

EFFICIENT GROUP & SUBSIDIARIES		
		
Policy and Procedure Manual		
LC18	Effective Date: 24 February 2014	Rev 1: 24 February 2014
TREATING CUSTOMERS FAIRLY		

18 TREATING CUSTOMERS FAIRLY

18.1 Scope

Efficient Group has adopted the Financial Services Board's framework for Treating Customers Fairly ("TCF"). TCF in essence provides a framework within which each business unit is required to conduct its business, so as to ensure the supply of appropriate financial products and services to customers and enhanced transparency and discipline in each business unit, resulting in improved customer confidence and relations. This policy therefore provides a framework to each company in the Group, as well as to each employee, for the fair treatment of our customers.

18.2 Purpose

Having regard to the fact that Efficient Group conducts its business within the financial services industry, the purpose of this policy is to ensure that customers' financial needs are appropriately met through sustainable business practices which are aimed at:

- Improved customer confidence;
- The supply of appropriate products and services; and
- Enhanced transparency and discipline when dealing with customers.

18.3 Policy and Procedure

a. Policy Statement

The Group's vision is to become a leading quality financial services business through a client centered and entrepreneurial business model, attuned to sustainable growth and profitability. In pursuing this vision, we must endeavor to deliver fair outcomes to our customers, but in a flexible way that suits our business. All employees are therefore required to apply the principles of TCF in their daily tasks, irrespective of their roles.

b. Who is subject to the policy?

The Group and all its subsidiaries, all employees and all individuals authorised by the Company, whether in terms of an employment agreement or a mandate, to render advice and/or intermediary services, as defined in terms of FAIS, to customers of the Company, are bound by this policy.

c. What are the outcomes?

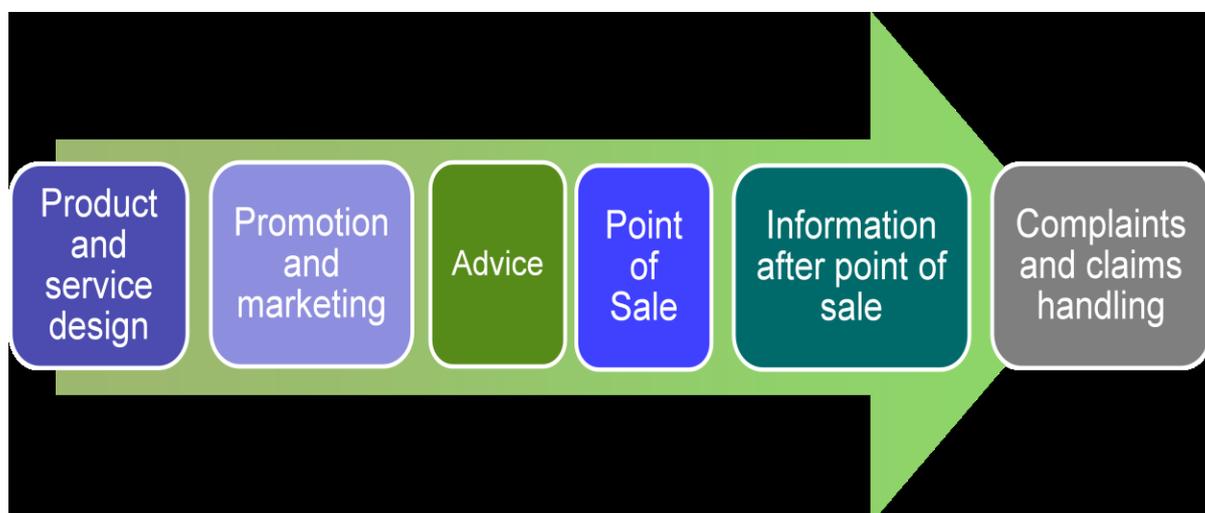
(i) As alluded to above, the ultimate purpose of TCF is to ensure that customers' financial needs are appropriately met through sustainable business practices. The TCF framework is intended to contribute to this ultimate goal by delivering the following intermediate outcomes:

- Improved customer confidence;
- The supply of appropriate products and services; and
- Enhanced transparency and discipline.

(ii) Positioning these intermediate outcomes from the perspective of the customer allows for a more refined and better focus on the fair treatment of customers and how fairness can ultimately be achieved. From the perspective of the customer, the following fairness outcomes can be deduced:

- **Outcome 1:** Customers are confident that they are dealing with companies where the fair treatment of customers is central to the company culture.
- **Outcome 2:** Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly.
- **Outcome 3:** Customers are given clear information and are kept appropriately informed before, during and after the time of contracting.
- **Outcome 4:** Where customers receive advice, the advice is suitable and takes account of their circumstances.
- **Outcome 5:** Customers are provided with products that perform as firms have led them to expect, and the associated service is both of an acceptable standard and what they have been led to expect.
- **Outcome 6:** Customers do not face unreasonable post-sale barriers to change the product, switch provider, submit a claim or lodge a complaint.

- (iii) Business units and employees are accordingly required to consider the above outcomes at all stages of their relationship with a customer and to demonstrate that they are consistently treating their customers fairly. The stages of a customer relationship can best be illustrated with reference to the typical product life cycle:



- (iv) Applying the 6 fairness outcomes, in no particular order, to the stages of the typical product life cycle, provides some specific guidelines for the fair treatment of customers:

- **Product and service design:** Products and services – and the distribution strategies chosen to bring them to market – are designed and developed for specific target markets, based on a clear understanding of the likely needs and financial capability of each customer group.
- **Promotion and marketing:** Products are marketed to specific target groups, through clear and fair communications that are not misleading and are appropriate to the target group.
- **Advice / Intermediary services:** Business units and employees need to ensure that, where advice or an intermediary service is provided, advisers are fully equipped to provide such services in a manner suitable to the needs of the customer concerned, balancing the commercial objective of increasing sales with the objectives of TCF and avoiding conflicts of interest.
- **Point-of-sale:** Business units and employees need to provide clear and fair information to enable customers to make informed decisions about transacting with the firm, its products and services. This means that product risks, commitments, limitations and charges must be transparent. Disclosure around bundled products must enable customers to understand the different components of the bundle.
- **Information after point-of-sale:** Business units and employees need to provide customers with ongoing relevant information to enable them to monitor whether the

product or service continues to meet their needs and expectations, and provide acceptable levels of service for post-sale transactions or enquiries. Business units and employees must also monitor and respond to changes in the wider environment that may affect products and impact on particular groups of customers.

- **Complaints and claims handling:** Business units and employees need to honour representations, assurances and promises that lead to legitimate customer expectations. Legitimate expectations must not be frustrated by unreasonable post-sale barriers. There is a requirement for fair and consistent handling of claims and a mechanism to deal with complaints timeously and fairly. Business units and employees should undertake to identify common underlying causes of complaints and take action to eliminate the root cause.

(v) Business units are accordingly required to demonstrably embed a TCF culture within their structures and operations, supported by controls, governance structures, management information, training and development and self-assessment. To this end, each business unit will be required to regularly report to the Group Executive Committee in respect of identified TCF performance measures.

(vi) The TCF performance measures which business units may be required to report on, are, without limitation, the following:

- **Outcome 1 – TCF culture:** Fit and proper requirements for management, audit, risk and compliance requirements, management structures, strategy, governance and internal controls, whistle-blower protection rules, management incentives, staff training and communication;
- **Outcome 2 – Appropriately targeted design and marketing of products and services:** Product features, charging structures, product governance and approval processes, unfair terms, undesirable business practices, regimes for particular consumers such as products aimed at addressing inclusion, and marketing and advertising restrictions and standards;
- **Outcome 3 – Clear information:** Specific disclosure obligations, disclosure standards, plain language, language policies, electronic and telephonic communications, appropriate representations;
- **Outcome 4 – Suitable advice:** Financial advisory obligations (primarily under FAIS), distribution models, legal relationships between intermediaries and product suppliers, management of conflicts of interest (under FAIS and more broadly), adviser remuneration;

- **Outcome 5 - Products perform as expected and acceptable service:** Product and performance monitoring, ongoing communication, reasonable benefit expectations, service levels, operational ability and capacity, outsourced suppliers, business continuity, record keeping, information security, fraud risk management, succession planning;
- **Outcome 6 - No unreasonable post sale barriers:** Access to information, complaints handling, claims handling, alternative dispute resolution, product flexibility, product portability, termination charges, replacement of financial products.

(vii) In evaluating performance against the above measures, business units should not only focus on the market segment or specific stage of the product life cycle that they are involved in, but should also take responsibility for ensuring that the fairness outcomes are achieved in other market segments / stages of the product life cycle where they are not directly involved. By way of example, a useful distinction can be drawn between ensuring that a product is **appropriate** for a particular target market, and ensuring the product is **suitable** for the particular customer concerned. The former is mainly the product supplier's responsibility, and the latter is mainly the intermediary's (advisor's) responsibility. However, it does not follow, for example, that an intermediary can abdicate responsibility for recommending an unfairly or inappropriately structured product to a customer on the basis that ensuring fair product design is the product supplier's responsibility. An appropriate level of product "due diligence" is expected from intermediaries. Conversely, product suppliers cannot disregard poor selling practices of their products by intermediaries, for example where they are aware that products from their range are being sold to the wrong customers, and argue that it is solely the intermediary's responsibility to ensure the product is suitable to the customer who purchases it. TCF requires product suppliers and intermediaries to share accountability for the fair treatment of their mutual customers

(viii) From an employee perspective, it is of utmost importance for each employee to realise and acknowledge that, notwithstanding their specific roles within the Group or a specific business unit, their actions and daily tasks will ultimately influence the customer's experience when dealing with the Efficient Group, whether directly or indirectly. While financial advisors, for example, will have a direct impact on the customer's ultimate experience, employees responsible for cleaning the office or receiving customer's when they visit the office, will similarly influence the customer's first impressions and over-all experience. Although an asset manager has direct responsibility for the performance of a customer's investment, the administrative assistant who ensures that the monthly reports are timeously dispatched to the customer, similarly ensures that the customer is kept informed of the performance of his investment, which ultimately allows the customer to make appropriate and timely decisions regarding his investments. Members of our support services team, for example the finance

department, similarly provides timeous financial information to management, which in turn allows them to make appropriate decisions that may affect the way that we deliver services to our customers. It is therefore important for each and every employee to take the following to heart:

“IF WE DON’T TAKE CARE OF OUR CUSTOMERS, SOMEBODY ELSE WILL...” -
Anonymous

- (ix) From a Group perspective, TCF compliance of all business units will be monitored on a regular basis by the Executive Committee and specific outcomes will be communicated and shared across all business units, thereby ensuring that Efficient Group achieves its ultimate vision of becoming a leading quality financial services business attuned to sustainable growth and profitability.

d. Training and general awareness

- (i) All the company’s employees must be trained, on business unit level, on this policy.
- (ii) This policy will be published on Share Point and its adoption will be communicated electronically to all employees.
- (iii) The Efficient Group Executive Committee shall take responsibility to ensure that the successful achievement of fairness outcomes by business units are communicated to all staff, so as to ensure the development of a culture that is focussed on our customers’ well-being.

e. Review of the Policy

This policy shall be reviewed annually and any changes to this policy shall be communicated to all employees.