

CONFLICT OF INTEREST MANAGEMENT POLICY FOR VKN FINANCIAL SERVICES PTY LTD

Management policy statement;

VKN Financial Services (Pty) Ltd recognizes the importance of operating in an open and transparent manner in all aspects of the operations of the business, be they with our clients, our suppliers, our service providers or members of the greater business community within which we work, be they directly a part of the financial services industry or not. Whilst the legislative requirements may be the foundation for our policy is far more practical in its application and takes basic business ethics as its overall primary standard and objective. The Director personally takes this policy as a statement that binds the ethics of the company.

Signed



Director

Date 18/06/2013

To whom does this policy apply?

This policy is deemed to apply to all employees, which includes

- i) Directors
- ii) Managers
- iii) Permanent Staff

Whether they be employed in the financial services sector or not.

What do we deem to be a Conflict of Interest?

The Financial Advisory & Intermediary Services Act (FAIS) gives us the foundation for our policy. It defines a conflict as;

"any situation in which a provider or a representative has an actual or potential interest that may, in rendering financial service to a client, -

- a) influence the objective performance of his, her or its obligations to that client; or
- b) prevent a provider or representative from rendering an unbiased and fair financial services to that client, or from acting in the interests of that client,

including, but not limited to –

a financial interest

- ii) an ownership interest
- iii) any relationship with a third party

Where can these potential conflict situations arise within our business?

- i) With insurers with whom there is a business/ownership relationship
- ii) With other FSP's with whom there is a business/ownership relationship
- iii) With other FSP's with whom there is a business/ownership relationship
- iv) With any other persons with whom there is a business/ownership relationship
- v) With any service providers with whom there is a business/ownership relationship
- vi) Any of the above could be deemed Associate companies or 3rd party companies with whom we may have an ownership interest in them or by them. These companies, if applicable, are listed in separate annexure to this policy.
- vii) With our as a result of employment contracts and remuneration policies
- viii) With any other relevant relationship that may exist within the company

How do we assess whether there are conflict situations within our business?

We have a management tool that assists in documenting the various relationships and arrangements that we currently have in place, whether or not these create a conflict or potential conflict. If they do then a decision has been taken as to whether these are to be avoided or mitigated and the decision recorded accordingly. These sections are reviewed as part of the ongoing monitoring process followed by our external compliance officer and forms the basis of an ongoing reporting strategy to both ourselves and should the need arise to the Financial Services Board, the ultimate authority governing the financial services sector.

To assess what conflict situations we had we firstly identified all the situations that may have led to a conflict. This was an initial once off exercise but our compliance policy is such that these key indicators are reviewed, at the very least annually and BEFORE any new relationships is entered into because a new relationship may well demand avoidance, mitigation steps or additional disclosures.

The situations that we scrutinized included;

1. What Associate company relationships do we, or our staff, have?
i.e. In simple terms companies with whom there is a relationship based on common shareholding, management control or family(in its widest context) members are involved and subsidiary or holding company status
2. What Third party relationships did we, or our staff, have? These included;
 - i. Product suppliers (insurers) Including any of their associates
 - ii. Other FSP's Including any of their associates
 - iii. Distribution channels
 - iv. Any other person who in terms of an agreement or arrangement with any of these provides a financial interest is due to us or one of our representatives, for example;
 - Panel beaters
 - Assessors
 - Security companies
 - Fitment centres
 - v) Suppliers outside the insurance environment, for example;
 - Stationary
 - IT
 - Accounting
3. Was there any ownership interest within these relationships? And would this create a conflict of interest?

4. Was there any financial interest paid from or to the entities within these relationships? And would this create a conflict of interest?
5. Was there any immaterial financial interest paid from or to the entities within these relationships? If so are we monitoring the frequency and extent?
6. What were our staff remuneration policies?
The process allowed us to assess all of our relationships, including those of our staff and including financial aspects, and to document these fully. The data collected was then reviewed to see, if a potential conflict had been identified, and then we had to see how best to deal with this. The options open to us included;
 - i. Avoidance i.e. Take Away the situation that creates the conflictOR
 - ii. Mitigate i.e. Put measures in place that acknowledge the conflict situation but implement measures to reduce its potential impactAND/OR
 - iii. Disclosure i.e. Formally provide details of the situations that are there and what has been done, if anything, about these to reduce or eliminate the situation itself

Any solution we have established could be a combination of all three e.g. **Avoid** some, **Mitigate** others and **Disclosure** of what we have done and will continue to do.

Our general strategy was, where possible, to **avoid** such conflicts i.e. prevent them by physically removing the conflict situation.

Where we could not avoid the conflict situation, actual or potential, needed to be **mitigated** i.e. we had to put controls in place to reduce the likelihood of a conflict arising.

Where disclosure of conflicts, which includes potential ones, involved clients the standard adopted demands a higher level of formality. It demands formal disclosure "**at the earliest reasonable opportunity**" which is deemed to be when providing you with the initial advice/quote.

Our disclosures are clear, concise and effective, in our opinion although we constantly strive to ensure we are achieving this lofty ideal.

Our disclosures include:

1. What conflicts we have
2. What measures we have been taken to avoid or mitigate these
3. Ownership interests that may become due to us - this includes shareholding, dividends, profit share and similar payments. This includes ownership of and payments from associated companies that can include administrators, cell captives and insurers
4. Financial interests (these are things we actually pay for that are made available by other FSP's or insurers as part of the relationships that exist) that may become due, These include vouchers, benefits, travel, hospitality, accommodation, sponsorships and other incentives.
5. Details of the relationships and/or arrangements that exist that create the (potential) conflict.
6. How to obtain our Conflict of Interest management policy.

How do we ensure this policy is understood and adhered to by all role players?

1. This policy has been developed in conjunction with and formally approved by management. The adherence to and breaches of are a standing item on the board meeting agenda/management meetings.
2. This policy is published within the company and is readily available to all staff, clients and other interested parties
3. All staff have been provided with a copy of this policy and have been given awareness training by our compliance department
4. Compliance with this policy is an integral part of our employment contract and subject to review on at least an annual basis. This includes a breaches of the policy are seen as an issue subject to the companies disciplinary procedures.
5. All staff complete and annually update a Conflict of Interest Questionnaire
6. All management and staff sign a formal declaration relating to the understanding of and agreement to adhere to this policy
7. Our compliance program ensure a constant review of our standards which includes an obligation to report non compliance to the authorities if corrective action is not taken

What were the results of this process and its ongoing monitoring?

We have summarized the results under 3 specific headings, namely;

1. Management policy summary of our conflict situations and actions taken
2. Associates companies - a listing of all such companies
3. 3rd Party companies with whom there is an ownership interest by ourselves and/or staff

Conflict of Interest Management Policy - Details of identified associated companies - incl. those of our staff

There are no associate companies.

Conflict of Interest Management Policy - Details of 3rd party companies with ownership relationships. Incl those of our staff

There are no such ownership companies.

Conflict of Interest Management Policy - Summary of other identified conflicts and corrective actions taken

| Possible other conflicts identified? | Do we see this as a potential conflict? | If Yes what have we done about it? | Controls in place? |
|---|---|---|--|
| Staff receiving gifts, vouchers and the like. | Yes | We have instituted specific controls to monitor these activities and have included full disclosure of the possibility of payments, gifts and the like as well as the limits applicable in our standard disclosure documentation supplied to clients | We have set up a register to monitor all gifts and hospitality received by the FSP to ensure that no provider supplies anything in excess of R 1000 in any one calendar year. This register can be viewed upon written request |
| Staff entertained by Associate or Third party companies | | | |
| Staff providing gifts, | | | We have set up a register to |

| | | | |
|--|---|---|--|
| <p>vouchers and the like to clients, third parties or associated companies.</p> | | | <p>monitor all gifts and hospitality provided to the FSP to ensure that no representative of a provider receives anything in excess of R 1000 in any one calendar year from us. This register can be viewed upon written request</p> |
| <p>Staff entertaining Associate or Third party companies</p> | | | <p>monitor all gifts and hospitality provided to the FSP to ensure that no representative of a provider receives anything in excess of R 1000 in any one calendar year from us. This register can be viewed upon written request</p> |
| <p>Outsource Agreements:</p> <p>We have outsource agreements with the following Insurers/UMA's:</p> <p>Lion of Africa Insurance Company</p> <p>Zurich Insurance Company</p> <p>Etana Insurance Company</p> | <p>Yes:</p> <p>We accept that these could be seen as potential conflict as we may choose to favour these facilities at the expense of the clients' interests.</p> | <p>We have noted this on our Disclosure Notice.</p> | <p>The Disclosure Notice is sent out to all existing and potential clients, which informs them of the fee we receive from Insurers/UMA's. All staff are aware that the needs and interests our clients are foremost when deciding on which Insurer/UMA products we recommend. All staff have been instructed to always act in the best interests of the client and not to utilize our facilities if this would result in an inferior product and / or pricing structure.</p> |



VKN Financial