

# ■ Conflict of interest policy



## Introduction

The General Code of Conduct for Financial Services Providers and Representatives published in terms of the Financial Advisory and Intermediary Services Act, No. 37 of 2002, requires every financial services provider to adopt, implement and maintain a conflict of interest policy.

As conflicts of interest affecting clients could undermine the integrity and professionalism of Netto Invest's business, any instances must be identified as early as possible. If conflict situations cannot be avoided, they must be managed equitably and in the clients' interest.

Detecting potential or recognised conflicts of interest that could compromise the interest of its clients and managing and limiting the impact of conflicts of interest therefore constitute an integral part of Netto Invest's duties and obligations.

## What is a conflict of interest?

A conflict of interest:

- is a situation in which the interests of Netto Invest, or of its associates, in the exercise of its activities, and the interests of its clients, are directly or indirectly in competition, and which could significantly prejudice the clients' interests;
- may occur in the provision of investment services; and
- may be recognised (actually identified) or potential (conceivable).

## How could a conflict of interest occur?

Conflict of interest situations that could prejudice a client may take a variety of forms, whether or not Netto Invest suffers any financial loss and independently of whether the actions or the motivations of the employees involved are intentional.

At least five types of situation are defined by Netto Invest to help determine whether a potential conflict of interest situation might occur:

1. Netto Invest or an employee will realise a financial gain or avoid a potential loss at the client's expense;
2. The interest of Netto Invest, a department or an employee may differ to that of the client;
3. Netto Invest or an employee exercises the same professional activity as the client;
4. Netto Invest or an employee is induced to favour one client over another (whether for financial reasons or otherwise); and
5. Netto Invest or an employee will gain an advantage (financial or in kind) from a third party in the execution of the service conducted on behalf of the client.

## What does Netto Invest's conflict of interest policy encompass?

- Rules regarding personal transactions
- Professional ethics of employees
- The use of sensitive or privileged information, insider dealing, and professional secrecy
- Respect for clients' interests

## Prevention, detection and management

Netto Invest has identified specific potential conflicts of interest in relation to its activities. These may be encountered by Netto Invest or its employees when they deliver services to clients. For each situation, Netto Invest has analysed whether the risk is actual or potential for one or more of its clients. To handle potential or actual risks, Netto Invest may:

- conduct the transaction while, given the conflict of interest generated by it, implementing procedures that enable appropriate management of the situation in order to avoid damaging the interests of the client in question,
- avoid conducting a transaction that could potentially cause a conflict of interest, or
- inform the client in the event that certain conflicts of interest cannot be properly handled and communicate the necessary information about the type and origin of the conflict of interest to the client, so that the client can make a fully informed decision regarding the proposed transaction.

Netto Invest has established a management policy for conflicts of interest enabling it to prevent potential conflicts of interest, manage actual conflicts and communicate them effectively to clients.

### Prevention

Netto Invest informs its employees and makes them aware of the undertakings and restrictions concerning their actions with regard to the conflict of interest management policy in place at the management company. Awareness training is provided to staff.

### Detection

Netto Invest has drawn up a list of recognised and potential conflicts of interest, by recording conflicts of interest and identifying the types of situation generating the conflicts and the associated risks.

### Management

Netto Invest manages potential and actual conflicts of interest according to ethical principles using the following practices:

- A control system to ensure that monitoring of the conflicts of interest and corrective measures are taken. In this respect, Netto Invest has procedures detailing the concrete measures to manage potential or recognised conflicts of interest in the interest of clients.
- Separation of functions to ensure independence of actions, as applicable.
- Prohibition or control of multiple activities exercised by associates.
- Prohibition or control of remunerated advisory activities of associates with respect to companies whose securities are held in an undertaking.

Our Conflict of Interest Management Framework document is available to all clients upon request.