Market Conduct Statement

Purpose

To communicate to all employees, the bank's approach, and commitment to implementing, maintaining, and developing policies, procedures, and measures to ensure fair treatment of our clients throughout the product and service lifecycle.

Version	V02
Effective Date	30/07/2022
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Document Adherence	All employees

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1. Background

1.1 The bank's Board of directors has acknowledged the importance of fair treatment of clients and are committed to ensuring the bank delivers products and services that are designed to ensure fair outcomes to clients.

1.2 One of the consequences of an ineffective approach towards the management of market conduct risk is the delivery of poor client outcomes. This may arise should financial institutions conduct their business in ways that do not prioritise the fair treatment of clients and could be seen to undermine the integrity of financial markets and confidence in the financial system. Market conduct regulation aims to prevent, and when prevention is not successful, manage poor or unfair outcomes to clients.

1.3 Treating Clients Fairly (TCF) is a principles and outcomes based regulatory and supervisory approach that was designed to ensure that institutions deliver on specific client first outcomes, founded on principles of fairness. TCF is a fundamental foundational principle to the regulatory and supervisory approach in respect of market conduct by the Financial Sector Conduct Authority (the Authority).

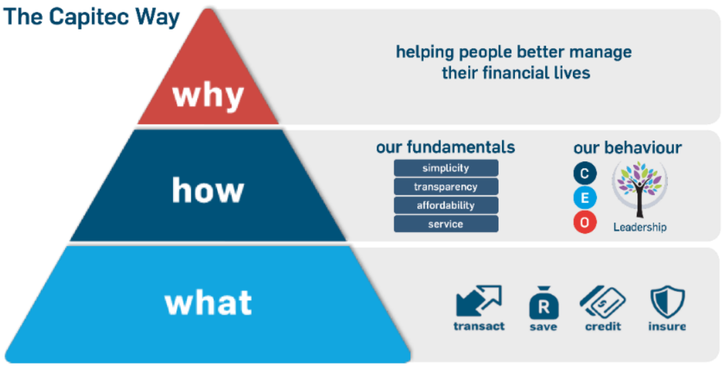
1.4 Accordingly, the bank is expected to demonstrate that it delivers fair outcomes to its clients, which must be apparent and demonstrable through internal governance arrangements; product design and approval processes; product and service performance monitoring and reporting; advertising, marketing and promotion; the sales and distribution approach and post-sale performance and servicing, throughout the duration of the relationship with the client and in accordance with requirements as set out in regulatory instruments such as FSCA Conduct Standard 3 of 2020.

2. Purpose of the Statement

The purpose of this statement is to confirm the bank's commitment to conduct risk management which ensures the delivery of fair outcomes to clients and to outline the bank's approach in ensuring delivery thereof.

3. CEO Values

The core values of the TCF outcomes are integrated into Capitec's service model and imbedded in the bank's culture. It is already known to employees in the form of a service behaviour framework called CEO (Client first, Energy and Ownership). The principle of "putting the client first" forms the basis of the bank's approach to delivery of fair client outcomes.



4. Fundamentals

The core pillars which underpin the needs of our clients, also support the delivery of fair outcomes.

Pillar	Description
Simplicity	The bank strives to simplify banking with an all-inclusive banking products and services that clients understand
Transparency	The bank is transparent about product information to ensure clients make informed decisions
Affordability	The bank offers transparent and affordable banking solutions with simplified fee structures
Personal Service	The bank aims to provide a personalised service experience to each client that meets the client's needs and help in achieving their financial goals through the CEO model of client first, energy and ownership

5. Guiding Principles

5.1 Fair Outcome 1: Leadership and Culture

Overseeing the delivery of requirements relating to leadership and culture is the responsibility of the bank's Board. The Board acknowledges that the market conduct initiative is of great importance and should be incorporated throughout all operations within the bank. This will include:

5.1.1 Adoption, documentation, and implementation of appropriate governance arrangements, that at a minimum address:

- The roles and responsibilities of the Board and key persons within the bank; and
- Decision making and management procedures including delegation of authority arrangements

5.1.2 Processes to ensure senior management will consider the impact of the bank's ability to deliver fair client outcomes prior to implementation of strategic changes.

5.1.3 Processes to ensure senior management will consider whether the fair outcomes are being delivered to clients and in instances where potential unfair treatment of clients has been identified, senior management will implement and record the determined remedial action.

5.1.4 Establishment of processes for formal reporting on the bank's achievement in delivery of fair outcomes.

5.1.5 Identification and development of management information for the Board and senior management to analyse and act on management information findings.

5.1.1 The bank's organisational culture defines our core values and behavioural standards which aim to improve our clients' financial lives through putting the client first, serving with energy and always taking ownership.

5.1.2 Integrating TCF as part of the organisational culture of the bank also ensures that the bank has competitive advantage, as customers will reward the bank with their loyalty and maintain longer lasting relationships. Therefore, the bank will:

- Conduct its business transparently and with integrity
- Act honestly, fairly, with due skill, care diligence and in a manner that does not bring the financial sector into disrepute
- Organise and manage its affairs responsibly and efficiently
- Deal with the Authority in a transparent and cooperative manner

5.1.3 The bank will continuously integrate and implement TCF outcomes throughout all operations within the bank. The bank will undertake the following to ensure TCF outcome deliverables:

- TCF training for new employees
- Regular TCF awareness campaigns
- An annual TCF knowledge assessment to be completed by all employees
- Enforce service standards which prioritise fair treatment of clients

5.1.4 The bank is required to act with circumspection and treat customers fairly in a situation of conflicting interests. The bank has implemented and maintains a Capitec FAIS Conflict of Interest Management policy to:

- avoid, or where avoidance is not possible, manage and/or mitigate actual or potential conflicts of interests
- ensure that objective, unbiased and fair financial service is rendered to clients
- ensure that any payment of financial interest does not impede delivery of fair outcomes to clients

Employees must adhere to the Gift and Invitations policy and Conflict of Interest policy

5.1.5 The bank has implemented policies and procedures in accordance with the conduct standards to ensure adherence to the governance requirements. These policies and procedures aim to address the following requirements:

5.1.5.1 Roles and responsibilities of the governing body and key persons of the bank.

5.1.5.2 Remuneration, compensation, and incentive practices within the bank.

5.1.5.3 Conflict of interest management.

5.1.5.4 Adherence to record keeping requirements.

5.1.5.5 Decision making and management procedures, including delegation of authority arrangements.

5.1.5.6 Risk management, compliance, and internal control procedures, including segregation of duties and functions.

5.1.5.7 Communicating with the Authority.

5.1.5.8 Security, integrity, privacy, and confidentiality of information.

5.1.6 Risk based Compliance monitoring and annual reporting is conducted on the bank's progress concerning the efficiency and effectiveness of the banks' systems, controls, processes, procedures, and measures to address any identified risks.

5.1.7 Prior to the bank contracting with a third party, the bank must be satisfied with their commitment to treating our customers fairly. The third party will have to give the bank a written undertaking and a clause will also be included in the bank's contract with the third party.

"Key Persons" refer to Key Persons as defined in the Financial Sector Regulation Act 9 of 2017

5.2 Fair Outcome 2: Products and services

5.2.1 The bank must be able to demonstrate that the design and approval process of its financial products and services, including the methods utilised for advertising and distribution take the best interest of the client into account.

5.2.2 The bank will be required to establish and implement oversight arrangements to monitor and review the design and suitability of its products and services.

5.2.3 The bank will monitor client feedback and experience post sale to ascertain the suitability of the product, distribution channel and expected performance for the targeted client.

5.2.4 The bank must be able to demonstrate that terms, conditions and selection or refusal criteria are not unfair.

5.3 Fair Outcome 3: Clear and appropriate information

5.3.1 The bank will ensure that clear and appropriate information is provided to clients before, during and after sales and take reasonable steps to ensure that clients are aware of and understand the relevant facts which could be expected to influence the client's decision in respect of our products and services or the client's ability to make an informed decision.

5.3.2 The bank will ensure that information provided to clients is clear, fair, appropriate, not misleading and provided in an appropriate format.

5.3.3 The bank will monitor whether product information provided in advertising and marketing material, at point of sale and contained in agreements is clear, understandable, and sufficient to meet the client's needs.

5.4 Fair Outcome 4: Advice

5.4.1. The bank operates on a non-advice model.

5.4.2. Client facing staff within the retail bank environment are not authorised to provide advice in respect of the bank's products.

5.4.3. Where client facing staff interact with clients, it will be clearly explained that advice was not provided, and that it is in the client's best interest to seek advice from persons authorised to provide the relevant advice.

5.4.4. The bank will endeavour to provide clients with sufficiently clear and appropriate information, for the client to be able to decide without advice being required.

5.5 Fair Outcome 5: Product performance expectations

5.5.1 The bank will ensure to provide clear, appropriate, and adequate information to clients throughout the product lifecycle to shape client expectations.

5.5.2 The bank will ensure product performance is monitored against client expectations to assess whether performance meets the needs of the target market.

5.5.3 The bank will ensure that service standards in respect of our products are clearly communicated to clients and will ensure that service standards are in place to support the expected delivery thereof. These will be monitored and reported on by the affected business units.

5.5.4 The bank will monitor and analyse client feedback on products and services, complaints, product retention and termination to determine client expectations and provide feedback to Senior management to address deficiencies.

5.6 Fair Outcome 6: Post sale barriers

5.6.1 The bank will ensure that we have detailed, transparent, adequate, and readily available complaints and claims handling policies and processes, which support the fair treatment of clients.

5.6.2 The bank will promote practices that ensure clients are not faced with unreasonable barriers during:

- Reporting and investigation of complaints.
- Submitting and processing of claims; and
- Requests for changes to, or termination of existing products and services.

5.6.3 The bank will ensure that accurate information in respect of claims, complaints and requests for changes or termination is captured and retained to report on, analyse and proactively identify and manage any conduct risks associated therewith.

6. Approach towards delivery of fair outcomes

6.1 To fulfil its obligation in terms of delivery of fair client outcomes, the bank, its Board, and employees within all business areas, must prioritise and endeavour to incorporate and demonstrate the following:

6.1.1 That it will comply with requirements for delivery of fair outcomes throughout the product life cycle and throughout the value chain, by ensuring that:

- market conduct considerations and delivery of fair client treatment is central to its corporate culture;
- there is clarity on its market conduct and delivery of fair outcomes responsibility in relation to the client;
- the client has clarity on what the bank's responsibilities are in relation to the client;

- persons responsible for delivery of fair outcomes within the bank have been identified;
- training to the bank's employees in relation to delivery of fair outcomes has been provided;
- there is a market conduct plan against which the delivery of fair outcomes will be measured and reported on; and
- meet and evidence delivery of the outcomes that fall within the bank's direct control.

7. Operational responsibility

All business areas within the bank must:

- Continuously review their policies and processes for adherence to the delivery of fair outcomes objectives;
- Ensure sufficient resources, responsibilities, mandates, and training on fair client outcomes;
- Identify useful management information for reporting to Senior management and the Board to be formalised; and
- Analyse and document improvements where deficiencies have been identified.

8. Governance

The bank's Board is committed to delivery of fair outcomes to clients and an operational led and risk supported structure and culture, focused on constant improvement for the benefit of clients, the market, and the bank.

Market Conduct is managed through the Market Conduct Forum to the Risk Committee which in turn reports to the Risk- and Capital Management Committee. Market Conduct and TCF is also a standing agenda item of the Social, Ethics and Sustainability Committee.