

## **CONFLICT OF INTEREST PUBLIC DOCUMENT**

Our conflict of interest policy provides for identifying, managing, avoiding and disclosing potential conflicts of interest and the process for obtaining a conflict of interest review.

### **PURPOSE**

No illegal or unethical conduct is in our best interests and we will not compromise our principles for short-term advantage. All staff members are therefore expected to adhere to high standards of personal and professional integrity.

Conflicts of interest arise when someone has an affiliation or interest that will or may compromise, or have the appearance of compromising, their impartiality, incentive and/or ability to fulfil their duties, to clients.

### **DEFINITIONS**

Conflict of interest: This applies when we render a financial service to our customers and where we (provider or representative) have an actual or potential interest that may:

- a) influence the objective performance of obligations to our client
- b) prevents us from rendering an unbiased and fair financial service to our client
- c) prevents us from acting in the interests of our client

This includes, but is not limited to:

- a) a financial interest (Cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive, or valuable consideration , and includes travel and accommodation in respect of training)
- b) an ownership interest  
any ownership interest which was bought for fair value, and any dividend, profit share or similar benefit derived from this
- c) any relationship with a third party - A third party is:
  - A Product supplier or its associate
  - Another financial services provider or its associate
  - A Distribution channel
  - Any person who provides a financial interest to a provider or representative as result of an agreement with a product supplier or its associate
  - Any person who provides a financial interest to a provider or representative as result of an agreement with another FSP or its associate

## **POLICY**

A conflict of interest may exist when someone is involved in an activity or has a personal interest that might interfere with his or her objectivity in performing business duties and responsibilities. It is enough that there is a potential or perceived conflict of interest, an actual conflict of interest does not need to be present.

Personal interests of employees must not influence or appear to influence any business transactions.

## **MANAGING CONFLICTS OF INTEREST**

Conflicts of interest, and activities that create the appearance of a conflict of interest must be avoided, and where this is not possible, mitigated and disclosed. Where a conflict will have a serious potential impact on clients or the business, it must be avoided.

If a conflict leads to advice or action that is inappropriate or compromises our client's interests, we will not rely on disclosure, but will mitigate the situation.

Where the conflict cannot reasonably be avoided, the impact must be mitigated, and we must fully disclose the situation to our clients, in writing, before any services are provided. This means providing clear, concise, and effective disclosure so that our clients can make an informed decision about how the conflict might affect the relevant service.

Where a decision is made in respect of a conflict, this must be communicated in writing as soon as possible. This applies regardless of whether the decision was made to stop doing business or continue with the business, despite the existence of the conflict.

## **IDENTIFYING CONFLICTS OF INTEREST**

We must:

- a) identify actual or potential conflicts of interest;
- b) assess and evaluate those conflicts; and
- c) decide upon, and implement, an appropriate response to those conflicts

All staff, compliance officers and management, are responsible for identifying specific instances of conflict and must immediately notify management of any identified actual or potential conflicts of interest.

## **INSIDER TRADING**

Under current legislation officers, and employees in possession of material information not available to the public are “insiders.” Spouses, friends, suppliers, brokers, and others who may have acquired the information directly or indirectly are also “insiders.”

“Insiders” may not trade in, or recommend the sale or purchase of any securities, where the information they have regarding the securities is “material”. Where inside information is important enough to influence any person to buy or sell securities, the insider may not trade, sell, or make any recommendations to anyone regarding this.

The following rules apply:

- Material information in respect of the business may not be disclosed anyone except authorised persons, until it has been publicly released.
- No person may buy or sell securities when they have knowledge of material information concerning the business, until it has been disclosed to the public and the public has had sufficient time to absorb the information.
- Employees may not buy or sell shares based on inside information, where the share price may be affected by the information
- Information must be reported accurately and honestly, and as required
- Competitor intelligence may not be gathered illegally, and no person may act on illegally obtained information.
- Exaggerating or disparaging comparisons of the services and competence of competitors must be avoided.

Misuse of material inside information in connection with trading in securities can expose the organisation and the individual to legal liability and penalties.

## **INDEPENDENCE**

We may not describe our organisation or the financial services we render as "independent" if there is any direct or indirect:

- ownership interest, or
- arrangement or relationship (which may constitute a conflict of interest)

between our business and any product supplier whose products we utilise.

## **ASSOCIATES AND 3RD PARTIES**

An association with, or third party in which an interest is held, may be perceived as a conflict of interest. Associations and interests include common Directorships, Key Individuals and

representatives on multi- FSPs, group structures, common shareholding or interests in other businesses etc.

An employee, officer or director may serve on external non-profit, governmental or for-profit governance board, however these services must be disclosed, and be approved by the Governing body of the business

To mitigate this, it is our policy to fully disclose all relationships in enough detail so that stakeholders can understand the nature of the relationship or arrangement and the actual or potential conflict of interest. A list of associates and third parties in which interests are held is attached as ANNEXURE “A”.

## **FINANCIAL INTERESTS**

Holding a financial interest in a business concern that is a supplier, client, partner, subcontractor, or competitor of the business can constitute a conflict of interest.

## **PRODUCT SUPPLIER BUSINESS PLACEMENT**

Where more than 30% of the business’ income is received from a provider or their associate, or where we have interest of 10% or more in any product provider or their associate, then this will be disclosed to all clients in our Statutory Notice.

## **REFERRAL REMUNERATION**

We have a structure of employing business introducers, who are remunerated as a percentage of the advisory fee. The receipt or payment of referral commission or fees may be deemed an actual or potential conflict of interest. This practice is common and economically viable, and is permitted, subject to the following:

- All referral fee arrangements must be approved in writing, before implementation, and we must ensure that no client is treated unfairly or prejudiced in any way.
- A written agreement must be concluded between the parties which dictates the terms and conditions of the agreement. Fee arrangements and disclosure requirements must be included as a part of the contract that is written and signed by both parties.
- Confirmation must be provided in writing, that the referred matter does not present a conflict of interest
- We must disclose to clients and prospective clients, any compensation, consideration, or benefit received from, or paid to, others for the recommendation of products or services. This disclosure must be in clear language and stipulate the parties, the amount, and the reason for the consideration.

- Details will be disclosed on a case by case basis.

## **REPRESENTATIVE INCENTIVES AND REMUNERATION**

We try to ensure employees remain motivated, while ensuring that remuneration structures do not encourage inappropriate behaviour or result in actual or potential prejudice to clients. We recognise this conflict and through our monitoring mechanisms remain alert to potential abuse.

Where financial services are provided in terms of FAIS, regulated commissions and fees are received. Where we charge fees, these must be reasonable, agreed to by the client and commensurate with the services we provide, taking into account the nature of the service and the resources, skills and competencies reasonably required for performance.

Our clients must agree to the amount, frequency, and payment method our fees and the details of the services which are to be provided before any service is provided. These fees can be stopped at any point at the discretion of our client.

Fee payments will not result in our being paid twice for the same service.

Any incentive or bonus scheme must be approved in writing before approval. Incentives and production bonuses must take into account both quantity and quality aspects, including the fair treatment of clients, and may not be limited to a specific product supplier and specific product where there is a choice. We do not offer any financial interest to our representatives for:

- In respect of the quantity of business secured without also giving due regard to the delivery of fair outcomes for clients and quality of the service rendered
- Giving preference to specific product supplier where a representative may recommend more than one product supplier to client or
- Giving preference to a specific product of a product supplier, where a representative may recommend more than one product supplier to a client.

## **PERSONAL INTERESTS**

Personal interests of staff can constitute a conflict of interest. Personal interests include working relationships or financial interests with immediate family members or relatives. This may appear as favouritism or otherwise damage our reputation.

## **OUTSIDE RELATIONSHIPS**

Staff must avoid using any business contacts to advance their private business or personal interests at the expense of the business, our clients, or affiliates.

Where we have staff who are employees, officers, directors, consultants, representatives, or agents for a supplier, client, partner, subcontractor, or competitor, this must be fully disclosed to our organisation as well as our clients. No person may receive or solicit outside employment, including paid service on a governance board, or compensation that would impair the independence of judgment of the individual in performing their duties.

Staff must never permit their personal interests to conflict, or appear to conflict, with the interests of the business, its customers, or affiliates. This may include but is not exclusive to:

- Real or perceived financial gain resulting from recommendations to our customers at a cost to the client.
- An outcome in service delivery or a transaction that may differ from the real interest of the client.
- Any non-cash incentives that may be received by the business from affecting any transaction and / or product.
- Effecting a transaction and / or product that may result in a benefit to a party other than in the normal course of business and at the expense of the client.

Where a member of the governing body has an outside affiliation or relationship with a third party, this must be fully disclosed in the conflicts of interest register. The business is not prohibited from doing business with such entities should it be in its best interests, however where voting occurs, the conflicted person must recuse him or herself and any vote executed will not be counted.

The above aims to ensure that, customers are fully protected from undue and uncompetitive behaviour by product suppliers and their representatives. The ultimate objective is to ensure that customers at all times receive the best possible advice and intermediary service.

## **GIFTS, BRIBES, AND INDUCEMENTS**

No bribes, kickbacks, gifts, gratuities, fees, bonuses or excessive entertainment or other similar remuneration or consideration may be given to or received from anyone in order to attract or influence business activity.

Staff may not use an official position to obtain special privileges or advantages from individuals or businesses

Representatives are permitted to receive gifts, sporting tickets, vouchers or other items from a product provider, or other financial services provider, or their associate, to the maximum value of R1 000 (one thousand rand) per calendar year, per provider. This provision also applies to invitations to any functions, including lunches, dinners, training interventions and prize-giving.

The FSP may receive a similar amount per year. The amounts due to representatives are for personal consumption and may not be accumulated as a lump sum for the FSP's benefit.

Details of all gifts, both received and given, must be registered in the non-cash incentive and gifts register within 5 working days

Any gifts over the value of R1 000 (annual calendar year total) may not be accepted and must either be returned or paid for by the person in question.

## **CONFIDENTIALITY**

Proprietary, confidential, and sensitive business information about our organisation, other companies, clients, individuals and entities must be treated with sensitivity and discretion and only shared on a need-to-know basis, when there is proper authority.

No disclosure of confidential information is permitted without written permission of the client or the most senior manager of this business. Participating in any activity that might lead to or give the appearance of unapproved disclosures of the business' confidential information or client confidential information is not allowed.

## **THIRD PARTY NAMED PORTFOLIOS**

There is an identified potential conflict of interest where the business acts as both advisor and investment manager to the same portfolio. Lunar Capital does not provide advice.

## **RECORDS**

Where a conflict is identified and an action decision is made, the decision must be communicated in writing as soon as possible.

We must keep written records of conflicts identified, how these conflicts of interest are managed, and all reports (for example, records of disclosures made, and actions taken over any breaches of policies and procedures) for a period of 5 years. These will be made available for inspection by the compliance officer on request.

## **MANAGEMENT REPORTING**

Staff must report every suspected or actual transgression. Once there is a conflict of interest, employees may find it difficult to perform their duties or carry on with their work responsibilities impartially.

Identified conflicts and decisions and actions in terms of these must be reported regularly to the governing body, who will review the conflicts and make recommendations regarding steps to avoid a recurrence of those aspects.

## **DISCLOSURE OF POLICY**

All clients must be informed in writing that we have a conflict of interest policy, and where and how to access this. We also disclose all conflicts to our clients. This disclosure is done by way of including a reference to this in the Statutory Disclosure document and by adding the policy to our website.

## **STAFF TRAINING AND GENERAL AWARENESS**

All staff are annually trained on this policy.

## **NON-COMPLIANCE**

Breach of this policy is a serious matter that could cause harm to our organisation and also could result in disadvantaging certain customers.

Any transgression will be dealt with under our Disciplinary Procedure and may be treated as gross misconduct which could result in dismissal. The degree of discipline relates in part to whether there was a voluntary disclosure of any ethical violation and whether or not the violator cooperated in any subsequent investigation.

## **ANNEXURE A: ASSOCIATES**