

# SOCIAL AND RELATIONSHIP CAPITAL

*Our social and relationship capital is about our social licence to operate, the intangibles associated with our brands and our reputation, our key stakeholder relationships and our engagement with our stakeholders*

## A RESPONSIBLE CORPORATE CITIZEN



The main focus areas of Momentum Metropolitan's investment in its social capital are aligned with Chapter Three of the South African National Development Plan (NDP): Economy and Employment and the United Nations (UN) Sustainability Development Goal (SDG) 8.3: *Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services and SDG 8.6 by 2020, substantially reduce the proportion of youth not in employment, education or training*

### SOCIO-ECONOMIC DEVELOPMENT

In 2018 the Momentum Metropolitan Foundation (The Foundation), mobilised both by the need to urgently address this shocking statistic and its commitment to supporting the NDP and the UN SDGs, concentrated its efforts on making a positive, measurable difference to youth unemployment in South Africa by focusing on the most vulnerable 16 to 25 year-old segment.

This was to be achieved through an aggressive, proactive and creative youth employment strategy that would:

- equip young people to access, maintain and further develop their income-earning opportunities
- develop future potential clients
- develop future talent for both the financial and other sectors of the economy.

We recognise that it will take time to make a meaningful difference to the number of young people not in employment, education or training and that it will take time for our CSI team to develop deep critical insights into this issue and use this insight for greater social and business impact. We have therefore committed to partnership agreements of between three and five years. However, we continually monitor and review the effectiveness of our partnerships.

**In the first quarter of 2018, 3.3 million 18 to 24-year-old South Africans were not in employment, education or training. By the first quarter of 2019 this number increased to 3.4 million**

*(Source: StatsSA Quarterly Labour Force Survey)*

# SOCIO-ECONOMIC DEVELOPMENT

Our strategic framework and holistic approach attempts to address the social crisis of a jobless generation and to reduce the number of young people not in employment, education or training.

What we will do	Where we will do it	For whom we will do it	How we will do it
<ul style="list-style-type: none"> <li>Invest in the delivery of actual, sustainable jobs or income-generating activities</li> </ul>	<ul style="list-style-type: none"> <li>In South Africa (currently in the provinces of Gauteng, Eastern Cape, KwaZulu-Natal and the Western Cape)</li> <li>We balance where the highest need is with where the skills are available to deliver on our programme</li> </ul>	<ul style="list-style-type: none"> <li>16 to 25 year-old black disadvantaged youths</li> <li>Matriculants</li> <li>Specific profiling according to programme focus</li> <li>Our gender target is for 50% female participation in our ICT programmes and 40% female participation across all our programmes</li> </ul>	<ul style="list-style-type: none"> <li>Partner with like-minded organisations that can deliver on our strategic objectives</li> </ul>

The research the Foundation commissioned to help it understand the complex problem of youth unemployment indicated that in order to achieve our objective we need to adopt a holistic approach to youth development.



The Foundation also laid down parameters designed to ensure a focused approach to delivering actual sustainable jobs or income-generating activities for young people:

- projects enabling young people to take their place in the digital economy were to be balanced with vocational skills training that would provide quick access to an income and jobs for vulnerable young people and their families
- training initiatives must address the needs of local industry and entrepreneurship programmes should focus on filling gaps in the market
- to enable young people to sustain the socio-economic gains they make through their participation in our youth employment programmes financial literacy training and money management is to be an integral part of their training
- social innovation and entrepreneurship.

**Our impact on youth employment, education or training after one year:**

1 371

young people trained in skills that will provide them with access to an income and jobs

629

young people placed in jobs

After a young person obtains his or her first entry level job we continue to provide support that will help them to continue growing and increasing their earnings. Through the information communication technology (ICT) programme young people, by learning programming and coding skills that are in short supply, can earn between R8 000 and 10 000 a month.

### RURAL DEVELOPMENT LEARNERSHIPS

Momentum Metropolitan partnered with the Insurance Sector Training Authority (INSETA) in April 2018 to provide the first rural learnerships in the Eastern Cape. Fifteen unemployed youths from the Nkantolo community in the Mbizana municipality were enrolled in a further education and training college to study for a long-term insurance qualification (NQF Level 4 – 140 credits). The learners also had workplace experience as sales advisers in the Metropolitan branches in Mbizana, Mount Frere and Lusikiki. The attendance rate on the programme was 99%, and 93% of the learners completed the programme. The learners received their certificates of completion at a formal graduation ceremony. Five of the learners are already permanently employed.

### OUR VOLUNTEER PROGRAMME

Our employee volunteer programme connects the talent in our organisation with community members and organisations that need assistance. Volunteers are encouraged to support the Foundation's youth employment focus, however, in addition they contribute their skills to a variety of charities and advocacies of their choice. Through the Foundation our volunteers have access to resources such as match funding to assist with their volunteering efforts.

Through our online management programme we invite not-for-profit organisations (NPOs) to present us with their business challenges. Our volunteers develop solutions to their challenges and the NPOs select the solutions they believe should be implemented. The Foundation then provides seed funding and support from skilled consultants for their implementation.

In 2016 we established the Lesedi awards, which recognise employees who, through their volunteerism, have worked to improve the lives of those less fortunate in their communities. The awards recognise individuals, teams and business leaders who consistently support their employees' volunteering efforts, and the most consistent payroll givers.



# RESPONSIBLE CORPORATE CITIZENSHIP THROUGH RESPONSIBLE INVESTING

**K**<sup>17</sup> Momentum Metropolitan applies responsible investment practices across all its savings and investments products.

We reaffirmed our long-standing commitment to being a responsible investor when we became one of the first signatories of the United Nations-supported Principles for Responsible Investment (UNPRI). Momentum Metropolitan also supports the Code for Responsible Investing in South Africa (CRISA); participates in the Responsible Investment Committee of the Association of Savings and Investment South Africa (ASISA) and is a member of the International Corporate Governance Network (ICGN), a leading authority on global standards of corporate governance and investor stewardship.

As a signatory to the UNPRI ([www.unpri.org](http://www.unpri.org)) we produce a publicly available annual report that details our integration of environmental, social and governance (ESG) criteria into our investment process to apply sustainable and responsible investment practices. In 2018 we were able to improve on the assessment scores we previously achieved for our PRI report.

## MOMENTUM METROPOLITAN UN PRI ASSESSMENT RESULTS

Description	2019	2018
Company strategy and governance	A+	A
Listed equity (manager selection, appointment and monitoring)	A	A
Listed equity (direct incorporation)	A	B
Listed equity (active ownership)	A	B
Fixed income	A	B

## OUR GOVERNANCE APPROACH TO RESPONSIBLE INVESTING

The Responsible Investment Committee (RIC), has member representation from across our business, which is responsible for setting policy, and providing oversight of our approach to responsible investment practices.

The RIC reports into the Outcomes-based Investment Committee, which in turn reports to the Momentum Investments Executive Committee. Members of the RIC also attend all sub-investment committee meetings to ensure that ESG considerations are taken into account and relevant feedback is provided to the RIC every quarter.

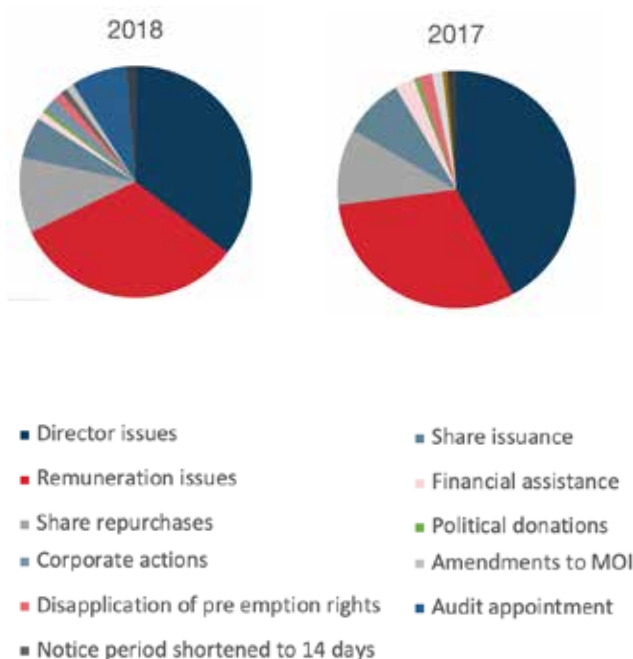
Our responsible investment policy, proxy voting and engagement policy, together with the voting records, are available on the Momentum Metropolitan website. The proxy voting and engagement policy aligned with the Companies Act, UNPRI, King IV™ and other global industry codes. A summary of our proxy voting during the 2018 calendar year is set out below and a detailed history of our proxy voting is available on our website. The only time we abstain from voting is when there is a conflict of interest.



### Proxy voting summary for 2018

Number of shareholder meetings	236
Total resolutions	3 779
Abstentions	79
Votes in favour	3 150
Votes against	551

The following graphs depict our reasons for votes against proxy resolutions.



We have set goal posts to help us build our responsible investment approach. We have a list of actions for each of the goal posts depicted below. In order to strengthen our approach to responsible investment initiatives these are reviewed annually.



The investment teams in Momentum Metropolitan, with the support of the Responsible Investment team, engage with the management of listed companies in which they are invested throughout the year to raise and, where possible, resolve any concerns they may have with regard to ESG matters.

<sup>16</sup> While it is our fiduciary duty to follow up on any material ESG concerns we may have, we have adopted a pro-active approach to ESG with the aim of, where possible, managing and mitigating events before they escalate and more materially impact our clients and/or stakeholders.

When we make presentations to our clients we incorporate any material ESG risks or concerns we have regarding their underlying portfolios and discuss the management of these risks with the client.

### A RESPONSIBLE INVESTMENT PORTFOLIO

In addition to integrating ESG criteria across our products to help us better assess the future financial performance of companies, we also offer a responsible investment-themed portfolio. We also offer investments in real assets with a positive social and environmental impact. Through our empowerment finance programme we

are deliberately focusing on infrastructure projects that address environmental issues, such as renewal energy projects (see page 98 of this report).

In support of youth in education every year many new students entering tertiary education struggle to appropriate accommodation with the shortage of accommodation approaching 300 000 beds annually. To address this situation, we have committed an investment of R150 million in the Momentum Student Accommodation Impact Fund.

### RESPONSIBLE INVESTMENT ADVOCACY

We work together as a collective with other investment managers, and to advocate responsible investment practices we have contributed a case study to the Chartered Financial Analyst (CFA) Institute and the PRI report: *Guidance and Case Studies for ESG Integration: Equities and Fixed Income*. We also participated in an interview for the CFA and PRI report: *ESG Integration in Europe, the Middle East and Africa: Markets, Practices and Data*.

We encourage transparency and disclosure of responsible investment practices across the investment industry, including internal and external investment professionals, service providers and consultants and are promoting information integration across all decision-making.

# EMPOWERMENT THROUGH TRANSFORMATION

Transformation is integral to Momentum Metropolitan achieving its purpose of enabling businesses and people from all walks of life to achieve their financial goals and aspirations.

While we still have work to do in transforming our business we are proud of what we have achieved as a Level 1 contributor, which is prepared in terms of the Broad-Based Black Economic Empowerment Act of 2003 as amended by Act 46 of 2013).

**Momentum Metropolitan**  
Level 1 B-BBEE contributor

The FSC commits all its participants to actively promote a transformed, vibrant and globally competitive financial sector that reflects the demographics of South Africa, contributes to the establishment of an equitable society by providing accessible financial services to black people, and by directing investment to targeted sectors of the economy.

In this section of our integrated report we report on our transformation progress in terms of, enterprise and supplier development, preferential procurement and empowerment financing. Our progress with regard to skills development, our internships and learnerships, and employment equity can be found on pages 79 to 81 of the human capital section of this report.

## **ENTERPRISE AND SUPPLIER DEVELOPMENT (ESD)**

Recognising that entrepreneurship is a key driver of economic and socio-economic improvements, our ESD strategy moves beyond compliance to support the development of small and medium-sized enterprises (SMEs). The key elements of our ESD Trust, which is governed by a Board of Trustees, include:

- an enabling platform
- business development
- improving the ability of entrepreneurs to gain access to markets and funding
- assisting with the transformation of the untransformed
- sustainability (beyond survival).

Through our partnership with a 100% youth-owned ESD service provider the Trust invested in an ESD programme for cleaning and security services, with the aim of providing the black-owned SMEs

selected to participate in the programme with the necessary skills to:

- improve their readiness to provide best-in-class services to the market
- grow their businesses into sustainable businesses with the ability to exist beyond the business owner.

Within the 18 months duration of the programme, the six business created a total of 345 jobs 40 new clients were obtained. Two of the businesses that participated in the programme, Kusile Hygiene and Octavian Group, are 100% black women owned.

### **The impact of the programme on these businesses**

**Kusile Hygiene:** Established in 2003 as a pest control company it had already diversified and offers a wide range of services including laundry, hygiene, cleaning, indoor office plants, gardening and carpet cleaning. During its participation in the ESD programme

**Kusile Hygiene:**

- achieved a 47% increase in revenue
- increased its workforce by 32%
- acquired additional businesses that provided it with a bigger scope of work.

**Octavian Group** had been in business for four years when it participated in the programme. During its participation in the ESD programme

**Octavian:**

- acquired six new contracts
- increased its workforce from nine employees to 53 (nearly a 500% increase).

To deliver on its strategy by providing access to business skills development training, our ESD Trust invested in business skills development training for transitioning entrepreneurs (fulltime employees transitioning into business owners).

The Momentum Metropolitan ESD Trust invested R50 million in ASISA ESD fund. ASISA ensures that these funds are invested in suppliers operating in the financial services sector.

Octavian Group founder Grace Seleka said of the programme: "My business has not only grown in size but also in structure. We have better systems and processes, which now support this growth, resulting in the improvement of the quality of our service."

**Impact of this investment:**

- 60 000 hours of SME developmental support provided
- A 29% increasing the average revenue of the SMEs supported by the fund
- 594 SMEs developed
- 3 448 jobs supported
- 985 jobs created
- R190 million in industry procurement from the supported SMEs

This investment proved to be successful with 13 entrepreneurs taking their businesses to the next level and moving from survival towards sustainability.

During the year under review our group-wide efforts to procure from black-owned businesses and businesses empowered in terms of the broad-based principles of the B-BBEE Codes of Good Practice resulted in us meeting the FSC scorecard target of 15.

**Group preferential procurement for the period**

	% Achieved	Target	% of Target
Total measured procurement spend			
Weighted BEE spend	82.40	75.00	109.86
QSE BEE Spend	13.59	14.00	97.04
EME spend	9.48	8.00	118.48
51% black owned	18.03	20.00	90.15
30% black owned	13.35	9.00	148.38
Designated Group supplier spend	1.78	2.00	88.85
Black Stockbroker spend	41.09	5.00	821.73

**EMPOWERMENT FINANCING**

The empowerment finance component of the FSC B-BBEE codes requires financial services companies to invest in targeted investments and BEE transaction funding/black business growth funding. Targeted investments include those in education, energy, infrastructure, agricultural development and affordable housing, while BEE transaction/black business growth funding includes the provision of transformation acquisition finance, joint venture investments and funding of the black industrialist programme.

By year-end our investments included:

- R28 billion in targeted investments
- R2.7 billion in BEE transaction funding.

**Targeted investments**

The targeted investments included investments in South African government and municipal bonds that enabled the government and municipalities

to provide services such as education, water, sanitation and housing, the State-Owned Entities such as Eskom, Transnet and the Trans-Caledon Tunnel Authority, which enabled the development of the inter-government Lesotho Highlands Water Project. We have also invested in the Bombela Concession for the construction of the Gautrain, which alleviated traffic congestion, contributed to rail infrastructure and created jobs.

**BEE transaction funding**

The BEE transaction funding includes a number of investments that have enabled the transformation of the South Africa economy and provided previously disadvantaged individuals with access to ownership of JSE-listed companies.

## RENEWABLE ENERGY INVESTMENTS

In support of the South African government's Integrated Resource Plan and the country's commitment to reducing carbon emissions, Momentum Metropolitan has invested over R1.6 billion in renewable energy power stations (onshore wind and solar photovoltaic).

This investment in renewable energy which is made from the shareholder portfolio will generate sufficient electricity to power around 700 000 South African households and will help South Africa to reduce its carbon emissions.

Momentum Investments has identified the renewable energy sector, in particular solar, wind and hydro projects in South Africa, as a sector with attractive investment opportunities that meet Momentum's return and impact objectives.

Momentum Investments is an equity investor in Umoya, a wind power independent power producer situated in Hopefield on the west coast. The plant was the first Renewable energy independent power producer (REIPPP) wind project to receive Environment Authorisation in South Africa, the first to prove radar compliance with the SA Air Force, the first to achieve rezoning of land to 'Special – Renewable Energy Generation', and was an early player in the interactions with the grid operator to prove grid code compliance and gain support for embedded renewable energy generation.

The facility has contracted capacity of 65.4 MW and commenced commercial operations in February 2014. It has operated stably since commencement and provides clean power to thousands of South African homes. Furthermore, it continues to bring socio-economic benefits to the local communities within which it operates.

## CONSUMER EDUCATION

Consumer education, which is the process of transferring knowledge and skills to consumers, future consumers and potential consumers for their individual well-being and the public good as a whole is a key element of our role as a responsible corporate citizen.

Our commitment in terms of consumer education is to:

- improve the financial literacy of young South Africans through our Making Money Matter and Motheo Financial Dialogues
- inclusivity and diversity.

We ensure that 40% of our participants are female, include not-for-profit organisations that support people with disabilities and 25% of our education programmes reach the rural population.

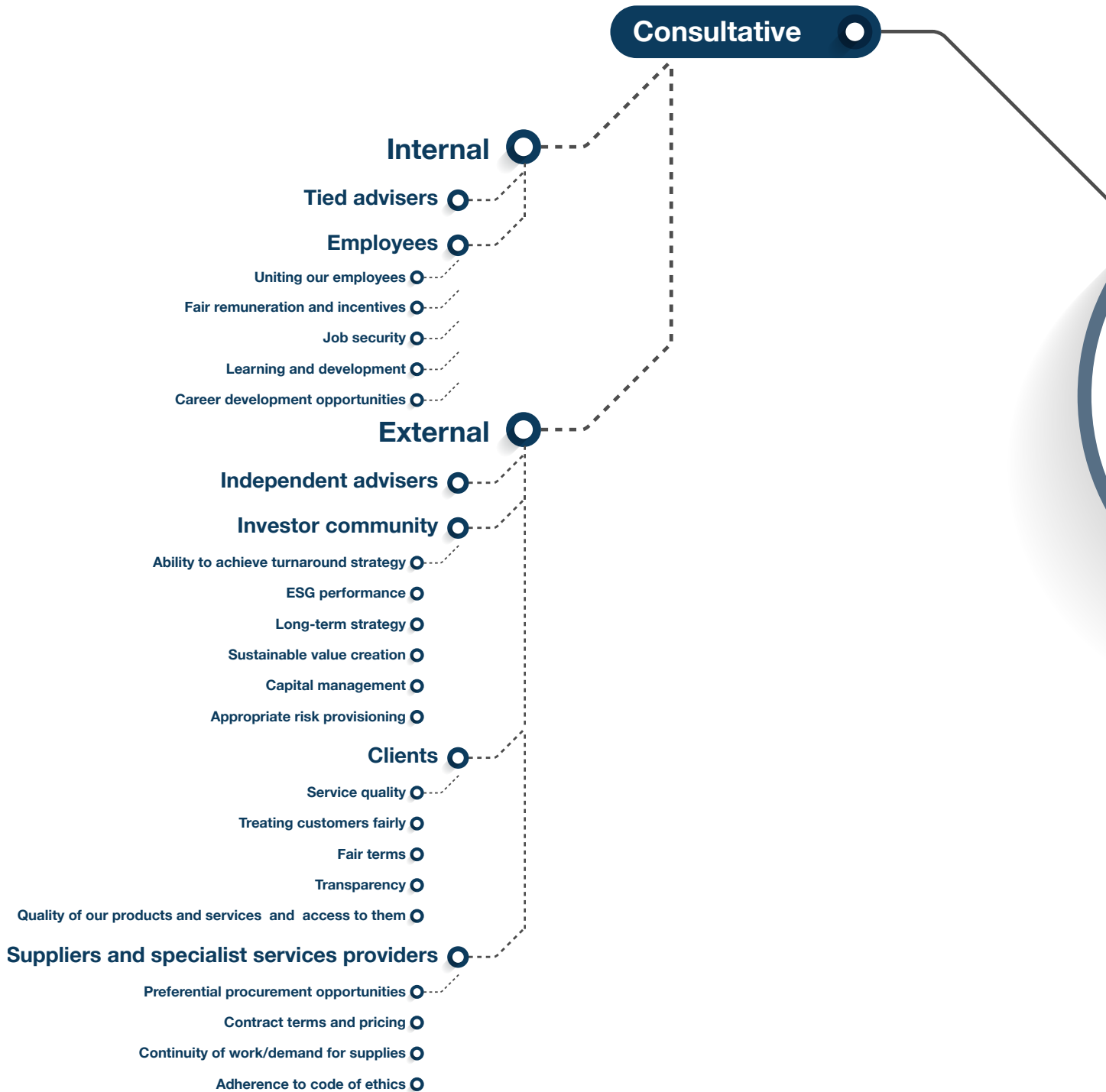
### Introducing teenagers to entrepreneurship

The Metropolitan KickStarz programme uses teenagers' love of sneakers to introduce them to the possibilities of becoming an entrepreneur. The programme challenges them to start their own fictional sneaker company and market their own uniquely designed product to their school mates. They also go through several interactive money management lessons, which include learning how to read a bank statement, follow a budget, build a good credit record and stay out of debt. Metropolitan branch and key account managers participate in the programme. In the year under review, we ran 10 KickStarz programmes throughout the country.





# THE NATURE OF OUR STAKEHOLDER RELATIONSHIPS





## RELATIONSHIP CAPITAL

Our relationship capital is about engaging with the people connected with us in every way possible, receiving their input, listening to them, keeping them informed, respecting and upholding their human rights, acting with integrity and taking action to deliver value to our stakeholders.

Throughout our business we are continually engaging with internal and external stakeholders and it is the relationships we form through this engagement that impact directly and indirectly on our business, its reputation and its ability to create value.

We have learnt that as an industry there is much more we can do to bridge the gap between what clients understand and expect and what the industry delivers and communicates. In general, there is a lack of awareness around industry principles, such as non-disclosure. Because of this realisation, we are connecting with consumers, advisers and media to understand where the gaps are, what the expectations are, and to develop targeted tactics to address these shortfalls.

We invest in understanding our stakeholders' views and needs and recognise that the quality of these relationships determines the continued success of our business and our brands.

## TREATING CUSTOMERS FAIRLY

Momentum Metropolitan Group sees its responsibility for treating clients fairly as a key element of its responsibility as a responsible corporate citizen.

The Momentum Metropolitan Treating Customers Fairly (TCF) Framework governs TCF in the Group. The Group's Market Conduct unit is responsible for TCF governance, oversight, implementation and reporting on TCF as documented in the Framework.

To ensure our clients are treated fairly throughout the Group, the Market Conduct unit is responsible for:

- promoting a client-centric culture based on fair practices
- creating awareness and educating our employees and management on the requirements and impact of the TCF regulations
- articulating and managing the TCF plan
- reporting on the progress made with respect to implementing TCF requirements.

The Group regularly conducts independent verifications of each outcome of an incident where a client believes he/she has not been treated fairly and the results are reported to the Fair Practices Committee.

From a product point of view, we are improving by:

- simplifying our communication
- improving the process to ensure better quality of disclosure
- improving the claims experience
- engaging with the Financial Sector Conduct Authority and industry bodies to work together on improving disclosure and rebuilding the trust relationship with consumers.

## THE BOARD'S ROLE IN STAKEHOLDER ENGAGEMENT



The Board also identified its role in managing the relationship with investors as a material corporate governance matter, and has delegated responsibility for engaging with investors to the Executive Committee and the Investor Relations team. Momentum Metropolitan recognises the investor community as a strategic stakeholder and is committed to creating sustainable value for our investors by delivering return on their investment. Momentum Metropolitan engages with our existing and potential investors as well as financial analysts to keep them informed regarding our business, operating context, progress on our strategic objectives and financial performance. A range of communication channels are used to share information, including the JSE's Stock Exchange News Service (SENS), the Momentum Metropolitan website, media releases, social media platforms and online investor information exchange platforms. We also host group presentations, conference calls, one-on-one meetings and attend selected investor conferences. Investors can also communicate directly with us, by emailing [InvestorRelations@momentummetropolitan.co.za](mailto:InvestorRelations@momentummetropolitan.co.za)