



# Conflict of interest policy

## **Purpose**

To provide guidance to directors and employees to prevent conflict of interest and insider trading

## **Adherence**

Directors and employees

Next review: February 2021

## 1. Policy principles

- 1.1 Directors must disclose at Board meetings, or inform the Company Secretary, and employees must immediately disclose to their respective line managers, which must disclose same to the Company Secretary, any direct or indirect interests in:
  - 1.1.1 Another company, partnership, association, syndicate, trust or legal entity which is doing or intends doing business with a company in the Capitec group (“Capitec Bank Holdings Limited (“Capitec”) together with its subsidiaries”); and
  - 1.1.2 a contract or proposed contract which is entered into or to be entered into with a company in the Capitec group.
- 1.2 Involvement in a business other than in the service/employment of Capitec Bank Limited (“Capitec Bank”) which may:
  - in any way be deemed to be in competition with any business operation of any of the companies in the Capitec group; or
  - negatively impact on the individual’s contractual obligation to render service to Capitec Bankwill not be allowed.
- 1.3 Directors and executive managers of the company are obligated by the Companies Act, No 71 of 2008 (as amended), to disclose direct or indirect financial interests (including that of a related person) in any contract or proposed contract, which was or is to be entered into by any company in the Capitec group. In addition such contract in which any one of them becomes interested after the contract was approved by the company, must also be disclosed. Finally the disclosure must specify the nature and extent of that interest and the material circumstances relating to the Director/ Executive Manager’s/related person’s acquisition of that interest.
- 1.4 Notwithstanding the above, no director will offer a service, product or co-operation agreement to a company in the Capitec group on behalf of any organisation in which he or she has a direct or indirect interest (“a related organisation”), in a meeting of the board of Capitec or Capitec Bank (“the board”) or its committees;
  - 1.4.1 Such service, product or agreement may be offered to management of such company, preferably not by the director involved, but by the management of the related organisation.
  - 1.4.2 Should management submit a decision on a relationship for the purchase of a service or product or another agreement with a related organisation to the board for approval, then, during the discussion of and voting on such a relationship, the director(s) involved with the related organisation will recuse themselves from the meeting of the company. Any significant relationship with a related party will be referred to the board by management.
- 1.5 In addition, directors (of Capitec and Capitec Bank) (“directors”) and members of the Group Executive Committee (“GEC”) must disclose direct and indirect interests in all companies, trust, partnerships or other legal entities as well as interest in any securities issued by Capitec at each board meeting.
- 1.6 There are obligatory closed periods during the year when no director or employee may trade in Capitec securities, namely:
  - from the end of any reporting period in terms of which any price sensitive

information such as, but not limited to, financial results is to be reported on, until the publication of the information concerned on the JSE Stock Exchange News Service (SENS) or

- any period during the year when the company is trading under a cautionary announcement

- 1.7 It is the responsibility of the director/employee to advise their spouse, children (under the age of 18) and other associates as defined in the JSE Limited Listings Requirements, and investment managers, of closed periods during which time no transactions may be effected in Capitec securities for or on behalf of that individual.
- 1.8 Directors and employees of Capitec Bank who have access to management reports and other potentially sensitive company information are required to obtain clearance to deal prior to transacting in Capitec securities. This rule provides general protection to directors and employees against (potentially) involuntary contravention of the FMA regarding insider trading.
- 1.9 Investment managers of directors/employees must be advised in writing that they may not at any time transact in the securities of Capitec or Capitec Bank without the express consent, in writing, of the director/employee.
- 1.10 Directors and the Company Secretary of Capitec and Capitec Bank and prescribed officers of Capitec Bank that trade in Capitec Bank securities, are compelled in terms of the Listings Requirements of the JSE to report all transactions in Capitec and Capitec Bank securities for announcement on SENS, without delay, but in any event no later than three business days after such trade. The Company Secretary has 24 hours to publish same on SENS after being notified of a transaction.

## 2 Insider trading

Market abuse caused by insider trading, including the forbidden practice of manipulative, improper, false or deceptive trading and making of false, misleading or deceptive statements, promises and forecasts are all governed in terms of the Financial Markets Act No 19 of 2012 ("FMA").

### 2.1 What is insider trading?

- 2.1.1 Insider trading is an offence that is committed by a person who is aware that they have inside information and:
- deals directly or indirectly or through an agent for their own account
  - deals directly or indirectly for any other person
  - encourages or causes another person to deal or discourages or stops another person from dealing in the listed securities of a company to which the inside information relates or which are likely to be affected by it
  - discloses the inside information to another person
- 2.1.2 Any person who deals directly or indirectly for an insider or through an agent, knowing that the individual is an insider, commits insider trading.

## 2.2 What is inside information?

Inside information is specific or precise information which has not been made public and which:

- is obtained or learnt as an insider
- if it were made public, would be likely to have a material effect on the price or value of the applicable listed security

## 2.3 Who is an insider?

Any person who has inside information.



A person who receives a tip-off from an insider, whether or not he deals in the securities based on the inside information, becomes an insider

## 2.4 Consequences of insider trading

2.4.1 A person guilty of insider trading is liable on conviction to a fine not exceeding R50 million or to imprisonment for a period not exceeding 10 years or to both such fine and imprisonment.

2.4.2 Any person who is convicted of contravening the insider trading rules is liable to pay a fine not exceeding:

- 4 times the equivalent of any profit made or the loss avoided as a result of the insider trading
- an amount of up to R1 million, adjusted annually in accordance with the consumer price index
- interest
- cost of suit including investigation costs
- if applicable any commission or consideration received in respect of the disclosure of inside information or encouragement or discouragement to deal based on the inside information

2.4.3 A person acting on a tip-off and the person who gave the tip both commit the offence and are jointly and severally liable to pay the amounts set out above.

2.4.4 Disciplinary steps (in accordance with the Disciplinary Code of the bank) will be taken against employees who are found guilty of insider trading.

## 2.5 Types of transactions that are affected by the prohibitions on insider trading

The direct or indirect involvement as a result of inside information, in any of the following transactions, is affected by the insider trading prohibition:

- Purchase of securities
- Sale of securities
- Taking of a position in securities (for example, taking an option on the shares of a company or exercising an option on the shares of the company)

## 2.6 High probability periods for insider trading

- 2.6.1 During the following periods it is more probable that directors and employees, especially senior employees at Capitec Bank, will be exposed to price sensitive information:
- from 1 March up to the date of publication of the annual financial results of the Capitec group
  - from 1 September up to the date of publication of the interim financial results of the Capitec group
  - in a quarterly reporting cycle, if applicable, from the end of the quarter concerned to the publication of the quarterly results
  - any other periods when ad hoc closed periods are announced during which trade in Capitec and Capitec Bank securities is prohibited
- 2.6.2 The year-end and interim financial periods referred to above constitute obligatory closed periods when directors and employees of Capitec Bank are prohibited to deal in Capitec and Capitec Bank securities. In terms of the insider trading rules set out above, immediate family of directors and employees may not trade in the securities of Capitec and Capitec Bank during these closed periods.

## 2.7 Duty to obtain clearance to deal in Capitec and Capitec Bank securities

- 2.7.1 Directors and employees of Capitec Bank who have access to management reports and other potentially sensitive company information are required to obtain clearance to deal prior to transacting in Capitec and Capitec Bank securities. This rule provides general protection to Directors and employees against (potentially) involuntary contravention of the FMA regarding insider trading.
- 2.7.2 A director or a member of the GEC will not be granted clearance to deal in any securities of Capitec and Capitec Bank during a period when information exists which constitutes price sensitive information in relation to Capitec or Capitec Bank's securities, whether or not the director or GEC member has knowledge of such matter. The determination whether the relevant information is price sensitive, may require a judgement call. An internal closed period will therefore be set in place by an ad hoc board committee on recommendation of the company secretary in consultation with the CEO and CFO, applicable to the board and the GEC when such circumstances arise.

For employees other than directors and GEC members, the following will apply: In cases where there is information that is price sensitive, that may be known to some but not all, and a closed period is not applicable company wide, requests for clearance will be considered on a case by case basis.

A director or employee may not transact in Capitec or Capitec Bank securities when he/she is in possession of price sensitive information in relation to Capitec or Capitec Bank securities or otherwise where clearance to deal is not given.

- 2.7.3 Transactions include, but may not be limited to:
- Purchase of securities
  - Disposal of securities

- Acceptance of options granted, even options granted in accordance with the remuneration policy of Capitec Bank
  - Exercise of options
  - Any other transactions, where the value or return of which is derived from the value of Capitec or Capitec Bank shares
  - Using securities of Capitec as security, guarantee, collateral or otherwise granting a charge, lien or other encumbrance over such securities. A transaction is deemed to be present at the time of (i) agreement to such arrangement; (ii) when a right or discretion afforded to a lender is being exercised; and (iii) when an existing arrangement is being amended or terminated.
- 2.7.4 When participating in the Employee Share Purchase Scheme on a monthly basis where funds are automatically deducted from salaries and shares are purchased on a set day every month, it will not be necessary to obtain clearance to deal.
- 2.7.5 For purposes of the above, reference to transactions includes transactions in securities which are held directly or indirectly beneficially or indirectly non-beneficially by any such employee or director.
- 2.7.6 The procedure to be followed prior to dealing in Capitec or Capitec Bank securities:
- 2.7.6.1 Clearance to deal must be submitted to the Company Secretary in writing. Clearance to deal is then granted:
- 2.7.6.2 in the case of directors and members of the GEC: By any one of the Chief Executive Officer, Chief Financial Officer or the Company Secretary, together with the Chairman of the Board. The Chairman may delegate her responsibility as may be required;
- 2.7.6.3 in the case of a prescribed officer of Capitec Bank that wishes to trade in Capitec Bank securities, the same procedure will be required as set out in 2.7.6.2 above; and
- 2.7.6.4 in the case of employees who have access to management reports, other than members of the GEC: By any one of the Chief Financial Officer, Chief Executive Officer or Company Secretary.
- 2.7.7 Clearance to deal will not be given during closed periods of the company or when sensitive information was disclosed in inter alia management reports where such information is not in the public domain.
- 2.7.8 It is essential that the above procedure be strictly observed at all times prior to transacting in Capitec securities.
- 2.7.9 When transacting in Capitec securities without first obtaining clearance to transact:
- 2.7.9.1 it will be stipulated in the SENS publication that clearance was not requested and/or granted; and the standard company disciplinary procedure will apply to any employee of the Capitec group with access to management reports and who are required to obtain clearance to deal to transact in Capitec or Capitec Bank securities (either for him/herself or an associate over which he/she has control) without first obtaining clearance to transact.

## 2.8 Duty to report transactions in Capitec and Capitec Bank securities

Directors, members of the GEC, prescribed officers of Capitec Bank (if they trade in Capitec Bank securities) and the Company Secretary of Capitec and Capitec Bank are compelled in terms of the Listings Requirements of the JSE to report all transactions in Capitec and Capitec Bank securities within 3 business days after the transaction to allow for announcement of the transaction on SENS. The following information relevant to such transactions must be provided to the Company Secretary by the directors and members of the GEC concerned:

- 2.8.1 Date of the transaction.
- 2.8.2 Nature of the transaction (purchase/sale/exercise of options/financing).
- 2.8.3 Number of securities transacted.
- 2.8.4 Price of the security, including minimum and maximum prices if the securities were transacted at an average price.
- 2.8.5 The name of the associate who transacted if the director/GEC member/Company Secretary (or prescribed officer of Capitec Bank, in the event that they trade in Capitec Bank securities) did not transact in their own name, including such individual's relationship with that associate.
- 2.8.6 Any other information that may be required to be published in terms of the JSE Listings Requirements.

## 3. Reporting of conflict of interest

- 3.1 Full disclosure of interest should be made in writing via email.
- 3.2 The table below must be used in the disclosure email.

	Nature of interest/ activity	Name of entity	Percentage held if applicable	Relationship with Capitec group, business or otherwise	Nature of the rewards	Estimate of value of annual rewards as a % of my annual salary
Interest 1	<b>Example:</b> I do the tax/I do the books				<b>Example:</b> additional salary/shares/use of holiday home annually	
Interest 2						
Interest 3						
Interest 4						
Interest 5						

- 3.3 This email must be sent to the Company Secretary who will submit same to the GEC or relevant Divisional Executive Committee, subject to the department where the employee works, at the first subsequent meeting of such committee, for approval if the employee interest is deemed to pose a conflict and/or a risk to the company.

- 3.4 A record must be retained of the director/employee's interest and the director/employee is thereafter responsible for disclosing any change in the nature of the interest. Line-management of the employee is responsible for monitoring the risk of the potential conflict.
- 3.5 Disclosed interests will be deemed to remain in existence until the disclosing party indicates otherwise in writing.
- 3.6 Examples of typical conflicts of interest (in the example below, reference to employee includes a director, as may be applicable):
- an employee uses his/her employment relationship for personal gain or other advantages, or for gain/advantages for his/her family and/or associates;
  - involvement in a decision to award a Capitec Bank supplier contract to the business of the employee, his/her close family member or associate;
  - being involved in a private business that requires regular attention during normal working hours or that otherwise impacts an employee's productivity or ability to fulfill his/her contracted employment responsibilities;
  - involvement in or ownership of a business that competes directly or indirectly with Capitec Bank;
  - any other situations which will impact an employee's ability to use his/her best endeavours to protect the interests of Capitec Bank and act in good faith towards Capitec Bank or creating a perception of such a situation
  - direct involvement in a decision to recruit a relative or friend;
  - offering paid services on time off to a client or supplier of the bank;
  - cashing in on a business opportunity that Capitec Bank might have pursued in stead of making decisions for the benefit of Capitec Bank, the employee makes decisions based on his/her own personal gain.