FirstRand

FAIR MARKET CONDUCT POLICY STATEMENT

March 2022

TABLE OF CONTENTS

1 CONTEXT

1.1 Background and regulatory intent

FirstRand Limited (FirstRand or the group) is a portfolio of integrated financial services businesses operating in South Africa, certain markets in sub-Saharan Africa and the UK, offering a broad range of transactional, lending, investment and insurance products and services. The group is committed to the fair treatment of its customers across all operations. The fair treatment of customers is important to sustain the group's growth, to manage relationships with regulators, and to deliver shareholder returns.

FirstRand's fair market conduct policy (the policy) sets out how to achieve specific fair market conduct objectives. This is achieved through broad principles and standards, applicable across all jurisdictions in which the group operates, and via more detailed guidance applicable to the group's South African operations.

It is expected that fair market conduct will increasingly be regulated in most markets in which the group operates. As such, the policy is designed to set the leadership tone, and business principles and standards which should meet regulatory requirements across jurisdictions, as they arise.

In general, market conduct regulators require the group to provide assurance that the fair treatment of customers is embedded within the culture of the organisation and that due procedures and controls exist to provide demonstrable evidence that the group is treating customers fairly, throughout the product life cycle, from product design to after-sales service.

1.2 South African context

The Financial Sector Conduct Authority as financial market conduct regulator

The Financial Sector Conduct Authority (FSCA) is the South African market conduct regulator, mandated to implement a fair market conduct regulatory framework in the financial services industry to ensure consumer protection through enhanced market conduct regulation.

Consumer Protection Act

The Consumer Protection Act, 2008 (Act No. 68 of 2008) does not apply to any person, function, act, transaction or goods or services that are subject to FSCA legislation. Thus, the Consumer Protection Act will only apply to actions the group undertakes that are not covered by FSCA regulation.

National Credit Act

The National Credit Act, 2005 (Act 34 of 2005) governs the products the group develops and sells that involve the calculation and charging of interest against credit granted to customers. The South African government has indicated that conduct related to such credit matters falling under the auspices of the National Credit Regulator will be incorporated in the mandate of a future market conduct regulator.

Outcomes-based fair market conduct

FirstRand's fair market conduct programme is premised on:

- fair market conduct regulation being outcomes-based – FSCA is principle-based and regulates outcomes and does not prescribe many detailed rules of conduct;
- fair market conduct regulation is umbrella regulation – fair market conduct regulation takes precedence over other regulation affecting market conduct within banking; and
- "customer" means any person or group of persons to whom a financial service and/or product is offered but excludes a "counterparty" who is not an individual retail customer.

1.3 Scope of policy

- The policy applies to all FirstRand employees.
- Sections 2 and 4 of the policy apply to all group operations and sections 3 of the policy apply to employees within South African operations only.
- This policy applies to all financial services and products offered by the group.

1.4 Policy structure

- Section 2 of the policy stipulates universal fair market conduct principles and standards which apply throughout the group globally.
- Section 3 of the policy stipulates fair market conduct outcomes which apply in South Africa only.
- Section 4 of the policy stipulates the obligations of all employees to report any material irregularity in relation to market conduct matters.

1.5 Market conduct risk appetite

The group has a zero tolerance policy for any deliberate or wilful acts of non-compliance. The group seeks to achieve full compliance with applicable laws, regulations and best practice standards and/or principles. The group will not knowingly allow its platforms to be used for any form of market conduct abuse.

2 OVERALL GROUP PRINCIPLES AND STANDARDS

The FirstRand fair market conduct policy is a values-based policy. It seeks not to describe every possible interaction between the group and its customers, but rather to provide guidance, and where necessary, obligate adherence to certain salient principles and standards. These principles and standards, as described under this section, are universal in their application. In other words, they are non-jurisdictional and not limited to only certain products and services.

2.1 Fair market conduct principles

All FirstRand businesses/operations must direct their treatment of customers according to four principles:

- **Principle 1:** Comply with group policies – all employees must meet the commitments and conduct provisions contained within group, segment/operating business or country-specific policies governing various aspects of market conduct.

- **Principle 2:** Comply with the law – all employees must comply with market conduct regulatory prescriptions that may apply in their country of operation.
- **Principle 3:** Apply the sunshine test – all employees must ensure their dealings with customers can at any time be subject to disclosure and scrutiny by the statutory or advisory boards or regulators without the group suffering regulatory or reputational damage.
- **Principle 4:** Apply the golden rule – all employees must prioritise the needs of the customer and treat customers as they would prefer to be treated if they were the customer.

2.2 Fair market conduct standards

Application of the four principles outlined above must be considered in conjunction with adherence to the following six standards:

Standard 1: Make fair market conduct a business leadership concern

All businesses must:

- consider the fair treatment of customers at executive level;
- oversee fair treatment of customers at board level; and
- ensure that remuneration and reward structures incorporate treating customers fairly (TCF) objectives.

Standard 2: Market accurately and design, offer and sell relevant products which meet customer needs

All businesses must:

- consider fair market conduct principles when designing new products;
- market, sell and offer products which provide value to customers;
- market accurately, clearly and transparently the attributes and risk of the products they sell or offer for re-sale to others; and
- ensure responsible marketing, including marketing that is accurate, balanced and not misleading.

Standard 3: Contract transparently

All businesses must:

- provide customers with clear information, including their contractual rights and obligations and any changes thereto, in a manner they are likely to understand;
- ensure that information provided is clear, legible and easy to read by avoiding the use of small font sizes, unclear type or an inadequate period of time for which the information is displayed;
- ensure that product information is constantly reviewed and updated; and
- inform customers, as appropriate in accordance with applicable laws and internal rules, of the reasons for rejection of customer applications.

Standard 4: Provide accurate, truthful and relevant financial advice
All businesses that provide advice must:

- provide financial advice that is consistent and takes into account the customer's needs;
- provide financial advice that is free of conflict of interest;
- comply with local legislation that governs the provision of financial advice; and
- include fair market conduct measures in staff performance criteria, commissions and incentive or bonus schemes.

Standard 5: Keep product and service promises
All businesses must:

- keep service and product promises made to the customer;
- analyse management information received from client feedback and other sources to identify TCF failures and to improve product and service offerings;
- conduct appropriate due diligence in respect of any third-party product provider or sales channel to ensure that they adhere to fair market conduct principles; and
- secure informed consent from customers when using their personal information for purposes other than completing the sale or advice.

Standard 6: Give customers ways to exercise choice, make claims and complain
Subject to legal and contractual obligations, all businesses must:

- prevent the placement of unreasonable post-sale barriers to switch between products or advisors;
- put in place systems and procedures that make it possible and convenient to submit a claim, make a complaint or process a disbursement request;
- provide, in the case of claims or complaint resolution, ongoing progress reports to the customer;
- ensure that staff handling claims, complaints and other matters receive appropriate training, as required;
- ensure ongoing management of complaints by dedicated service resolution teams, with a focus on remediation of root causes thereof and delivery of TCF outcomes; and
- ensure oversight by senior management and executives, through appropriate complaints reporting and escalation procedures.

3 MARKET CONDUCT OUTCOMES APPLICABLE TO SOUTH AFRICAN OPERATIONS

Outcome 1: Fair leadership and an ethical culture

Outcome 1 means that customers must be confident that they are dealing with firms where the fair treatment of customers is central to the firm's culture.

Providing ethical leadership

Executive and senior management must:

- set an ethical tone at the top of the organisation;
- ensure adherence to fair market conduct outcomes;
- ensure implementation of a comprehensive and properly resourced market conduct programme across South African operations;
- provide leadership to managerial efforts to ensure that strategies, products and services provided in the group adhere to fair market outcomes;
- ensure that fair market conduct decision makers have the requisite authority and expertise to make decisions; and
- create a culture where fair market conduct practice is not treated as a compliance/regulatory "tick-box" exercise.

Providing strong market conduct governance and controls

The FirstRand board, the FirstRand social, ethics and transformation committee, and the advisory boards of the customer-facing businesses, and in particular the segment/operating business social and ethics committees, must:

- provide governance oversight of the FirstRand fair market conduct policy and programme;
- receive, deliberate and provide guidance to management on fair market conduct matters; and
- ensure that procedures are in place to identify and report market conduct risks – including risks associated with product service and quality, as well as failures – to management and, in serious cases, to the group or applicable segment/operating business social and ethics committees.

Working with committed management and employees

Middle management must:

- maintain business processes and adhere to standards designed to ensure fair market conduct; and
- report gaps, policy contraventions and suspected fair market conduct risks to senior management and take appropriate corrective action.

Aligning performance management, reward and conflicts of interest

Executive and senior management must ensure that:

- incentives (for staff and management) and fees are aligned to fair market conduct principles and standards;
- incentive and fee arrangements are free of conflict;
- any fee, reward and/or commission paid complies with legislation, where applicable;
- staff and management performance evaluation criteria include an assessment pertaining to delivery of fair customer treatment outcomes;
- staff and management undergo training in respect of fair customer treatment objectives, including effective conflicts of interest management; and
- meaningful action is taken against staff who fail to comply with and/or deliver fair customer treatment outcomes.

Conducting regular performance measurement and mining of management information

Executive, senior and middle management must:

- identify existing and/or new management information which would be useful in analysing delivery of treating customers fairly outcomes;
- analyse management information in order to provide meaningful reports which assess progress by the customer-facing businesses in delivering fair customer treatment outcomes; and
- ensure that controls exist to identify and act on any mis-selling and/or poor product performance trends.

Outcome 2: Fair product and service design

Outcome 2 requires that products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly.

Executive and senior management must:

- provide or obtain clear and relevant information affecting customer fair treatment during the product design and marketing stages;
- apply this information to the principles and standards of this policy;
- consider local legislation; and
- assess at a minimum:
  - the vulnerability of the intended target market against the complexity of the product or service;
  - whether intermediary, sales channels and third-party providers will suit the intended target market;
  - whether promotional and/or other material is sufficiently clear and unambiguous for the intended target market;
  - whether pricing, fee and penalty fee structures are clear and correct, provide value or a fair price, with no hidden costs; and
  - whether reward structures will not incentivise mis-selling or other conflicts of interest.

Outcome 3: Fair and accurate disclosure

Outcome 3 requires that customers are given clear information and are kept appropriately informed before, during and after the time of contracting.

Management and sales staff must:

- provide customers with adequate product information, to enable them to decide whether to enter into the contract or not;
- ensure that information provided is clear, legible and easy to read and avoid the use of small font sizes and unclear type styles or providing an inadequate period of time for which the information is displayed;
- inform customers as to the nature and costs associated with any products bundled with the product they may intend to purchase;
- inform customers as to the nature and costs associated with loyalty schemes that may be included in the product they may intend to purchase;
- provide information throughout the duration of the product life cycle, which is in plain language, accurate and suited to the target audience;
- regularly review and update all product information, whether produced by us or another product supplier, to ensure that it is clear, accurate and not misleading;
- inform customers timeously of any contractual events or actions which are required from them in relation to their product (such as investment product changes or insurance beneficiary nominations) and any related risks;
- keep accurate and retrievable records of product and other material customer contract information;
- maintain up-to-date contact details of all existing clients, where possible; and
- provide customers with details of accessible contact or service centres for provision of any product or service-related information.

Outcome 4: Fair and suitable advice

Outcome 4 requires that where customers receive advice, the advice is suitable and takes account of their circumstances.

Management must:

- mandate and correctly license internal staff to sell the product as required by the Financial Advisory and Intermediary Service Act (FAIS) or other applicable legislation;
- ensure that staff and third-party vendors who sell our products have ongoing access to accurate and up-to-date product information;
- provide sales staff with key product information;
- conduct appropriate due diligence on third-party product suppliers to verify that their product and service levels will meet our TCF standards;
- ensure that a third-party sales channel is duly licensed and that it is able to deliver advice and service in accordance with our fair customer treatment standards;

- ensure that we effectively manage any conflicts of interest between customers, the group and any other third party;
- include adherence to fair market conduct principles and standards in staff remuneration and incentive schemes;
- analyse management information such as switching and cancellations to identify mis-selling and other market conduct risks; and
- implement procedures to mitigate risks to customers, in instances where inappropriate advice or misleading information was provided.

Financial advisors or sales consultants must:

- receive appropriate product and market conduct training before providing advice on the product;
- obtain relevant information from customers to conduct either an affordability assessment or a suitability assessment, thereby ensuring that suitable credit is extended, or suitable products are sold to the customer;
- provide customers with key product and other relevant information which will assist customers with making informed purchase decisions; and
- sell the products accredited by the group that are most suited to the customer, even if this means that they earn less in fees for the group or fewer incentives for themselves.

Outcome 5: Fair service and good product performance

Outcome 5 requires that customers are provided with products that perform as firms have led them to expect, and that the associated service is both of an acceptable standard and what they have been led to expect.

Management must:

- Ensure good and reliable product performance by:
  - monitoring product performance against economic, regulatory and environmental developments;
  - reviewing customer behaviour such as early termination, portfolio switching and product retention; and
  - taking timely and appropriate action to mitigate risks to customers when a product is not performing as reasonably expected.
- Ensure excellent service standards by:
  - developing and adhering to service standards and communicating these standards to customers in a manner they are most likely to understand;
  - acting on service complaints and suggestions from customers, staff and third parties;
  - alerting customers to the risk of particular actions such as early product termination and switching; and
  - alerting customers to the risk on any non-action on their part, such as failure to review insurance cover needs.
- Protect the confidentiality of customer information.
- Undertake appropriate due diligence in respect of any third-party product or service provider by:

- affirming that they are able to meet fair customer outcomes 1 to 6;
- monitoring adherence by the third party to fair market outcomes;
- ensuring that the rights and obligations, entitlements and responsibilities are clearly stipulated in service level agreements with third parties involved in the creation, marketing, sale or support of either group or third-party products or services;
- ensuring that the group has access to all customer information held by third parties, subject to applicable laws; and
- ensuring contractually that customers' information held by third parties is not used by others without informed consent obtained from customers.

Outcome 6: Low or no barriers to claims, complaints and product changes

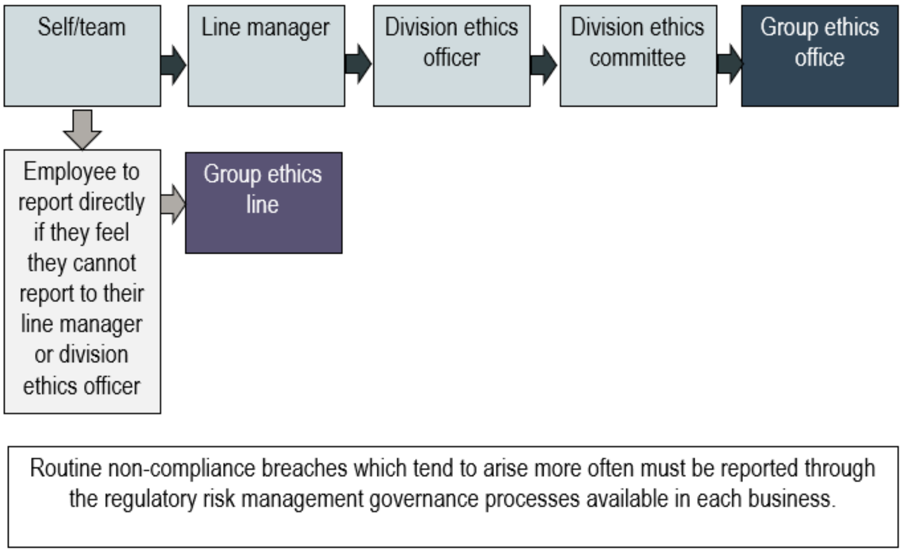
Outcome 6 requires that customers do not face unreasonable post-sale barriers to change products, switch providers, submit a claim or make a complaint.

Management must:

- Have clear service standards, procedures and systems in place to:
  - process product changes and switches;
  - process claims and disbursements;
  - resolve complaints;
  - ensure effective record-keeping;
  - analyse claim repudiation and complaint trends to identify any risks of mis-selling or other fair market conduct concerns;
  - ensure that customers have easy access to complaints, claims and service channels;
  - train staff handling claims, complaints and other matters;
  - ensure that adequate escalation and oversight procedures are in place in relation to complaints management;
  - inform customers timeously of the documents required to process claims, payments and product changes and provide customers with feedback on an ongoing basis;
  - inform customers timeously of circumstances under which claims, payments, product changes and disbursements will not be processed;
  - provide clear reasons when a claim or disbursement payment is rejected and inform the customer of further steps that may be taken to seek redress;
  - provide clear reasons when a product change request is declined; and
  - notify clients of the type of product or service changes that they can make and the risks and other implications of such change.

4 IRREGULARITIES – WHEN TO BLOW THE WHISTLE

The process for employees to report material market conduct practice irregularities is outlined below.



5 REFERENCES

The following documents were referred to in the drafting of this document:

- Financial Services Board (RSA): TCF self-assessment tool: August 2012 (www.fsb.co.za).
- Financial Sector Conduct Authority (RSA): Financial Advisory and Intermediary Services Act: General Code of Conduct for Authorised Financial Services Providers and Representatives, 2003, as amended.

6 ENGAGEMENT AND FEEDBACK

Contact FirstRand Investor Relations on investor.relations@firstrand.co.za.