

APPROVED BY BOARD
2020/06/25/03

**FINANCIAL INTEREST
AND
CONFLICT OF INTEREST MANAGEMENT
POLICY**

Version 4

Effective Date: Two Months from date of approval

ubank

0860 589 2175 **ubank/ubank**

ubank is an authorized financial services and credit provider (FSP No. 14742/03/CP)

TITLE PAGE

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Process/Guideline Name

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DEFINITIONS & ABBREVIATIONS

Acronym/Term	Description
'the Bank'	Ubank Limited
EXCO	Executive Committee
ERC	Enterprise Risk Committee
Board	Board Committee
Conflict of Interest	any situation in which an FSP or a representative has an actual or potential interest that may, in rendering a financial service to the client, - <ul style="list-style-type: none"> (a) Influence the objective performance of his, her or its obligations to the client; or (b) Prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the interest of that client, including but not limited to - <ul style="list-style-type: none"> I. A financial interest; II. An ownership interest; III. Any relationship with a third party.
Financial Interest	any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship any other incentive or valuable consideration, other than- <ul style="list-style-type: none"> (a) An ownership interest; (b) Training, that is not exclusively available to a selected group of providers or representatives, on – <ul style="list-style-type: none"> 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	any financial interest with determinable monetary value, the aggregate of which does not exceed R 1000 in any calendar year from the same third party in that calendar year received by – <ul style="list-style-type: none"> a) A provider with a sole proprietor; or b) A representative for that representative's direct benefit; c) A provider, who for its benefit or that of some or all of its representatives, aggregate the immaterial financial interest paid to its representatives.

<p>Ownership Interest</p>	<p>(a) any equity or proprietary interest, for which fair value was paid by the owner at the time of acquisition, other than equity or a proprietary interest held as an approved nominee on behalf of another person; and</p> <p>(b) includes any dividend, profit share or similar benefit derived from that equity or ownership interest;</p>
<p>Third party</p>	<p>(a) A product supplier;</p> <p>(b) Another provider;</p> <p>(c) An associate of a product supplier or a provider;</p> <p>(d) A distribution channel;</p> <p>(e) Any person who in terms of an agreement or arrangement with a person referred to in (a) to (d) above provides a financial interest to a provider or its representative.</p>
<p>Associate</p>	<p>In the case of a company, as <i>“any subsidiary or holding company of that company, any other subsidiary of that holding company and any other company of which that holding company is a subsidiary”</i></p>
<p>Employees</p>	<p>A person who has agreed by contract to perform specified services for another, the employer, in exchange for money</p>
<p>Key Individual</p>	<p>In relation to an authorised financial services provider. or a representative, carrying on business as-</p> <p>(a) a corporate or unincorporated body, a trust or a partnership, means any natural person responsible for managing or overseeing, either alone or together with other so responsible persons, the activities of the body, trust or partnership relating to the rendering of any financial service; or</p> <p>(b) a corporate body or trust consisting of only one natural</p> <p>(c) person as member, director, shareholder or trustee, means any such natural person.</p>
<p>FAIS Representative</p>	<p>Means any person who renders a financial service to a client for or on behalf of a financial services provider, in terms of conditions of employment or any other mandatory agreement, but excludes a person rendering clerical. technical, administrative, legal. Accounting or other service in a subsidiary or subordinate capacity, which service-</p> <p>a) does not require judgment on the part of the latter person: or</p> <p>b) does not lead a client to any specific transaction in respect of a financial product in response to general enquiries.</p>

1. INTRODUCTION

The General Code of Conduct of Financial Services Providers and Representatives (the “code”) published in terms of the Financial Advisory and Intermediary Services Act, No. 37 of 2002 (“FAIS”), requires every Financial Services Provider (“FSP”) to adopt, implement and maintain a Conflict of Interest Management Policy.

2. PURPOSE

The purpose of this policy is to ensure compliance with FAIS through measures to avoid conflict of interest and where this is not possible, to mitigate any conflict of interest situations that could negatively affect our clients. This will assist the bank to avoid legal liability, penalties, fines and reputational risk arising from any conflict of interest.

3. SCOPE

The policy covers possible conflicts of interest between:

- a) Board members and the Bank;
- b) Employees and the Bank;
- c) The Bank and a client;
- d) A representative of the Bank and a client.
- e) Third party and an employee of the Bank.

The policy is applicable to all Board members, Executive Directors, employees, representatives, and where appropriate, associates of the Bank.

4. OBJECTIVES

The objectives of this policy are as follows:

- a) To provide mechanisms for the identification of conflicts of interest;
- b) To provide measures to avoid conflicts of interest;
- c) To provide measures for the disclosure of conflict of interest;
- d) Processes and procedures and internal control to facilitate compliance with the policy;
and
- e) To provide for consequences of non-compliance with the policy.

5. PRINCIPLES/VALUES

The implementation of this policy will work towards achieving Harona, that is, protecting and enhancing the reputation of the Bank through compliance of all laws and regulations where applicable.

6. RISKS CONTROLLED BY THIS POLICY

The policy seeks to control the risks listed below:

Risk Category	Description of Risk
Compliance Risk	Compliance risk is the risk of losses arising as a result of failure to comply with any statutory requirements of the Central or Local Government. In view of the nature of the Bank's business, this will include regulatory risk, that is, the risk that the bank does not comply with applicable law, regulations and supervisory requirements imposed by various regulatory bodies.
Operational Risk	The risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It can cause financial loss, reputational loss, loss of competitive position or regulatory sanctions.
Legal Risk	The risk that agreements and contracts with clients and other counter parties may not be legally enforceable. It includes risk arising from inadequate documentation, legal or regulatory incapacity, and insufficient authority of a third party.
Information Risk	Information Risk Management can be defined as the application of risk management practices to maintain and control the confidentiality, integrity and availability of the organisation's information assets.
Reputational Risk	The risk to earnings or capital arising from negative public opinion affecting the Bank's ability to establish new relationships or services, or continue serving existing relationships. It can cause a loss of confidence resulting in the Bank losing its depositor funding and suffering liquidity crisis.

7. POLICY RULES

7.1 Members of the Board

- 7.1.1 Must annually disclose any direct or indirect private interests that they have in any other organisation.
- 7.1.2 Must disclose any direct or indirect financial interest that they may have in respect of any matter being considered by the Board.
- 7.1.3 Subject to any decision by the Board, must recuse themselves from decision-making and voting where a conflict of interest compromises their position.
- 7.1.4 Must not utilise information that they have obtained as a result of their service on the Board and that is not available to the public, to further their private interests or the interests of any other organisation with which they may be affiliated.

7.2 Managers and other employees

- 7.2.1 Must not hold financial interests that conflict with the conscientious performance of their duties.
- 7.2.2 Must not utilise information that they have obtained as a result of their work and that is not available to the public, to further their private interests or the interests of any other organisation with which they may be affiliated.
- 7.2.3 Must disclose any interest that they have, or that a family member, or other person with whom they are closely connected has, in any entity that wishes to engage in any activity or transaction with the Bank, other than that of a bank/client relationship.
- 7.2.4 Must not receive any benefit from any person as an inducement for obtaining work or business from the Bank and must declare any gift received in connection with the Bank's work or business in accordance with the Bank's Gifts and Business Courtesies Policy.
- 7.2.5 Must not participate in making any decision on a matter in respect of which they may have a conflict of interest or a potential conflict of interest.
- 7.2.6 Must not undertake any work for personal income, unless such work has been expressly authorised at the appropriate level of management and unless undertaking such work does not constitute a conflict of interest.
- 7.2.7 Must bring any situation in which a conflict of interest may have influenced decision-making to the attention of the appropriate level of management.

7.3 Mechanisms for the Identification of conflicts of Interest

- 7.3.1 Key individuals and representatives are required to sign an annual declaration stating that he/she is fit and proper to act in a FAIS role and is required to disclose whether or not he/she is currently conflicted or has been in a conflict situation and what measures were taken to avoid or mitigate the conflict of interest.

7.3.2 All employees are required to maintain a register recording his/her ownership interests and financial interests according to the Bank's Gifts and Business Courtesies Policy.

7.3.3 Representatives must disclose a conflict of interest to the client.

7.4 Measures for the avoidance of conflicts of interest

7.4.1 Training of employees on conflicts of interest, legislation and bank policies and procedures.

7.4.2 The giving and receiving of a financial interest has the potential to create conflicts of interest. Employees may not solicit or provide anything of value directly or indirectly to other FSPs or third parties (except under limited circumstances), which would impair the Company's duty to act in the best interests of clients. Accordingly, no financial interest in excess of R 1000 may be offered or accepted.

7.5 Disclosure to clients

7.5.1 The Bank must, in writing, at the earliest reasonable opportunity disclose to a client any conflict of interest or potential conflict of interest in respect of a client, including

- I. the measures taken to avoid or mitigate the conflict;
- II. any ownership interest or financial interest, other than an immaterial financial interest, that the Bank may be or become eligible for; and
- III. any the nature of any relationship or arrangement with a third party that gives rise to a conflict of interest, in sufficient detail to a client to enable the client to understand the exact nature of the relationship or arrangement and the conflict of interest.

7.5.2 Inform the client of this policy and how it can be accessed.

8. CONSEQUENCES OF NON-COMPLIANCE

Failure to comply with this policy by any staff member, FAIS representative or key individual shall constitute serious misconduct and will result in disciplinary action being initiated against such staff member representative and key individual.

9. FINANCIAL INTEREST

9.1 The Bank may only receive or offer the following financial interest from or to a third party–

- a) commission authorised under the Insurance Act, Long-term Insurance Act or the Short-term Insurance Act;
- b) commission authorised under the Medical Schemes Act;

- c) fees authorised under the Insurance Act, Long-term Insurance Act, the Short-term Insurance Act or the Medical Schemes Act, if those fees are reasonably commensurate to a service being rendered;
- d) fees for the rendering of a financial service in respect of which commission referred to in (a), (b) or (c) is not paid, if those fees –
 - I. are specifically agreed by the client in writing; and
 - II. may be stopped at the discretion of that client;
- e) fees or remuneration for the rendering of a service to a third party, which fees or remuneration are reasonable commensurate to the service being rendered;
- f) an immaterial financial interest; and
- g) a financial interest, not referred to in a. to e. above, for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid.

9.2 The Bank may not offer any financial interest to a representative for –

- a) giving preference to the quantity of business secured for the Bank to the exclusion of the quality of the service rendered to clients;
- b) giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; or
- c) giving preference to a specific product, where a representative may recommend more than one product of that product supplier to a client

10. LIST OF ASSOCIATES

Please see annexure A

11. THIRD PARTIES IN WHICH THE PROVIDER HOLDS AN OWNERSHIP INTEREST

Please see Annexure B

12. THIRD PARTIES THAT HOLDS AN OWNERSHIP INTEREST IN THE PROVIDER

Please see Annexure C

13. NATURE AND EXTENT OF THE OWNERSHIP INTEREST AS REFERRED TO ABOVE

Please see annexure D

14. COMPLIANCE DEPARTMENT

Is responsible for the investigation of Conflicts of Interest escalated to them and advising on the management and resolution of such conflicts, in accordance with the relevant policies and procedures.

15. ROLES AND RESPONSIBILITIES

A particular division, department or committee responsible for the activities of the processes governed by this policy will fulfil the roles defined in this policy. There are different roles.

15.1 Executive Committee / Board Committee

- The Board Committee is responsible for reviewing and approving all changes to the policy.
- EXCO shall review the changes to this policy and recommend changes to the Board Audit Committee as well as support the structures, processes and changes necessary for the effective implementation of this policy.

15.2 Enterprise Risk Committee:

- The Enterprise Risk Committee shall review and recommend this policy and changes thereto for recommendation by EXCO.

15.3 Senior Management:

- Senior Managers are responsible for ensuring that agreements signed with product suppliers comply with the provisions of this policy.

15.4 Business Units / Line Managers

- Business unit/ line Managers are responsible for administering the employee declarations.
- To identify any conflict of interest in his or her area and to report, manage and resolve them in accordance with the relevant policies and procedures.

15.5 Human Resources:

- Human Resources Department is responsible for the training of all users with regards to the policy.

15.6 Compliance

- Is responsible for ensuring that the policy meets legal and regulatory requirements, if applicable.

15.7 Risk Department

The Risk Department is responsible for:

- Reviewing this policy and updates thereto in line with the policy formulation policy and relevant risk management requirements.
- Providing guidance on the risks and controls related to financial interest and conflict of interest.

15.8 Internal Audit:

- Internal Audit is responsible for providing an independent assurance on the compliance with the Financial Interest and Conflict of Interest Management Policy and related policies.

15.9 Employees

- All employees are responsible for adhering to the policy as applicable to them.
- Employees must disclose in writing to their Senior Manager the existence of any personal interest in the relevant service.
- Employees must report any actual or potential conflicts of interest to their Senior Manager/next level of Management. The respective Manager will use the following avenues to resolve the conflict (avoid/mitigate/disclose). If the respective Manager is not able to resolve the conflict, he/she must escalate the reported conflict to the Compliance Department for investigation.

15.10 Key Individuals and Representatives

- Must disclose in writing to their Senior Manager the existence of any personal interest in the relevant service.
- Must report in writing to their Senior Manager/next level of Management any circumstance which gives rise to an actual or potential conflict of interest in relation to such service.
- Representatives are also responsible for identifying and reporting in writing to their Senior Manager/next level of Management any instances of potential conflicts of interest as they become aware of it.
- The respective Manager will use the following avenues to resolve the matter (avoid/mitigate/disclose). If the respective Manager is not able to resolve the conflict, he/she must escalate the reported conflict to the Compliance Department for investigation.

16. RELATED DOCUMENTS

This policy must be read in conjunction with the following

- Code of Ethics
- Gifts and Business Courtesies Policy

17. VIOLATION REPORTING

15.10 All violations of the Financial Interest and Conflict of Interest Management Policy shall be reported to the accountable Executive Manager, Chief Risk Officer and the Head of Compliance.

15.11 Anonymous reporting may be performed through the Ubank Whistle Blowing Hotline (0800 222 254).

15.12 All employees are expected to comply with the terms and conditions of employment as prescribed in their employment contracts. Any employee violating approved policies and procedures including the Financial Interest and Conflict of Interest Management Policy shall be dealt with in accordance with the internal disciplinary process or any legal process as deemed appropriate by the management of the bank.

15.13 The escalation procedure for this policy shall be as follows:

15.13.1 When a violation of the policy is reported or noted, the employee or entity concerned shall be requested to rectify the violation immediately.

15.13.2 Should the violation be internal and the issue is not rectified within a reasonable length of time (not exceeding 7 days) the violation will be escalated to the relevant head of department, regional manager, brand champion, and branch manager.

15.13.3 Should the violation continue the next escalation level would be to the accountable Executive Manager and the Chief Risk Officer.

18. MAINTAINING THIS POLICY

18.1 This policy forms part of the compliance policies of the Bank and is formulated in the interest of effective governance of all the Bank's activities.

18.2 The Compliance Department is responsible for the maintaining of this policy document.

18.3 This policy needs to be regularly reviewed and updated. The reviews shall take place as and when required but no less than annually.

19. APPROVAL

Considered and recommended by the Executive Committee at their meeting of 05 May 2020;
Endorsed by the Board Risk and Capital Management Committee at their meeting of 10 June 2020;
Approved by the Board of Directors at their meeting of 25 June 2020.

NOT SIGNED
ELECTRONICALLY TRANSMITTED

Annexure A**List of associates**

1. Teba Ltd
2. MMI Group Ltd
3. Mobile Telephone Network (MTN)
4. Hollard Life Assurance Company Limited

Annexure B

Third Parties in which the provider holds an ownership interest

None

Annexure C

Third Parties that holds an ownership interest in the provider

Teba Trust

Annexure D

Nature and extent of the ownership interest

Teba Trust - 100% ownership interest in Ubank Ltd