

Financial Advisory and Intermediary Services Act 37 of 2002 (“FAIS”)

Conflict of Interest (COI) Management Policy for:

The Sociotech Institute (Pty) Ltd t/a Lumkani

FSP 50312

1. Who are we?

We are Lumkani. We develop, supply, and rent fire detection devices. The cost of the rental includes either:

- fire insurance, or
- fire insurance plus funeral insurance.

We are also a licensed financial services provider (“FSP”). We are authorized to provide financial services relating to various life and non-life insurance products, including fire and funeral insurance.

2. What exactly is a conflict of interest?

This is any situation in which an FSP (that’s us) or a representative (a person who works for us) has an actual or potential interest that may:

- influence the objective performance of the FSP’s obligations to a client; or
- prevent the FSP from rendering an unbiased and fair financial service to a client; or
- prevent the FSP from acting in a client’s best interests.

Examples are:

- a financial interest
- ownership interests
- any relationship with a third party.

3. What’s a financial interest?

This is any payment we get for providing a financial service to a client. It could be commission, administration fees, binder fees, gifts, etc.

4. What about ownership interests and third-party relationships?

An ownership interest is where an insurer or another FSP owns shares in us, or where we own shares in an insurer or another FSP. A third-party relationship refers to any financial interests we may have in other service providers involved in the insurance value chain. For example, panel beaters, retailers etc.

5. What is our (Lumkani’s) overall policy in managing conflicts of interests?

Lumkani is committed to acting in the best interests of its clients. We constantly strive to improve our services, products, and operations. Honesty, fairness, and integrity are very important to us. We will not tolerate any illegal or unethical conduct on the part of any of our officers, directors, employees, or agents.

Lumkani has identified 3 potential types of conflicts of interests¹. A conflict of interest could arise where an officer, director, employee, or agent:

- is paid a commission for services rendered.
- receives a gift from an insurer or another FSP.
- has a personal or outside interest that might interfere with their objectivity.

6. How are we paid?

Insurers typically pay their intermediaries commission, binder fees or administration fees. The conflict of interests that arise are mitigated by the regulation and capping of commission and binder fee limits.

Our officers, directors, employees, and agents are remunerated depending on their function. Remuneration can take the form of salaries, commission, or incentive bonuses, or a combination of these. Whilst we strive to keep everyone financially motivated, we are careful not to encourage inappropriate behaviour. Our monitoring mechanisms alert us to potential abuse².

Remuneration will not give preference to:

- quantity over quality.
- a specific insurer (if multiple insurers are offered).
- a specific product (if multiple products are offered).

Lumkani's key individual must approve any bonus or incentive scheme prior to being implemented³.

7. What do we do about gifts?

Gift giving is a natural part of being human. However, we recognise that in the business environment the practice of giving gifts can create a conflict of interests. As such, we require that all gifts be declared to line management and registered in the gift register.

Furthermore, gifts given to or received from an insurer (or another FSP) may not exceed an aggregate amount of R1,000 per annum.

Where there are any doubts about giving or receiving gifts, Lumkani's key individual⁴ must be consulted.

8. How do we handle personal or outside interests?

Not all personal or outside interests create a conflict of interests. Examples of non-conflicted activities are:

- second or part-time jobs in unrelated industries
- hobbies that don't produce an income

¹ FAIS GCOC 3A(2)(b)(i)(aa)

² FAIS GCOC 3A(2)(b)(ii)

³ FAIS GCOC 3A(2)(b)(i)(dd)

⁴ FAIS GCOC 3A(2)(b)(i)(dd)

- charity work.

If there is any uncertainty about an activity, this should be discussed with line management.

Some activities pose a high risk of creating a conflict of interests. Examples are:

- working relationships with immediate family or relatives
- working for other companies in the same industry
- working as a supplier to Lumkani
- owning shares in other companies.

All high-risk activities must be disclosed to line management. Where a personal or outside interest has the potential to create a conflict, this must be referred to Lumkani’s CEO for an appropriate decision⁵.

9. So, what are our financial interests, ownership interests and third-party relationships?

- Depending on the product and the insurer, we will get either commission, binder fees or administration fees from an insurer. These payments are all permissible by law and are strictly regulated. Specific remuneration details per client are declared in individual policy documents⁶.
- We do not own shares in any insurance companies or other FSPs⁷. The Hollard Insurance Company Ltd owns 40,5% of Lumkani’s shares⁸.
- We do not have a financial interest in any other third parties involved in the insurance value chain⁹. Also, no such third party owns shares in Lumkani¹⁰.

10. Who does this policy apply to?

This policy applies to all officers, directors, employees, agents, and suppliers of Lumkani. Non-compliance with this policy may lead to disciplinary action taken against the person (or persons) involved¹¹.

Version History

Version	Modified Date	Approved Date	Approved By
2.00	February 2023	22 February 2023	Francois Petousis - CEO

⁵ FAIS GCOC 3A(2)(b)(i)(bb)

⁶ FAIS GCOC 3A(2)(b)(i)(cc)

⁷ FAIS GCOC 3A(2)(b)(iii)

⁸ FAIS GCOC 3A(2)(b)(vii)

⁹ FAIS GCOC 3A(2)(b)(v)

¹⁰ FAIS GCOC 3A(2)(b)(vi)

¹¹ FAIS GCOC 3A(2)(b)(i)(ee)