

## CONFLICT OF INTEREST MANAGEMENT POLICY

### INTRODUCTION

In terms of the Financial Advisory and Intermediary Services Act, 2002, Eastern Cape Motor Group is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage conflicts of interest.

Board notice No.80 of 2003 and amended by Board Notice.58 of 2010-The General Code of Conduct for authorized Financial Service Providers and Representatives requires that when a provider renders a financial service the provider and any representative must avoid, and where this is not possible mitigate, any conflict of interest between the provider and a client or the representative and the client.

### PURPOSE

The executive management of Eastern Cape Motor Group sees itself as an expert in Finance and short term insurance and therefore capable of giving professional advice. Thus the company's actions must be open to scrutiny by clients, potential clients and in some cases members of the public.

Our business comprises a network of franchise vehicle dealerships that retail new and used vehicles and provide aftersales support representing some of the major vehicle brands in South Africa.

Consequently, there is a duty of loyalty and fidelity by management and staff who have the responsibility of administering the company's affairs honestly and prudently, and of exercising their best care, skill, and judgement for the sole benefit of clients.

These persons must exercise the utmost good faith in all transactions involved in their duties, and they must not use their positions within the company or knowledge gained there from for their personal benefit. The interests of the company and its clients must be the first priority in all decisions and actions.

### PERSONS CONCERNED

For the purpose of this document, the persons concerned are those involved in the selling of vehicles and the ancillary function of credit arrangement and insurance facilitation. The term employee includes directors, managers and all permanent staff as well as contract staff who can influence the actions of others. For example, in addition to those of our staff that have direct dealings with clients and recommend products to them, this would include all who make purchasing decisions and anyone who has proprietary information concerning a client.

### AREAS IN WHICH CONFLICTS MAY ARISE

Conflicts of interest may arise in the relations of employees with any of the following third parties and any company that the Eastern Cape Motor Group or its employees have an association, by shareholding or any other interest including:

- Persons and firms supplying goods and services to the company
- Persons and firms from whom the company leases property and equipment
- Competing companies;
- Agencies, organizations and associations including insurers, underwriting managers, administrators and other brokers with whom the company transacts business;
- Family members, friends, and other employees.

Conflicts of interest may also arise in the method by which we remunerate our staff, particularly if we provide

incentives to our representatives for the quantity of business secured without appropriate quality assurance mechanisms in place. For this reason, we ensure that the advice and services we provide are regularly quality tested.

### **NATURE AND CONFLICTING INTEREST**

A conflict of interest is defined as:

'Any situation in which our company or a representative of our company has an actual interest that may, in rendering a financial service to a client, –

1. Influence the objective performance of his, her or its obligations to that client; or
2. Prevent our company or our representatives from rendering an unbiased and fair financial service to that client, or from acting in the interests of that client,

Including, but not limited to –

- I. A financial interest;
- II. An ownership interest;
- III. Any relationship with a third party.

In respect of employees, possible conflicts are:

1. An employee owning shares or holding debt or other proprietary interests in any third party or associated company.
2. Holding office, serving on the board, participating in management, or otherwise employed (or formally employed) with any third party or associated company.
3. An employee receiving remuneration for services from another company.
4. An employee using our company's time, personnel, equipment, supplies, or goodwill for purposes other than approved activities, programs, and purposes.
5. An employee receiving gifts for birthdays or special occasions;
6. An employee receiving money, vouchers, or anything that can be converted to money for 'selling' specified services or products;
7. An employee being invited on lunches/dinners/shows and other entertainment events;
8. An employee providing leads to businesses owned by family and friends;
9. An employee distributing products and /or services provided by businesses owned by family and friends;
10. An employee distributing products and/or services provided by businesses owned by family or friends;
11. Any activity involving clients by which family and friends can financially benefit.
12. An employee receiving personal gifts or loans from any other companies or persons dealing or competing with our company.

In terms of the above, incentives and rewards include cash or cash equivalent, vouchers, gifts, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, training, sponsorship, other incentive or valuable consideration except for incentives and rewards which could not be refused without discourtesy. In the case of transactions defined in the Financial Advisory and Intermediary Services Act, even if approved by management, such incentives and rewards must not exceed R1000 in any one calendar year from any one person or company.

Receipt of any gift is disallowed except gifts of a value less than R200 which could not be refused without discourtesy and do not exceed R1000 in any one calendar year. No personal gift of money is allowed.

In respect of our company as provider, possible conflicts are:

1. Our company owning shares or holding debt or other proprietary interests in any third or associated company;

2. Our company earning or receiving more than the regulated commission due to additional services provided;
3. Arranging agency contracts with selected insurers.

### INTERPRETATION

These areas of conflicting interest listed above and the relations in those areas which may give rise to conflict are not exhaustive. Conflicts might arise in other areas or through other relations. It is assumed that the employees will recognize such areas and relation by analogy. All identified possible conflicts of interest have been listed in the 'conflict of interest summary' at the end of this document.

The fact that one of the interests described above exists does not necessarily mean that a conflict exists, or that the conflict, if it exists, is material enough to be of practical importance, or if material, that upon full disclosure of all relevant facts and circumstances it is necessarily adverse to the company's interests or interests of clients.

However, it is the policy of the company that the existence of any of the interests described above shall be disclosed before any transaction is consummated. It shall be the continuing responsibility of the employees to scrutinize their transactions and outside business interests and relationships for potential conflict and to immediately make such disclosures.

Similarly it is the responsibility of all employees to identify and report on possible conflicts of interest that may emanate from the working relationship that this company has with any of its associates or other business partners, whether there is a financial interest or otherwise.

### DISCLOSURE

Transactions with parties with whom a conflicting interest exists may be undertaken only if all of the following are observed:

1. The conflict of interest has been identified and attempts to avoid it have not been successful;
2. The conflict of interest has been mitigated as far as possible;
3. The conflict of interest is fully disclosed to clients when appropriate;
4. An employee with the conflict of interest is excluded from the discussion and approval of such is provided by the Managing Director;
5. A competitive quotation, bid or comparable valuation exists and has been properly evaluated and where involving a client has been properly explained;
6. The Managing Director has determined that the transaction is in the best interest of the company and its clients.

Disclosure of possible conflict of interest transactions should be made to the Managing Director who shall determine whether a conflict exists and in the case of an existing conflict, whether the completed transaction may be authorized as just, fair, and reasonable.

### DISCLOSURE TO CLIENTS

We will disclose all conflicts of interest and potential conflicts of interest to our clients in at least one of the following ways:

1. By declaring them verbally at the point of sale;
2. By declaring them in writing as soon as practicably possible following a sale.

In selecting one or both of the above, we will take into account the type of conflict and the impact it might have on the client's decision to purchase or decline our products/services. All allowable incentives will be disclosed at the point of sale, as will the responsibilities of each and every company in the service delivery chain.

#### **ASSOCIATE COMPANIES AND/OR RELATIONSHIPS IN RESPECT OF THE SERVICES WE PROVIDE IN TERMS OF THE FAIS ACT**

An associated company to ECM, namely Maxshell 101 Investments (Pty) Ltd, is a shareholder in Guardrisk, through its shareholding in Built To Last (Pty) Ltd, which owns a cell captive with Guardrisk. This shareholding entitles Maxshell company to the majority share of the dividends declared by Guardrisk. Dividends are at the discretion of the directors of Guardrisk but are based on profits earned from the underwriting of policies sold to clients of the intermediary

The policy types include, but are not limited to credit life and ancillary covers, credit shortfall, pre-owned warranties, extended warranty insurance and tyre warranty insurance. Possible conflicts arising through the use of associated companies have been identified and eliminated as far as possible. The conflict is disclosed in the policy wording. Furthermore, Built to Last has appointed Administrators who are totally Independent from our companies and who have no financial interest in the underwriting results of the cell captives.

#### **CONFLICT OF INTEREST DISCLOSURE STATEMENT**

Every employee is requested to sign a statement of disclosure, which statement also requires employees to provide information with respect to business and/or parties that are related to them, including:

- A spouse, domestic partner, child, mother, father, brother or sister
- Any corporation or organization of which the employee is a board member, a partner, participates in management or is employed by, or is, directly or indirectly, a debt holder or the beneficial owner of any class of equity securities, and
- Any trust or other estate in which an employee has a substantial beneficial owner of any class of equity securities; and this is included in every employees service contract

#### **TRAINING OF EMPLOYEES**

As this policy links to and forms a part of every employees employment contract, we include training regarding this conflict of interest management policy in every orientation programme that we host in respect of new employees, as well as providing regular and continuous updates within our ongoing professional development programmes for existing employees.

**CONFLICT OF INTEREST SUMMARY**

Possible conflicts of interest identified	Measures for avoiding the conflict	Mitigating the conflicts of interest	Measures for disclosure	Internal controls	Consequences of non-compliance
Employed representatives receiving gifts, vouchers, holidays or any other 'handout' from suppliers or associated companies.	All prohibited unless approved by ECMH. In respect of FAIS Services, approved incentives cannot exceed R1000 in the annual aggregate from any one person or company.	None necessary.	None necessary.	Included in employment statement and ongoing declaration of honesty and integrity by employee.	Disciplinary action.
Employed representatives being employed by another company.	Must be approved by management of juristic representative and approval will only be granted if not competing with the company or a client.	None necessary.	None Necessary.	Must obtain permission from line manager and recorded on personnel file.	Disciplinary action.
Receiving remuneration for services other than from the juristic representative.	Must be approved by ECMH.	None necessary.	None Necessary.	Must obtain permission from ECMH and recorded on compliance file.	Disciplinary action.
Being invited by a supplier/insurer to lunches/dinners/shows and other entertainment events.	Must be approved by management of juristic representative and dependent on value of event.	None necessary.	Disclosed to client during any discussion involving that supplier.	Permission to be obtained from line manager.	Disciplinary action.
Any activity involving clients by which family and friends of an employee can financially benefit.	Prohibited unless agreed to by ECMH (only in special circumstances).	Excluding the employee from discussions with clients.	Disclosed to client during any discussion involving that supplier.	Employees must provide on-going disclosure as to which family members or friends could be involved and why.	Disciplinary action.
Juristic representative owns a cell captive or enjoys a profit share arrangement.	Conflict cannot be avoided, but can be mitigated.	ECMH to provide dispute resolution.	Included in written disclosure document.	Procedure documented for dispute resolution.	No conflict identified.
Juristic representatives have a limited number of agency arrangements.	We make sure that the insurance covers and costs are representative of the entire insurance industry.	Juristic representatives to do annual surveys of insurers to ensure that a full armoury of products and services are offered.	A list of selected insurers are disclosed to clients at the point of sale.	The juristic representatives to do 'spot checks' to ensure that this is provided.	Disciplinary action where appropriate.