



Sopema
FUNERAL SERVICES

POLICY:
**CONFLICT OF INTEREST
MANAGEMENT**

1. Introduction

Sopema Funeral Services (Sopema) as a financial service provider (FSP) in terms of the Financial Advisory and Intermediary Services Act (“FAIS”) has a responsibility to conduct itself with integrity, fairness and dignity and act in an ethical manner in all its dealings with the public, customers and other industry participants. Accordingly, Sopema must avoid conflicts of interests in dealings with customers and where it is unable to do so, must mitigate the conflict and disclose the conflict to customers.

2. Objective

The Conflict-of-Interest Management Policy (“Policy”) comes into existence in terms of the provisions of the S3 of the General Code of Conduct of Financial Services Providers and Representatives Board Notice 80 of 2003 (“General Code of Conduct”) which was amended by Board Notice 58 of 2010 (“BN58”).

The Policy is aimed at managing conflict of interest that exists or has a potential to exist in a specific transaction that is entered into or may be entered into with a client. Managing conflict of interest could be in a way of mitigating it where it exists and disclosing it to a client.

3. Application

The Policy applies on transactions entered into or may be entered into between Financial Services Providers (“FSP”) or by representatives of a FSP on behalf of the FSP.

4. Definitions

“Associate”-

- a. In relation to a natural person, means
 - i. A person who is recognised in law or tenets of religion as the spouse, life partner or civil union of that person;
 - ii. A child of that person, including a stepchild, adopted child and a child born out of wedlock;
 - iii. A parent or stepparent of that person;

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- iv. A person in respect of which that person is recognised in law or appointed by a court as the person legally responsible for managing the affairs of or meeting the daily care needs of the first mentioned person;
 - v. A person who is the spouse, life partner or civil union partner of a person referred to in subparagraphs (ii) to (iv)
 - vi. A person who is in a commercial partnership with that person;
- b. In relation to a juristic person –
- i. Which is a company, means any subsidiary or holding company of that company, any other subsidiary of that holding and any other company of which that holding company is a subsidiary;
 - ii. Which is a close corporation registered under the Close Corporation Act, 1984 (Act No. 69 of 1984), means any member thereof as defined in section 1 of that Act;
 - iii. Which is not a company or a close corporation as referred to in subparagraphs (i) or (ii), means another juristic person which would have been a subsidiary or a holding company of the first-mentioned juristic person-
 - (aa) had such first-mentioned juristic person been a company; or
 - (bb) in the case where the other juristic person, too, is not a company, had both the first-mentioned juristic person and that other juristic person been a company;
- c. In relation to any person-
- i. Means any juristic person of which the board of directors or, in the case where such juristic person is not a company, of which governing body is accustomed to act in accordance with the directions or instruction of the person first mentioned in this paragraph
 - ii. Includes any trust controlled or administered by that person.

“Company” means a company under the Companies act, 2008 (as amended)

“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, -

- a. Influence the objective performance of his or her or its obligations to that client; or

- b. Prevent a provider or representative 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;

“Distribution Channel” means –

- a. Any arrangement between a product supplier or any of its associates and one or more providers or any of its associates in terms of which arrangement any support or service is provided to the provider or providers in rendering a financial service to a client;
- b. Any arrangement between two or more providers or any of their associates, which arrangement facilitates, supports or enhances a relationship between the provider or providers and a product supplier;

“Fair value” means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, other than –

- a. Ownership interest;
- b. Training, that is not exclusively available to a selected group of providers or representatives, on –
 - i. Products and legal matters relating to those products;
 - ii. General financial and industry information;
 - iii. Specialised technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training;

“immaterial financial interest” means any financial interest with a determinable value, the aggregate of which does not exceed R1000 in any calendar year from the same third party in that calendar year received by:

- a. A representative for that representative’s direct benefit;
- b. A provider, for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives

“third party” means –

- a. A product supplier;
- b. Another provider;

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- c. Any person who in terms of an agreement or arrangement with a person referred to in paragraphs (a) to (b) above provides a financial interest to a provider or its representatives.

5. Avoidance or Mitigation of the Conflict of Interest

Sopema or its Representatives must avoid and where it is not possible mitigate conflict of interest between the client and Sopema or a Representative and the Client.

6. Disclosure of Conflict of Interest

Sopema or its Representative must at the earliest reasonable opportunity disclose to a client any conflict of interest in respect of that client.

The conflict-of-interest disclosure must include:

- 6.1 measures taken, in accordance with this Policy to avoid or mitigate the conflict;
- 6.2 any ownership interest or financial interest excluding immaterial financial interest, Sopema or its Representative may be or become eligible for should the transaction be entered into;
- 6.3 the nature of any relationship or arrangement with a third party that gives rise to a conflict of interest.

The disclosure must be in sufficient details to enable the client to understand the exact nature of the relationship with the third party or arrangement and the conflict of interest.

7. Allowed Financial Interest

Sopema or the representatives may only receive or offer the following financial interest from or to a third party –

- (i) Commission authorised under the Long-Term Insurance Act, 1998 (Act No. 52 of 1998);
- (ii) fees authorised under the Long-Term Insurance Act, 1998 (Act No. 53 of 1998);
- (iii) fees for rendering a financial service in respect of which commission or fees referred to in paragraph (i) and (ii) is not paid;

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- a. the amount, frequency, payment method and the recipient of those fees and details that are to be provided by the provider or the representative in exchange for the fees are specifically agreed to by client in writing; and
- b. those fees may be stopped at the discretion of that client.
- (iv) fees or remuneration for the rendering of a service to a third party.
- (v) Subject to any other law, any immaterial financial interest;
- (vi) financial interest, not referred to under subparagraph (i) to (v), for which consideration, fair value or remuneration that is reasonably commensurable to the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

8. Prohibited Financial interest

8.1. Sopema may not offer any financial interest to a representative:

- (i) 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
- (ii) for giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; or
- (iii) for giving preference to a specific product of a product supplier, where a representative may recommend more than one product of that product supplier to a client.

8.2 Sopema must be able to demonstrate that the determination and the entitlement to the financial interest takes into account measurable indicators relating to the:

- (i) achievement of minimum service level standards in respect of clients;
- (ii) delivery of fair outcomes for clients;
- (iii) quality of the representatives' compliance with the FAIS Act.

as agreed between Sopema 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 Sopema over the fair treatment of clients.

8.3 Sopema may only receive or offer the financial interest referred to in sub paragraph 7 (i) to (iii) above if:

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- (i) those financial interests are reasonably commensurate with the service being rendered, taking into account the nature of the service and the resources, skills and competencies reasonably required to perform it;
- (ii) payment of those financial interests does not result in Sopema and representative being remunerated more than once for performing a similar service;
- (iii) any actual or potential conflicts between the interest of clients and of Sopema or representative are effectively mitigated; and
- (iv) the payment of those financial interest does not impede the delivery of fair out cones to clients.

8.4 The financial interest that is offered to the representatives takes into account the items listed in paragraph 5 and sub-paragraph 8.3 above. All Employees of Sopema are renumerated with basic salaries and commission.

9. Management of the Conflict of Interest

Where there is actual or potential conflict of interest between Sopema and a client or a Representative and a client, necessary disclosures of this fact must be made to the client, which must include measures that will be taking to manage the conflict. Such disclosure must be made prior to the conclusion of the transaction in order to enable the client to make an informed decision whether to enter or not to enter into a transaction.

10. Identification of Conflict of Interest

In general, representatives when interacting with a client are expected to test whether the purported transaction will not amount to a conflict of interest by testing whether the service to be rendered to the client will be in the best interest of the client or if it meets the needs of the client and how much incentive will they receive should the service be rendered etc. Employees should ask the following questions:

- Are my interest and those of Sopema aligned with the customer's needs?
- Am I acting independently, objective and professionally towards the customer?
- Am I acting in the customer's interest or mainly in my own interest or Sopema?

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11. Measures for the Avoidance or mitigation of the Conflict of Interest

Sopema is required to put in place measures to avoid conflict of interest where possible, however where it is impossible to avoid, mitigate the risk of conflict of interest.

Management, in conjunction with Compliance must develop –

- mitigation measures to reduce any potential effect on the customer; and
- an appropriate disclosure to inform the customer of the Conflict and what measures have been implemented to reduce the likelihood of such impact or effect on the customer.

Such control measures and reporting requirements must be implemented as soon as practically possible once a Conflict of Interest has been identified and must be recorded in the Conflict-of-Interest register.

Examples of measures that can be used to manage Conflicts are:

- implementing guidelines, policies and procedures to manage the conflict;
- increasing disclosure to customers and obtaining informed consent from them;
- analysing customer complaints; and
- establishing an anonymous reporting facility for employees to report suspected Conflicts of Interest

12. Measures for disclosure of Conflict of Interest

The Employees or Representatives are required to disclose to a client as soon as reasonable possible the existence or potential Conflict of Interest on the transaction that is being entered into or concluded with the client. The disclosure of such Conflict of Interest to a client must be clearly advise the client of the identified Conflict of Interest.

Key Individual and Representatives are responsible to ensure that Conflict of Interest is disclosed to client where it exists or where there is a potential of such conflict.

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Where Conflict of Interest could not be avoided, Sopema is obliged, in terms of FAIS to disclose:

- the measures taken in accordance with this Policy to manage the conflict.
- any “ownership interest” or “financial interest”, Sopema or its’ Employees / Representatives may become eligible for; and
- the exact nature of any relationship or arrangement with a third party that gives rise to a Conflict of Interest.

Disclosures made to customers must be made at the earliest opportunity after the Conflict of Interest is identified so that the customer may have a reasonable opportunity to assess its effects.

13. Immaterial Financial Interest

When Sopema or its Representative receives Immaterial Financial Interest (‘IFI’), they must inform the Compliance Officer in writing about the IFI. In the report, they must include the name of the FSP and the FSP number of the FSP who has offered the IFI, date of receipt and the value of the IFI. The Compliance Officer will then enter the information in the Conflict-of-Interest Register, which register will be monitored to ensure compliance with the requirements set out in the General Code of Conduct.

14. Obligations

14.1 Representatives' Compliance Obligations

Each Representative must comply with this Policy. Each Representative must be aware of potential conflicts that may arise in the course of business and to identify and report them to the Key individual.

Each Representative is responsible for reporting actual and potential Conflicts. If there is any uncertainty as to whether or not a relationship, service or other matter presents a Conflict of Interest, the Representative must consult the Key Individual.

14.2 Management Compliance Obligations

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Collective responsibility for compliance with this Policy rests with Management. Furthermore, Management is responsible for communicating this Policy to all Representatives, for implementation, and ensuring that it is observed and that appropriate remedial or disciplinary action is taken if breaches are identified.

In addition to their general obligations under this Policy, Management is responsible for identifying and managing their area's Conflict of Interest and for ensuring the application of this Policy to all their activities.

Management is expected to provide leadership and an example to all Representatives in managing the business in such a way as to minimise the potential for situations to arise where there is a conflict between the business or representative's interests and those of their customers.

14.3 Compliance Officer

Compliance Officer must, as part of their continual compliance monitoring, assess compliance within Sopema with the FAIS Code of Conduct and this Policy. Any breaches of the Policy must form part of the compliance monitoring report to the Board and, if required, to the Regulator.

The Compliance Officer, together with Management, must determine the most effective and efficient means of monitoring operational compliance with the requirements of the legislation. In agreement with Management, the Compliance Officer must set down the reporting requirements emanating from the monitoring activities and must regularly review such reports.

Compliance must develop and put in place a record keeping process (in the form of a Conflicts of Interest Register) and ensure that Conflict of Interest is properly monitored and recorded.

15. Consequences for Non-Compliance with the Policy

Failure to disclose:

- 15.1 existence of the conflict of interest;
- 15.2 potential of conflict of interest;

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15.3 immaterial financial interest offered by a FSP or received from a FSP to the client and to management, Key Individual or the Compliance Officer will result in a disciplinary action and where necessary to dismissal.

16. Sopema Associates

Sopema provides financial services on products that are underwritten by Sanlam.

17. List of Third Parties in which Sopema holds an ownership interest

Sopema does not hold any ownership interest

18. List of Third Parties that have Ownership Interest in Sopema

No third parties have any ownership interest in Sopema

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