

GUIDANCE NOTE GN500

on

CODE SERIES FS500, STATEMENT 500

THE MEASUREMENT OF THE CONSUMER EDUCATION ELEMENT OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT

1. Introduction

Consumer Education is the process of transferring knowledge and skills to consumers, future consumers and potential consumers for individual well-being and the public good. The intended outcome of the process is the development of the individual and small business consumers knowledge and understanding of the financial sector and its products and services. Consumer Education will include programmes that are aimed at empowering the broader consumer as referenced above with knowledge to enable them to make more informed decisions about their finances and lifestyles including the financial health of their business ventures.

The purpose of this document is to detail the standards required for Consumer Education programmes.

2. Consumer Education Standards

2.1 Physical Accessibility

Consumer Education initiatives and programmes should be offered and available to consumers of the Code s Access products and services at points of service or transaction, or other appropriate locations (limited to customer education).

Consumers or potential consumers of financial products and services should be referred to the nearest available and appropriate place for easy access and time at which appropriate Consumer Education will be available.

A minimum of 25% of the funds available must be allocated to rural areas, i.e., outside the major metropolitan areas using the municipal index as per the transformational infrastructure guidance note GN600a.

2.2 Appropriateness

Consumer Education initiatives and programmes must meet the identified needs of and be directed at consumers in the Code's target groups, with the aim of achieving the Code's Access goals. The outcomes of the Code's Consumer Education programmes must be measurable and able to contribute to the achievement of score points. Consumer Education must enable consumers to make more informed decisions about their finances and lifestyles including the financial health of their business ventures. With respect to the SMME CE in particular, the content should have a clear focus on financial products and services and the role thereof in supporting business operations.

Some examples are: budgeting, investing and borrowing, capital management, short term insurance, risk management, financial reporting, record keeping, management of debtors and expenses.

Note: Business specific training related to the business consumer service offering is not deemed to be CE development.

2.3 Measurability

2.3.1 Quality Service Providers

2.3.1.1 External Service Providers:

2.3.1.1.1 The service provider should be a juristic person. Should the project be delivered by an individual, the individual should have the relevant skills and experience to do so.

2.3.1.1.2 The service provider should have a minimum level 4 B-BBEE credentials within 12 months upon appointment.

2.3.1.1.3 An appropriate agreement, such as a service level agreement, must be put in place in order to ensure quality implementation of projects.

2.3.1.1.4 The service provider and/or individuals who will be

implementing the project must be suitably qualified in the relevant field, i.e.:

- (a) School project service providers must have appropriate experience and skills in the formal education environment;
- (b) Face to face classroom type service providers must have appropriate experience and skills in the field of face to face training;
- (c) Media project service providers must have appropriate skills and experience in the media world, and preferably in the world of educational media / edutainment;
- (d) Any other relevant service providers must be able to prove skills and experience in their fields.

2.3.1.2 Internal Resources

- 2.3.1.2.1 Internal resources must be appropriately and suitably skilled and equipped to deliver the Consumer Education messages to recipients of the programmes;
- 2.3.1.2.2 A peer review of internal resources should be used periodically to ensure that the resource/s perform his/her/their services efficiently and successfully;
- 2.3.1.2.3 The material/content used by the internal resource should be reviewed by peers for its suitability;
- 2.3.1.2.4 The impact of the projects using internal resources should be considered when a project is repeated or continued. Should the impact assessment indicate a lack of learning/impact, the internal resource should be replaced with a more suitable candidate.
- 2.3.1.2.5 The impact assessment of projects using internal resources should be done by an independent service provider.

2.3.2 Consumer Education Programmes

2.3.2.1 Interactive Initiatives/Projects

An interactive initiative is defined as any initiative where there is active interaction between the facilitator, i.e., a person or another appropriate medium, and the target audience. These will include but not be limited to:

- 2.3.2.1.1 Face-to-face, classroom type initiatives;
- 2.3.2.1.2 Workshops and seminars;
- 2.3.2.1.3 Industrial theatre and other edutainment programmes which are facilitated with an audience;
- 2.3.2.1.4 Radio programmes where listeners are allowed to engage, including through electronic means, e.g., phone-in, SMS, social media and others;
- 2.3.2.1.5 TV programmes where viewers are allowed to engage, including through electronic means e.g. phone-in, SMS, social media, industrial theatre, focus group discussions and others.
- 2.3.2.1.6 Online learning platforms such as web-based training which facilitates interactive engagement and assessments

2.3.2.2 Awareness Initiatives/Projects

- 2.3.2.2.1 Consumer awareness projects are defined as consumer financial literacy projects through which consumers are provided with *basic information* of financial literacy concepts, their rights and responsibilities as consumers in the financial services field, where they can find information about financial services product types and services, as well as where they can go for assistance and/or recourse.
- 2.3.2.2.2 Awareness projects include providing *basic information* using tools and mechanisms not including advertisements but including information in the media as well as other mediums, such as radio, television and print, billboards, guides, booklets, brochures, pamphlets/leaflets, cell phone, the social

media, the internet and other similar mediums.

- 2.3.2.2.3 Awareness projects do not include in-depth education and/or recognised education methods.

2.3.3 Impact

- 2.3.3.1 All initiatives should be measurable to demonstrate impact. Monitoring and evaluation should therefore form part of every project to ensure both quality service providers and good use of money. And the achievement of project objectives such as effective knowledge transfer

- 2.3.3.2 All projects should be measured by independent service providers, including projects using internal resources. This means that a separation between the person and/or entity that implements the project and the person and/or entity that measures the impact should exist at all times.

2.3.4 Split between the two types of initiatives

Up to 100% of funding may be used for interactive initiatives or projects. Up to 40% of funds may be used for awareness initiatives or projects.

2.3.5 Branding

- 2.3.5.1 Consumer Education should not cross the thin line into marketing. However, branding should be allowed, as this could assist companies in creating a trusted brand in the market and may also ensure the use of quality service providers as the company's brands will be at stake.

- 2.3.5.2 Any image branding by FSC participants or individual financial institutions should be appropriate, and not overwhelm the educational content.

- 2.3.5.3 The content should be generic and product type related

and not related to brand specific products.

2.3.5.4 Specific product or service marketing will not count as consumer education.

2.3.5.5 There will be no branding in the education content itself. Branding will be allowed in the following manner:

(a) Booklets: The logo and the pay-off line on the cover for branding and limited to a maximum of 10% of the education material.

(b) Posters and other aids not in booklet format: The logo and pay-off line in the footer limited to 5% of the area of the material.

(c) Radio/Television: Less than 5% of airtime.

2.3.5.6 The quality of the branding should generally be consistent with that of the education content (e.g. all full colour, or all black and white).

2.3.6 Funding Deployment

Contributions made by the measured entity to third parties to perform Consumer Education on the measured entity's behalf qualify. For the avoidance of doubt such contributions are regarded as having been initiated and implemented by the entity once they are paid to the third party.

2.4 Target market

Each one of the sectors, i.e., banking, long-term insurance and short-term insurance sectors will have a defined target market. This, in essence, means that every sector will target the portion of the financial services market that was not previously reached effectively by that sector's products. The target market will range from LSM1-8 for individuals with an income proxy of <R250k p/a. For a small business it would be based on qualifying as an EME as defined by the code. The individual income

proxy will be adjusted as and when required, but at a minimum should be adjusted by the annual consumer price index (CPI) per Stats SA.

GUIDANCE NOTE ON RETIREMENT FUND TRUSTEE EDUCATION

Addendum to FSC Guidance Note GN500 Consumer Education

1. Introduction

This guidance note is intended to be an addendum to the Amended Financial Sector Code (Amended FS Code) Guidance Note GN500, to give clarity to Retirement Fund Trustee Education (RFTE).

The guidance note serves as a guideline for RFTE, in order to give clarity to these types of interventions and to ensure that, upon compliance the RFTE will be recognized for Amended FS Code point scoring purposes. These guidelines apply to RFTE programs conducted from the effective date of the 2017 Amended FS Code.

2. Objectives

The objectives of this guidance note are to:

- 2.1 Specify the target market for RFTE
- 2.2 Define the different types of programs / initiatives
- 2.3 Specify the measurement principles for qualifying programs / initiatives
- 2.4 Specify the minimum RFTE standards

3. Definition of Retirement Fund Trustee Education (RFTE)

Retirement Fund Trustee Education is the process by which the board of management (sometimes referred to as the trustees) of retirement funds receive rigorous, regular and comprehensive training on the legislative and regulatory framework, and governance principles in order to equip them to

effectively carry out their functions as retirement fund board members. Such training should enable Trustees to minimize their risk of liability, engage confidently with all stakeholders¹, as well as to enable more effective decision-making for the ultimate benefit of fund members. In addition, Trustees should be educated on a continuing basis about new matters relating to their retirement funds, by ensuring that they acquire and maintain an understanding of risk management, investment risks and strategies, benefit structures, legal issues, regulatory and compliance requirements, taxation, actuarial and reform issues. Furthermore, Trustees of retirement funds stand in a position of trust, a fiduciary relationship to their funds and their members and must therefore act with integrity and apply ethical principles in fulfilling their duties towards the fund and all fund members, as well as comply with all applicable legislation.

4. Target market

The FSTC (the Council), together with BATSETA, will conduct research on sectors to identify which sectors have a higher concentration of lower income fund members so that there can be motivation to concentrate RFTE interventions in those sectors. Principles to be incorporated:

¹ Stakeholders refer to service providers, asset consultants, members, etc.

- 4.1 The earning levels of trustees are irrelevant as training is carried out for the ultimate benefit of members of retirement funds.
- 4.2 Priority sectors will be identified in collaboration with the Council and BATSETA. The Council encourages the training of priority sectors, i.e., those sectors that have high concentrations of lower income employees.
- 4.3 As retirement funds must have at least 50% of Trustees nominated by fund members with the remainder being employer nominees, the training of each Trustee should count 100%.
- 4.4 The training of trustees of umbrella funds should be considered on a case by case basis based on the level of independence of the fiduciary from the administrator of the scheme.
- 4.5 The Council intends to engage with the DTI to include an incentive, being the allocation of points for skills development, to employers who release employees who are Trustees for RFTE interventions.

5. RFTE program definitions

5.1 Interactive initiatives/ programs

An interactive initiative is defined as any initiative where there is active interaction between the facilitator, i.e., a presenter or another appropriate medium, and the target audience. These will include but are not be limited to:

- 5.1.1 Face-to-face, classroom type initiatives;
- 5.1.2 Workshops and seminars;
- 5.1.3 Industrial theatre and other edutainment programmes which are facilitated with an audience.

The above initiatives can be supplemented by a blended learning approach such as, but not limited to, an on-line learning approach which includes assessments.

5.2 Awareness initiatives/ programmes

- 5.2.1 Awareness projects include providing *basic information* using tools and mechanisms not including advertisements but including information in the media as well as other mediums, such as radio, television and print, billboards, guides, booklets, brochures, pamphlets/leaflets, cell phone, the social media, the internet and other similar mediums.
- 5.2.2 Awareness projects do not include in-depth education and/or recognised education methods.

6. RFTE Standards

6.1 Appropriateness

RFTE programs must meet the identified needs of, and be directed at, trustees of retirement funds, with the aim of enabling trustees to effectively exercise their fiduciary responsibilities towards members. The outcomes of such programs must be measurable.

6.2. RFTE Service providers

- 6.2.1 To avoid potential conflicts of interest, training providers should be independent from product providers. and not provide any other services to retirement funds.
- 6.2.2 The training provider should be a registered entity with appropriate governance and management structures in place. Should the training be delivered by an individual, the individual should have relevant qualifications and experience to do so.
- 6.2.3 The training provider should have appropriate B-BBEE credentials and be able to provide supporting documentation, e.g., B-BBEE certificate or an affidavit.
- 6.2.4 An appropriate agreement, such as a service level agreement, must be in place in order to optimise quality implementation of training projects.
- 6.2.5 The training provider and/or individual who delivers the training intervention must be suitably qualified in their field, i.e. must be

able to prove qualifications and experience in their fields.

6.3 Measurability / Impact

- 6.3.1 Monitoring and evaluation (M&E) should form part of every RFTE initiative in order to optimize quality of content and delivery by service providers, as well as assess whether the programme objectives and learning outcomes (such as knowledge transfer) and enhanced execution by participants of their responsibilities as Trustees have been achieved.
- 6.3.2 M&E practitioners should be fully independent from the service providers who prepare or present RFTE training. Such independence must be demonstrable at all practical levels, but especially in respect of ownership, financial incentive and income source. In circumstances where the training provider(s) and the M&E function forms part of the same wider organization, a suitably robust structural mechanism should be established to demonstrate effective independence of the M&E function from the training function, using separate line reporting, management incentives, budgets and the like.

6.4 Branding

- 6.4.1 RFTE should not be overt marketing. However, branding should be allowed, as this could assist companies in creating a trusted brand in the market and may also ensure the use of quality service providers as the companies brands will be at stake.
- 6.4.2 Any image branding by FSC participants or individual financial or educational institutions should be appropriate, and not overwhelm the educational content.
- 6.4.3 The content should be generic and product type related and not related to a brand specific product.
- 6.4.4 Specific product or service marketing will not count as consumer education.

6.4.5 There will be no branding in the education content itself. Branding will be allowed in the following manner:

6.4.5.1 **Booklets:** The logo and the pay-off line on the cover for branding is limited to a maximum of 10% of the cover.

6.4.5.2 **Posters and other aids not in booklet format:** The logo and pay-off line in the footer limited to 5% of the area of the material.

6.4.5.3 **Radio/ Television:** Less than 5% of airtime.

6.4.6 The quality of the branding should generally be consistent with that of the education content, e.g., all full colour, or all black and white.

6.5 Affordability and fair value

6.5.1 RFTE must be given free of charge to Trustees.

6.5.2 Costs covered by service providers and/or retirement funds can include reasonable travel and accommodation expenses.

6.5.3 Gifts to Trustees by service providers are strongly discouraged and the value of these gifts cannot be counted towards FSC Points.

6.6 Content

Content must be relevant and understandable by the Trustees. Factors such as language and numeracy of Trustees must be considered when delivering content.

Content should be created with the objective of ensuring improved governance of retirement funds. It should also be based on the Retirement funding and risk cover needs of members of the fund.

The content could include some or all of the following measures that will be appropriate for the fund to adopt to ensure:

6.6.1 Sound governance and compliance with applicable laws

- 6.6.2 Fair treatment of fund members and other stakeholders
- 6.6.3 Appropriate and effective management of its risks
- 6.6.4 Effective financial management and administration of a fund
- 6.6.5 Appropriate and effective communication with members and other stakeholders
- 6.6.6 Effective oversight by the board over the exercise of powers and fulfilment of functions delegated by the board to others
- 6.6.7 The policies and strategies that it would be appropriate for the fund to adopt in relation to the investment of its assets, and the manner in which those strategies may be implemented effectively
- 6.6.8 ESG, Active Ownership and the Code for Responsible Investing in South Africa