

POLICY TYPE	AREA	NO	SUBJECT	REVISION	EFFECTIVE DATE	CONFIDENTIALITY
KAP	BM	3	Conflict of Interest Policy	Original	2011	All employees

## 1. Introduction

This policy deals with conflicts of interest between Iemas Financial Services (Co-operative) Limited, our employees and our clients. The aim of the policy is to make sure that we avoid or mitigate any conflict of interest situations that could negatively affect our clients. This policy applies to all employees. Employee means a permanent or temporary employee, a director, officer, agent or independent contractor for Iemas Financial Services (Co-operative) Limited.

A conflict of interest arises when an actual or potential interest may influence you to not act fairly, independently and objectively towards our clients.

All Iemas employees must follow this policy, which is required by the General Code of Conduct to the Financial Advisory and Intermediary Services Act (FAIS). This policy is one part of our comprehensive framework aimed at ensuring that we follow all laws that apply to our industry.

The Iemas policy on conflicts of interest sets out the:

- a) purpose and general duties of Iemas and our employees
- b) identification, management and disclosure of conflicts of interest
- c) duties of Management and Compliance/Risk Officers

## 2. Code definitions

We have included the following definitions from the Code of Conduct to the Financial Advisory and Intermediary Services (FAIS) Act that are relevant to Iemas Conflict of Interest Policy.

**Conflict of interest:** A conflict of interest means any situation in which a provider or a representative has an actual or potential interest that may, in rendering a financial service to: a client either:

- influence the objective performance of his, her or its obligations to that client; or
- prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the best interests of that client, including, but not limited to financial interest, an ownership interest or any relationship with a third party"

**Associate:** An associate is defined, in the case of a company, as “any subsidiary or holding company of that company, any other subsidiary of that holding company and any other company of which that holding company is a subsidiary.”

**Third party:** A “third party” is -

- a) a product supplier
- b) another FSP
- c) an associate of a product supplier or an FSP
- d) a distribution channel
- e) any person, who in terms of an agreement or arrangement with a person referred to in paragraphs (a) to (d) above, provides a financial interest to an FSP or its representatives.

### 3. Identification, management and disclosure of conflicts of interest

This section applies to all Iemas employees. There is the potential for a conflict of interest in any activity, relationship or process you are involved in. All employees, especially managers, need to be aware of this potential.

Always try to avoid a conflict of interest. All employees must avoid being in a position where there is a conflict of interest between your interests and the client’s.

The diagram below shows how Iemas deals with conflicts of interest as further explained below:



## **Step 1: identify and report the conflict**

Identify if you are serving the client's interests before you provide financial services to any client and during your relationship with the client, you need to ask yourself three questions:

1. Are my interests and those of Iemas's aligned with the client's needs?
2. Am I acting independently, objectively and professionally towards the client?
3. Am I acting in the client's best interest, or in my own or Iemas's or someone else's?

If you have an actual or potential interest that can prevent you from acting fairly, independently and objectively, you are not acting in the client's interest.

If you suspect a conflict of interest, you must report it. When you identify a conflict of interest (even if you are unsure if it is a conflict) you have a duty to report it to the Compliance Officer, who will record it in the Conflict of Interest Register.

## **Step 2: manage the conflict**

The next step is for Management and the Compliance Officer to manage the conflict of interest by doing an evaluation and deciding on what steps to take.

The evaluation must include:

- a) whether it is possible to avoid the conflict by ending it. If it is possible to end the conflict of interest situation, what action has been taken to do so; or
- b) the reasons why the conflict cannot be avoided, and
- c) what can and has been done to mitigate the effects of the conflict of interest on the client, and
- d) how the mitigating measures will reduce the effects of the conflict on the client, and
- e) what to tell clients about the conflict (this is called disclosure), and
- f) when and how the client will receive these disclosures

## **Step 3: avoid the conflict**

This step follows on from the evaluation. If the evaluation reveals that it is feasible for the conflict to be avoided by ending the conflict situation, this should be done at this point.

If it is not possible to avoid a conflict of interest situation, it must be controlled. Management and the Compliance Officer must:

- a) develop control measures to reduce any negative effect on the client
- b) inform clients about the conflict, its possible negative effects and what Iemas has done to reduce the possible effects.

#### **4. Rules about giving and receiving financial benefits**

These rules apply to Iemas employees registered as a representative at the FSB. If you are not sure if you may receive or give a gift or other benefit, ask the Compliance Officer.

Iemas sets limits regarding giving and receiving financial benefits from all persons, including third parties (for example product suppliers, financial services providers and any associated companies). These rules are contained in the Iemas Code of Conduct. In addition, no representative is allowed to receive gifts, hospitality, entertainment or any other benefit of more than R1000 per supplier or service provider annually. The reason for these limits is to prevent you from influencing or being influenced by gifts or other benefits in a business transaction.

The rules state that an employee may not give or receive a gift or any other benefit from another person. Please see the Immaterial Financial Interest Rules for more details.

A financial interest or benefit is any advantage you receive as a result of your dealings, such as:

- a) money
- b) services
- c) vouchers
- d) discounts
- e) more business
- f) accommodation
- g) gifts
- h) entertainment
- i) shares
- j) travel
- k) sponsorships

An interest may also not be financial, but still benefits you, Iemas or another person. Below are examples of ways to control conflict of interest situations. You can control the negative effects of any conflict of interest by putting the following measures in place:

- a) keep a record of how you reached a decision on which investment vehicle/ investment strategy to choose
- b) keep a record of why and how you made recommendations to clients about investment vehicles/ investment strategies
- c) increase and improve the information you disclose to clients
- d) make sure that there are checks and balances that encourage objective judgment
- e) have an anonymous whistle-blowing facility for employees

#### **Step 4: disclose the conflict**

The last step is to disclose the conflict to the client in writing. This must include:

- a) what we have done to mitigate the conflict
- b) details about any relationship with a third party that has caused the conflict of interest
- c) details about any 'ownership interest' or 'financial interest' Iemas or an employee may have that would benefit Iemas or the employee.

Our disclosures to clients must be meaningful for the client, prominent and specific to each situation. Some examples of conflicts that we should generally disclose to our clients are:

- a) if you or an associated person have an interest in the investment vehicle/ investment strategy that you are giving advice about
- b) who owns the financial services provider and product supplier
- c) if there is a third party relationship between the financial services provider who is giving the advice about the investment vehicle/investment strategy and the product supplier.

### **5. Duties of Management**

This section is for Managers and the Compliance Officer. Management will be assisted co-operatively in the implementation of this policy. It sets out their duties regarding conflicts of interest in Iemas. Management has overall responsibility for this policy and must provide leadership and be an example to all employees regarding conflict of interest issues.

#### **5.1 As a manager you must establish control measures. You must;**

- a) make sure that you develop and put appropriate controls in place for the policy to operate effectively.
- b) These controls must help to identify, avoid, evaluate and control actual and potential conflicts of interest
- c) make sure that the Legal and Governance department have signed off on all investment vehicle / investment strategy documents.

#### **5.2 As a manager you must monitor your controls.**

You must set up monitoring measures to make sure your controls are effective.

#### **5.3 Your duties as a manager regarding employees**

You must:

- a) communicate this policy to all the employees in your department.
- b) Make sure that all employees in your department observe it.
- c) Take action if the policy is not observed. This could include correcting the problem or disciplinary action.

#### **5.4 Your duties as a manager to clients**

You must;

- a) develop and implement a system to disclose any conflicts of interest to the client. The disclosures must be in writing and sent to the client as soon as possible.
- b) Make sure that that these disclosures have reached the client.
- c) Make sure that the client understands the content and the importance of the disclosures.

### **6. Duties of the Compliance Officer**

The Compliance Officer must monitor controls and report. The Compliance Officer is responsible for:

- a) making sure that the controls are being carried out and that accurate and relevant reports are submitted to Management
- b) making sure that the controls make it possible to comply with this policy and the FAIS Code of Conduct
- c) regularly report on details of the controls in place, whether they are being carried out and if they are being followed by Management
- d) reporting any situation where either this policy or the FAIS Code of Conduct was not observed. This must be part of the Compliance Monitoring Report. You must submit this report to Management, the Board and if necessary, the Regulator
- e) keeping records of all identified and reported conflicts in the Conflict of Interest Register, and showing how the company controlled and monitored compliance.

Management and the Compliance Officer must work together. There are joint responsibilities of Managers and the Compliance Officer. These are:

- a) evaluating potential and actual conflicts of interest.
- b) working out the best ways to ensure that monitoring complies with the FAIS Code of Conduct.
- c) agreeing on how and when to report on its monitoring activities.

d) reviewing the reports regularly.

The Compliance Officer must review and report on the conflict of interest management policy. The Compliance Officer has a legal responsibility to:

- a) review the policy each year
- b) make sure the Board approves any changes
- c) report on Iemas's conflict of interest management policy to the FAIS Registrar in the annual report to the FSB.

## 7. Representative incentivisation

The General Code of Conduct to the Financial Advisory and Intermediary Services Act (FAIS) requires Iemas to give information on how our representatives (those who offer financial advice on Iemas's behalf) qualify for a financial interest.

Representatives earn a salary and an annual bonus based on their general performance throughout the year. Some personnel also qualify for commission on the policies they've sold. The commission structure is calculated in such a way as not to give preference to any product or supplier.

## 8. Associated companies

Iemas Financial Services (Co-operative) Limited is owned by its members and not affiliated to any other company other than contractual relationships. Iemas has an ownership interest in Iemark (Pty) Ltd.

## 9. Sign-off

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Mr J Nel

**CEO**

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Mr P Wolmanrans

**EXECUTIVE DIRECTOR: SALES**

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Mr H Kriel

**EXECUTIVE DIRECTOR: OPERATIONS**

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Mr T O'Connell

**EXECUTIVE DIRECTOR: FINANCE**