

momentum

group

TERMS OF REFERENCE

Remuneration Committee

Terms of Reference: Remuneration Committee

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Table of Contents

1. INTRODUCTION.....	4
2. PURPOSE OF THE TERMS OF REFERENCE	4
3. AUTHORITY	4
4. COMPOSITION OF THE COMMITTEE	5
5. ROLE.....	6
6. RESPONSIBILITIES.....	6
7. MEETINGS AND PROCESURES	9
8. REMUNERATION	11
9. EVALUATION AND DEVELOPMENT	11
10. REVIEW	11

1. INTRODUCTION

- 1.1. The Remuneration Committee (“the Committee”) is constituted as a Committee of the Board of Directors (“the Board”) of Momentum Group Limited and is accountable to the Board.
- 1.2. In the context of this document, “Company” means Momentum Group Limited, its subsidiaries, and all business divisions, collectively also referred to as “Momentum Group” or “the Group”.
- 1.3. This Terms of Reference (“ToR”) is subject to the provisions of the Companies Act, 71 of 2008 (“the Companies Act”) as amended from time to time, the Insurance Act 18 of 2017 (“the Insurance Act”), the JSE Listings Requirements, the Company’s Memorandum of Incorporation (“MOI”), the 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.
- 1.4. The Committee has an independent role, to oversee the remuneration process, consider and approve remuneration related issues and proposals and, if it considers it appropriate, to refer matters to the Board. In executing its role and responsibilities in relation to remuneration, the Committee will ensure that the Company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term.

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, and the 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 The delegated responsibilities to this Committee may be withdrawn or amended by the Board at any time in accordance with the legal and regulatory requirements.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. The role and responsibilities hereunder are in addition to those duties and responsibilities that the members have as members of the Board. The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members with regard to their fiduciary duties and responsibilities.
- 3.1.3. The Committee shall not assume the functions of management, which remain the responsibility of the Executive Directors, officers and other members of senior management.
- 3.1.4. The Committee in the fulfilment of its role and responsibilities:
 - (i) Will act in terms of the delegated authority of the Board as recorded in this ToR.
 - (ii) Has the power to investigate any activity within the scope of this ToR.
 - (iii) 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.
 - (iv) In an instance where independent external professional expertise is required on matters relating to material changes in remuneration policy and practices,

including but not limited to changes in base salaries and variable remuneration (both short and long-term incentives schemes and deferrals) in respect of Executive Directors, members of the Executive Committee and other Heads of Control Functions, the Committee shall be directly responsible and have sole authority for the appointment, compensation and oversight of the work of advisers retained by the organisation. Notwithstanding the above responsibility, the Committee might delegate this function to any employee that they deem neutral on the matter.

- (v) 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.
- (vi) May call upon the Chairman of the other Board committees, any of the executive directors, officers or the Group Company Secretary to provide it with information.
- (vii) 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 as required by relevant legislative provisions, or as determined by the Board.

3.2. **Mandate in respect of subsidiaries**

3.2.1. The Committee is appointed to act on behalf of Momentum Group 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 structures within the Momentum Group 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 role and responsibilities set forth herein.

4. **COMPOSITION OF THE COMMITTEE**

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

4.2. The Chairman of the Committee shall be an independent non-executive director of the Company. The Chairman of the Board may be a member but may not be chairman of the Committee.

- 4.3. The Committee will comprise of only non-executive Directors of the Company, of whom the majority will be independent. The Committee will comprise of at least three (3) members.
- 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 any other person appointed by the Momentum Group Board or the Committee, shall be the secretary to this Committee.

5. ROLE

The role of the Committee is, *inter alia*, to assist the Board in ensuring that the:

- 5.1. Company remunerates Directors and staff fairly, responsibly and transparently.
- 5.2. Disclosure of Directors' remuneration is accurate, complete and transparent.
- 5.3. Company complies with its responsibility in terms of remuneration policies, practices and processes.
- 5.4. Company's remuneration framework is aligned to the King IV™ and best practice.
- 5.5. Pay and reward systems of the Company are sufficiently competitive to attract, motivate, reward and retain the right calibre of employees and to enhance a performance culture.

6. RESPONSIBILITIES

The Committee will perform all the functions as is necessary to fulfil its role as stated above, including but not limited to the following:

6.1. Employees and Executive Directors

- 6.1.1. Oversee the manner in which remuneration is determined and administered at all levels in the Company.
- 6.1.2. Develop an appropriate organisation-wide Remuneration Policy for the Company generally, or as required in law, and review as necessary.
- 6.1.3. Set the Remuneration Policy to promote the achievement of strategic objectives of the Company and within the Company's risk appetite.
- 6.1.4. Ensure that The Remuneration Policy sets out all elements of remuneration offered by the Company including the mix of the elements prescribed by King IV™ and other remuneration practices.
- 6.1.5. Ensure that the remuneration of executive management is fair and responsible in the context of overall employee remuneration, and monitor the implementation of arrangements for addressing the Company's internal income disparities.
- 6.1.6. Determine the Remuneration Policy in relation to bonus and share incentives for the Company.

- 6.1.7. Review and approve the average annual remuneration increases of employees generally, and members of the Executive Committee specifically.
- 6.1.8. Review and approve the basis and criteria used to determine the annual performance bonus pool.
- 6.1.9. Review and determine the quantum of the annual bonus pool, the methodology utilised for the allocation of the pool to the Business Units / Divisions and the quantum of the allocations to the Business Units / Divisions.
- 6.1.10. Review and approve the award of share incentives to employees, including awards on an individual basis in respect of Executive Directors and members of the Executive Committee.
- 6.1.11. Review, as it deems necessary, or as it is requested to do so by the Board or Group Chief Executive Officer (“CEO”), the service agreements of members of the Executive Committee and Executive Directors.
- 6.1.12. Monitor the implementation and effectiveness of the remuneration policy in compliance with Prudential Standard GOI 2 issued in terms of the Insurance Act.
- 6.1.13. Ensure that the Remuneration Policy and the Implementation Report are put to a separate non-binding advisory vote at the annual general meeting of Shareholders every year in respect of the following year.
- 6.1.14. Ensuring an engagement process with shareholders, specifically in the event of a 25% or more dissenting vote on the Remuneration Policy or the Implementation Report (or both). The key purpose of such engagement will be to ascertain the reasons for dissenting votes, and where legitimate and reasonable concerns are raised to address such concerns. This may include review and amendment to Remuneration Policy / adjustment of remuneration governance and/ or processes or merely a clarification of the Remuneration Policy.
- 6.1.15. Regularly review and monitor implementation and execution of the Remuneration Policy to determine suitability of the content and whether the set objectives are met.
- 6.1.16. Assess that the mix of fixed and variable remuneration, in cash, shares and other elements, meets the Company’s needs and strategic objectives.
- 6.1.17. Satisfy itself as to the accuracy of recorded performance measures that govern the vesting of incentives.
- 6.1.18. Review and approve performance measures in relation to bonus and share incentives to support positive outcomes across the Company’s capitals, including financial capital, intellectual capital, human capital, social capital and natural capital.
- 6.1.19. Review and approve the appropriateness of long-term incentive schemes and the performance criteria applied in the schemes.
- 6.1.20. Review and approve the evaluation of the performance for the vesting or realisation of benefits in terms of the long-term incentive schemes.

- 6.1.21. Review the remuneration of Executive Directors and members of the Executive Committee.
- 6.1.22. Review the remuneration of other roles as prescribed by law such as certain Heads of Control Function/s.
- 6.1.23. Review all benefits, including retirement benefits and other financial arrangements, for fairness, correctness and appropriateness.
- 6.1.24. Consider the results of the evaluation of the performance of the Group CEO and other Executive Directors, both as Directors and as executives in determining remuneration.
- 6.1.25. Select an appropriate comparative group when comparing remuneration levels.
- 6.1.26. Regularly review incentive schemes to ensure continued contribution to stakeholder value and that these are administered in terms of the rules.
- 6.1.27. Consider the appropriateness of early vesting of share-based schemes where discretion is allowed in terms of the rules of the schemes.
- 6.1.28. Approve the remuneration of the Group Company Secretary.
- 6.1.29. Oversee the preparation and recommendation to the Board of the remuneration report, to be included in the integrated report, to ensure that it:
 - (i) Is accurate, complete and transparent and in line with King IV™.
 - (ii) Includes all the appropriate and relevant information as may be required from time to time.
 - (iii) Is set out in three (3) parts, namely a background statement, an overview of the main provisions of the Remuneration Policy, and an Implementation Report which contains details of all remuneration awarded to individual Board members and Executive Directors during the reporting period.
 - (iv) Provides sufficient information for the shareholders to enable them to pass a special resolution in terms of section 66(9) of the Companies Act.

6.2. **Non-Executive Directors**

- 6.2.1. Review on an annual basis, or at such other intervals as deemed appropriate by the Board, all fees paid to Non-Executive Directors.
- 6.2.2. Make recommendations, arising from reviews, on fees payable to Non-Executive Directors for their membership on the Board and any Committees of the Board (including ad hoc Committees), to be placed before a Shareholder's meeting for consideration and approval.
- 6.2.3. Determine, for recommendation to the Board, the frequency of payment of fees to Non-Executive Directors.
- 6.2.4. Review, for recommendation to the Board, the terms of consultancy agreements (but has no discretion to approve agreements) entered into between the Company and Non-Executive Directors.

6.3. Other Responsibilities

- 6.3.1. The Committee's reporting responsibilities shall be to the Board. Reporting shall take place quarterly or as often as is required, and the manner and extent of reporting will be appropriate to the matters being reported on.
- 6.3.2. Requesting and considering any additional information necessary to fulfil the functions of the Committee.
- 6.3.3. Performing any other functions as requested by the Board, provided that those functions are not management functions.
- 6.3.4. The Chairman or his / her alternate shall attend the annual general meeting of the shareholders to answer questions concerning matters falling within the ambit of the Committee.
- 6.3.5. Perform responsibilities required by relevant Board approved policies including the review and approval of such policies.
- 6.3.6. Perform any functions as prescribed by law including functions that may be sub-delegated to this Committee from time to time.
- 6.3.7. Where necessary engage with the Board Social, Ethics and Transformation Committee in relation to how the consequences of the Company's outputs and activities affect its responsible corporate citizenship, which includes ensuring fair and responsible remuneration.

7. MEETINGS AND PROCEDURES

7.1. Frequency

- 7.1.1. 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.
- 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 Group CEO or other members of the Executive Committee or at the request of the Board, after consultation with the Chairman of the Committee.
- 7.1.4. The Chairman of the Committee may meet with the Group CEO, Head of Group Reward and/ or the Group Company Secretary prior to a Committee meeting to discuss important issues and agree on the agenda.
- 7.1.5. Unless varied by the ToR, meetings and proceedings of the Committee will be governed by the Company's MOI that regulates the meetings and proceedings of Committees.
- 7.1.6. A meeting may be conducted by way of electronic media such as video or telephone conferencing.

- 7.1.7. 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, and:
- (i) 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.
 - (ii) 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 record all such decisions taken in the minute book of the Committee.

7.2. **Attendance:**

- 7.2.1. The Chairman may invite any member of staff from Momentum Group, 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 on matters at the meeting.
- 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, has been submitted to the Chairman or Committee Secretary.
- 7.2.3. 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.

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 views 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) + 1 (one) 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. All members should attend update training to be arranged by the Committee Secretary.
- 9.2.3. New members are required to have a robust orientation in order to understand the Committee's responsibilities and financial reporting process they will oversee.

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.