extent to which the external auditors review such information.
  - 6.4.2.2. Obtain confirmation from management, internal and external auditors, and from the Sponsor, where necessary, as to whether preliminary announcements contain adequate and appropriate disclosure.
  - 6.4.2.3. Make a recommendation to the Board about whether the external auditor should perform assurance procedures on the interim results.
  - 6.4.2.4. Review the report before submission to the Board for approval and consider whether the information is understandable, consistent, accurate and fairly represents the state of affairs of the Group.
  - 6.4.2.5. Review any press release in relation to the financial results before submitting for approval to the Board.
  - 6.4.2.6. Engage the external auditors to provide assurance on the summarised financial information.
  - 6.4.2.7. Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- 6.5. **Assurance on external reports**
- 6.5.1. Set the direction for how assurance of the integrity of external reports should be approached and addressed.

## 6.6. **Disclosures**

The Committee should in addition to statutory disclosures ensure the following is disclosed:

- 6.6.1. A statement as to whether the Committee is satisfied that the external auditor is independent of the Group.
- 6.6.2. Significant matters the Committee considered in relation to the annual financial statements and how these were addressed by the Committee.
- 6.6.3. The Committee's views on the effectiveness of:
  - 6.6.3.1. The external audit, with reference to audit quality indicators such as those that may be included in inspection reports issued by external audit regulators.
  - 6.6.3.2. The CAE and the arrangements for Internal Audit.

- 6.6.3.3. The design and implementation of internal financial controls, and on the nature and extent of any significant weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error.
- 6.6.3.4. The arrangements for combined assurance and the Committee's views on its effectiveness.
- 6.6.4. Compliance with all requirements, including regulatory governance reporting and disclosures and that King IV™ Disclosures are contained in a narrative form in the Integrated Report.

## 6.7. Risk Management, Compliance and Technology and Information Governance

- 6.7.1. The Committee must receive periodic independent assurance on the effectiveness of risk, compliance and information and technology governance.
- 6.7.2. Oversee that sustainability accounting and reporting are in accordance with the prescribed standards.
- 6.7.3. The Committee should take cognisance of the materiality of the risks and exposures to the Company as well as compliance with laws and regulations.
- 6.7.4. The Committee must oversee the following in terms of the risk management process:
  - 6.7.4.1. Financial reporting, especially fraud risk, as it relates to financial reporting.
  - 6.7.4.2. Adequacy of internal financial controls.
  - 6.7.4.3. Management of financial and other risks that could affect the integrity of the external reports issued by the Group.

## 6.8. Other Responsibilities

- 6.8.1. Consider, on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the Group Finance Director and the Group's finance function. This entails an annual consideration of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function.
- 6.8.2. Perform any other functions as requested by law, the Board, or policies of the Group, provided that those functions are not management functions
- 6.8.3. Regularly update the Board about Committee activities, make the board aware of matters which significantly impact the financial status of the business, and make appropriate recommendations.
- 6.8.4. Make submissions to the Board on any matters concerning the Company's record keeping and reporting.
- 6.8.5. Approve relevant policies on behalf of the Board.
- 6.8.6. Ensure that the designated external audit partner and the Chairman of the Committee attend the AGM.
- 6.8.7. Report to the shareholders at the AGM, on the statutory duties of the Committee.
- 6.8.8. Review and deal appropriately with concerns or complaints, whether from within or outside the Group, relating to matters that fall within the ambit of the Committee's functions.
- 6.8.9. Oversee that where required by law or good governance, the following information is published on the Group's website, or on other platforms or through other media, as is appropriate for access by relevant stakeholders:
  - 6.8.9.1. The Integrated Report.
  - 6.8.9.2. Annual Financial Statements and other external reports.
- 6.8.10. Authorise the Chairman of the Committee or in his/her absence, any member of the Committee, to sign-off Prudential Authority declarations that are required to be signed off by a member of the Audit Committee, relating to transactions that may encumber

Group assets as undertaken in the ordinary course of business. The Committee Secretary must report back on such transactions at the next Committee meeting.

## **7. MEETINGS AND PROCEDURES**

### **7.1. Frequency**

- 7.1.1. The Committee should hold sufficient scheduled meetings with no less than four (4) meetings per year to discharge all its duties as set out in this ToR, other relevant Company documents, and/ or applicable policies and directives.
- 7.1.2. A schedule of regular meetings shall be provided to the Committee members at the beginning of each year.
- 7.1.3. Meetings in addition to those scheduled may, with approval of the Chairman, be held at the request of the external auditor, the Group CEO, Group FD, CAE or other members of senior management or at the instance of the Board or the Committee itself.
- 7.1.4. The Committee should meet with management at least once a year without the internal and external auditors being present.
- 7.1.5. The Committee should meet with internal and external auditors, separately, at least once a year without management being present to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum.
- 7.1.6. Unless varied by this ToR, meetings and proceedings of the Committee will be governed by the Company's Memorandum of Incorporation, legislation and governance practices, insofar as that regulates the meetings and proceedings of directors and Committees.
- 7.1.7. A meeting may be conducted by way of electronic media such as video or telephone conferencing.
- 7.1.8. 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, and:
  - 7.1.8.1. 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 the objection.
  - 7.1.8.2. 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.

### **7.2. Attendance**

- 7.2.1. If the Chairman of the Committee is absent from a meeting or is not present within 15 minutes of the stipulated time for such a meeting, the members present shall elect one of the members present to act as Chairman for that meeting.
- 7.2.2. The Chairman of the Committee should be present at the AGM to answer questions, through the Chairman of the Board, on the report of the Committee's activities and duties.

### **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 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 longer period.

- 7.3.2. Members must declare a possible conflict of interest with agenda matters at the beginning of each meeting, and this will be recorded in the meeting minutes by the Committee Secretary.
- 7.3.3. 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 supporting documentation shall, other than under exceptional circumstances, be forwarded to each member of the Committee not less than five (5) working days prior to the date of the meeting, unless alternative arrangements and timelines have been made with members.
- 7.3.4. 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.
- 7.3.5. The Chairman of the Committee may meet with the Group CEO, Group FD, CAE and/or the Committee Secretary prior to a Committee meeting to discuss important issues and agree on the agenda.

#### 7.4. **Quorum and voting**

- 7.4.1. A quorum for meetings shall be a simple majority of total members of the Committee, namely 50% (fifty percent) + one (1) member.
- 7.4.2. 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.
- 7.4.3. 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.

### 8. **REMUNERATION**

- 8.1. Committee members shall be compensated for their services, with the Chairman being entitled to an additional fee for his/her services.
- 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 Group 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 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.

### 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.