

CONFLICT OF INTEREST MANAGEMENT POLICY



KHUMO CAPITAL (PTY) LTD

FSP NUMBER 49226

1. INTRODUCTION

- 1.1. This document embodies the Conflict of Interest Management Policy for Khumo Capital (Pty) Ltd (“Khumo”).
- 1.2. “Conflict of interest” (“COI”) means any situation in which Khumo or its representatives has an actual or potential interest that may, in rendering a financial service to a client influence the objective performance of his, her or its obligations to that client; or prevent Khumo or its 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 –
 - 1.2.1. a financial interest;
 - 1.2.2. an ownership interest;
 - 1.2.3. any relationship with a third party (“third party” means (a) a product supplier, (b) another provider, (c) an associate or a product supplier or a provider, (d) a distribution channel, (e) any person who in terms of an agreement or arrangement with a person referred to in paragraph (a) to (d) above provides a financial interest to a provider or its representative).
- 1.3. The primary objectives of this Policy are –
 - 1.3.1. To provide guidance on the behaviours expected in accordance with Khumo standards;
 - 1.3.2. To promote transparency and to avoid business-related COI;
 - 1.3.3. To ensure fairness in the interests of employees and Khumo;
 - 1.3.4. To document the process for the identification, mitigation, disclosure, approval and review of activities that may amount to actual, potential or perceived COI;
 - 1.3.5. To provide a mechanism for the objective review of personal outside interests.
- 1.4. Khumo is committed to ensuring that all business is conducted in accordance with good business practice. To this end Khumo conducts business in an ethical and equitable manner, and in a way that safeguards the interests of all stakeholders to minimize and manage all real or potential COI. Khumo and its representatives must therefore avoid (or mitigate where avoidance is not possible) any COI between Khumo and a client or its representatives and a client.

2. FINANCIAL INTEREST

- 2.1. Khumo or its representatives may only receive or offer financial interest from or to a third party as determined by the Commissioner of the Financial Sector Conduct Authority (“the Commissioner”) from time to time, and as set out in Annexure A hereto.
- 2.2. “Financial interest” means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic and foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, other than –
 - 2.2.1. an ownership interest;
 - 2.2.2. training, that is not exclusively available to a selected group of providers or representatives on products and legal matters relating to those products; general financial and industry information; specialized technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training.
- 2.3. Any financial interest received by an employee of Khumo must within 10 days of that receipt be recorded in the gift registry of Khumo.
- 2.4. Khumo may not offer any financial interest to its representatives–
 - 2.4.1. That is determined with reference to the quantity of business secured for the provider without also giving due regard to the delivery of fair outcomes for clients; or
 - 2.4.2. For giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; or
 - 2.4.3. For giving preference to a specific product of a product supplier, where a representative may recommend more than one product supplier to a client.
- 2.5 For purposes of paragraph 2.4, Khumo must be able to demonstrate that the determination of and entitlement to the financial interest takes into account measurable indicators relating to the –
 - 2.5.1 Achievement of minimum service level standards in respect of clients;
 - 2.5.2 Quality of the representative's compliance with this Policy;as agreed between Khumo and the representative, and that sufficient weight is attached to such indicators to materially mitigate the risk of the representative giving preference to the quantity of business secured for the provider over the fair treatment of clients.

3. MECHANISMS FOR IDENTIFYING COI

- 3.1. Any COI or potential COI in terms of financial interest, ownership structure and the relationship between the client and Khumo or its representatives are identified during the client onboarding process.
- 3.2. Prior to implementing any transaction on behalf of a client, Khumo will identify if the transaction will result in a COI.
- 3.3. Any ownership changes or potential ownership changes at Khumo or any of its clients are evaluated in order to evaluate if any COI has arisen / will arise due to the changes.
- 3.4. All clients, investment strategies and fees generated are discussed on an ongoing basis at investment committee, finance as well as risk, legal, compliance and operations meetings. Any potential COI will immediately be identified in these forums.
- 3.5. In determining if there is or may be a COI, Khumo considers whether there is a material risk of damage to the client, taking into account whether the FSP, its representative, associate or employee –
 - Is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
 - Has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
 - Has a financial or other incentive to favour the interest of another client, group of clients or any other third party over the interests of the client;
 - Receives or will receive from a person other than the client, an inducement in relation to a service provided to the client in the form of monies, goods or services, other than the legislated commission or reasonable fee for that service.

4. RESOLVING COI

- 4.1. The first and most important line of defence against COI or conflict must be by the key individuals and representatives themselves.
- 4.2. COI are avoided as far as possible and, if this is not possible, mitigated.
- 4.3. All COI and potential COI are disclosed to the client in order to allow the client to make an informed decision on whether to continue using Khumo's services.
- 4.4. Representatives and employees receive guidance and training on how to identify and address COI.
- 4.5. Representatives and employees ensure that no confidential client information is disclosed to a third party without the written consent of the client.
- 4.6. Khumo might decline to act for a client if a COI cannot be avoided.

5. POTENTIAL COI THAT COULD AFFECT KHUMO

5.1. The following are potential COI that could affect Khumo –

- 5.1.1. Directorships or other employment;
- 5.1.2. Interests in business enterprises or professional practices;
- 5.1.3. Share ownership;
- 5.1.4. Beneficial interests in trusts;
- 5.1.5. Personal Account Trading;
- 5.1.6. Professional associations or relationships with other organizations;
- 5.1.7. Personal associations with other groups or organizations, or family relationships;
- 5.1.8. Front running;
- 5.1.9. Rebates;
- 5.1.10. Kickbacks; and
- 5.1.11. Commission

6. MEASURES TO AVOID COI

6.1. All representative and employees have an understanding and are trained on this Policy.

6.2. The following measures to avoid COI applies to fees and commissions payable –

- Khumo and its representatives may only receive fees authorised in terms of applicable legislation, or fees or remuneration for services rendered to a third party, if those fees are reasonably commensurate to the service being rendered;
- Khumo may only charge fees for the rendering of a service if such fees are specifically agreed to by a client in writing. Fees may be stopped at discretion of the client. The FSP will determine the fees payable and no representative has the authority to determine fees payable or enter into a fee agreement without authorisation.
- Khumo and its representatives may receive limited immaterial financial interests.
- Khumo may only hold or obtain any financial interest for a consideration or fair value that is reasonably commensurate to the value of the financial interest that is paid by the Financial Services Provider or representative at time of receipt thereof.

6.3. Khumo will not offer any financial interest to any representative for –

- giving preference to the quantity of business secured for the Financial Services Provider to the exclusion of quality service;
- giving preference to a specific product supplier where more than one supplier can be recommended to a client;
- giving preference to a specific product of a supplier where more than one product of that supplier can be recommended.

7. DISCLOSURE OF COI

7.1. At the earliest reasonable opportunity, Khumo and its representative must, in writing, disclose to a client any COI in respect of that client including –

7.1.1. Measures taken to avoid or mitigate the conflict;

7.1.2. Any ownership interest or financial interest that the provider or representative may be or become eligible for;

7.1.3. The nature of the relationship or arrangements with a third party that gives rise to a COI in sufficient detail to enable the client to understand the exact nature of the COI.

7.2. At the earliest reasonable opportunity, Khumo and its representative must, in writing, inform a client of this Conflict of Interest Management Policy and how it may be accessed.

7.3. Notification of an actual or potential COI should be made to the person with responsibility for the issue or area in question, such as the relevant management team, supervisor, head of the department or key individual.

7.4. In accordance with an employee's obligation to act in the best interest of his or her employer, it is not permissible for employees to engage in conduct that would amount to a COI with Khumo.

7.5. Staff that fail to disclose a potential or actual COI in accordance with this policy may be liable to disciplinary action.

8. PROCESSES, PROCEDURES AND INTERNAL CONTROLS TO FACILITATE COMPLIANCE WITH THE POLICY

8.1. Every staff member must have a copy of the Conflicts of Interest Management Policy.

8.2. If a potential COI arises, the transaction must first be discussed with management before entering the transaction.

8.3. Define the type of financial interest to which a representative may be entitled, and how Khumo will ensure compliance with paragraphs 2.4 and 2.5.

9. CONSEQUENCES OF NON-COMPLIANCE WITH THE POLICY BY THE PROVIDER'S EMPLOYEES AND REPRESENTATIVES

9.1. Non-compliance with this policy and the procedures described in it may amount to misconduct and employees may be subject to internal disciplinary action that may lead to dismissal.

10. LIST OF ALL KHUMO ASSOCIATES

10.1. Not applicable

11. NAMES OF ANY THIRD PARTIES IN WHICH THE PROVIDER HOLDS AN OWNERSHIP INTEREST AND THE EXTENT THEREOF

11.1. Not applicable

12. NAMES OF ANY THIRD PARTIES THAT HOLD AN OWNERSHIP INTEREST IN THE PROVIDER AND THE EXTENT THEREOF

12.1. African Rainbow Capital Financial Services Holdings (Pty) Ltd: 100%

13. GENERAL

The responsibility for the implementation of this Conflicts of Interest Management Policy rests with the Khumo Head of Operations. Any variation to this Policy must be approved by the Khumo executive committee.

Review and versions

Original: 15 January 2019

Version 2: 28 February 2020

Version 3: 27 August 2020

Review frequency: Annual

Next review date: 27 August 2021

ANNEXURE A - FINANCIAL INTEREST

1. Khumo or its representatives may only receive or offer the financial interests referred to herein if –
 - 1.1. Those financial interests are reasonably commensurate with the service being rendered, taking into account the nature of the service being rendered and the resources, skills and competencies reasonably required to perform it;
 - 1.2. The payment of those financial interests does not result in the provider or representative being remunerated more than once for the performance of a similar service;
 - 1.3. Any actual or potential COIs between the interests of the client and the interests of the person receiving the financial interests are effectively mitigated; and
 - 1.4. The payment of those financial interest does not impede the delivery of fair outcomes to the client.
2. Khumo or its representatives may only receive or offer financial interest from or to a third party as follows –
 - 2.1. Commission authorised under the Long-term Insurance Act or Short-term Insurance Act;
 - 2.2. Commission authorised under the Medical Schemes Act;
 - 2.3. Fees authorised under the Long-term Insurance Act, the Short-term Insurance Act or the Medical Schemes Act;
 - 2.4. Fees for the rendering of a financial service in respect of which commission or fees referred to in paragraph (1.1), (1.2) or (1.3) is not paid, if
 - 2.4.1. The amount, frequency, payment method and recipient of those fees and details of the services that are to be provided by the provider or its representative in exchange for the fees are specifically agreed to by a client in writing; and
 - 2.4.2. those fees may be stopped at the discretion of that client;
 - 2.5. Fees or remuneration for the rendering of a service to a third party;
 - 2.6. Subject to any other law, an immaterial financial interest; and
 - 2.7. A financial interest, not referred to under sub-paragraph (2.1) to (2.6), for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

2.8. For purposes of this document -

2.8.1. "immaterial financial interest" means any financial interest with a determinable monetary value, the aggregate of which does not exceed R1 000 in any calendar year from the same third party in that calendar year received by –

2.8.1.1. a provider who is a sole proprietor; or

2.8.1.2. a representative for that representative's direct benefit;

2.8.1.3. a provider, who for its benefit or that of some or all its representatives, aggregates the immaterial financial interest paid to its representatives.