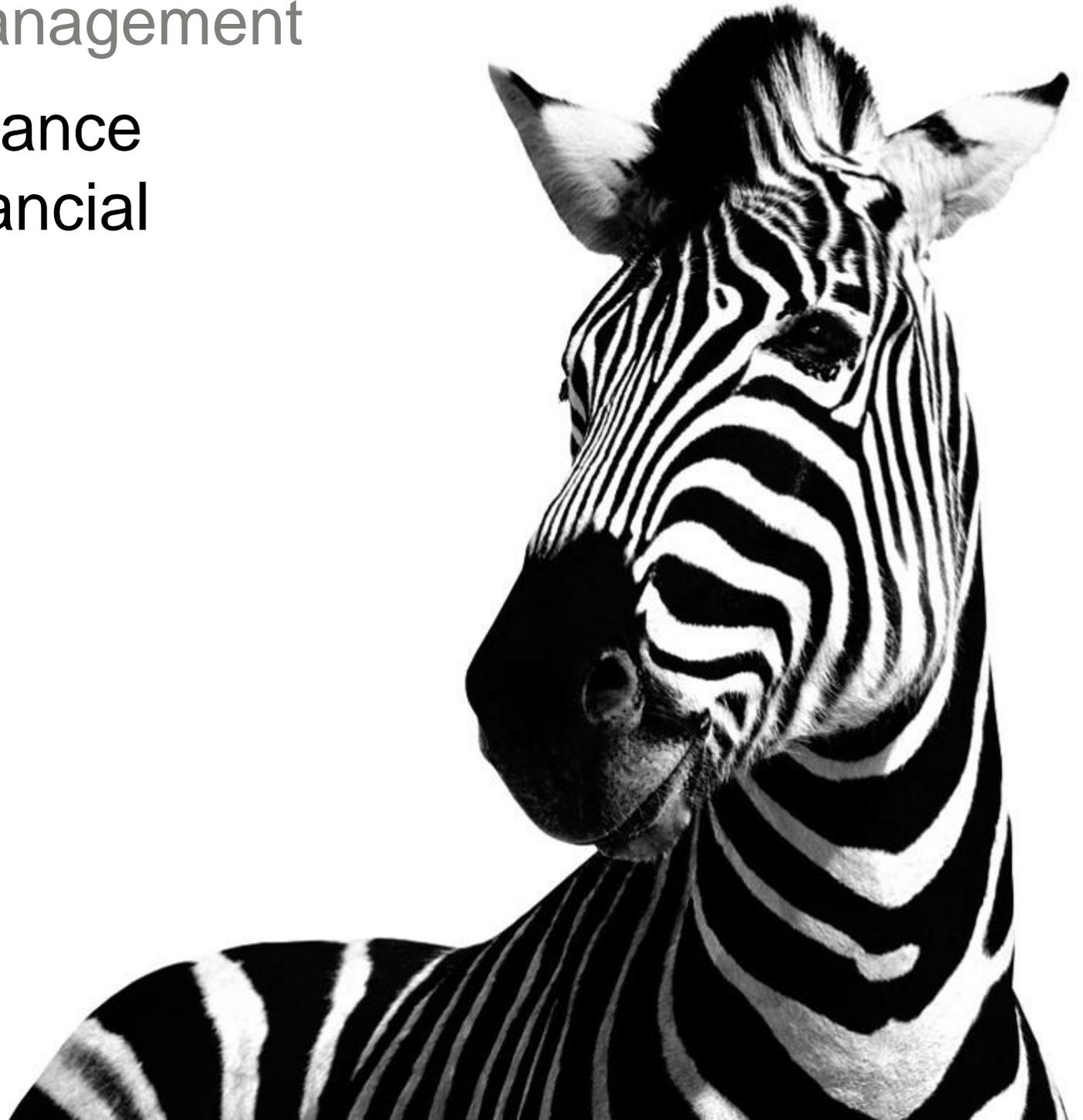


# Investec Asset Management

## Building a Governance Culture in the Financial Services Sector

Martinus Seboni  
Managing Director, Botswana

February 2018



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# Leadership sets the tone on Governance

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It is an honour and privilege to be entrusted with other people's money. Our firm will not survive, let alone prosper, without the trust of our clients and the wider market. It is therefore **vital that all of us act with integrity and care all of the time.**

We expect all our people to observe and maintain the highest standards of honesty, integrity and fair dealing and to act with due care, skill and diligence in all dealings with our clients.

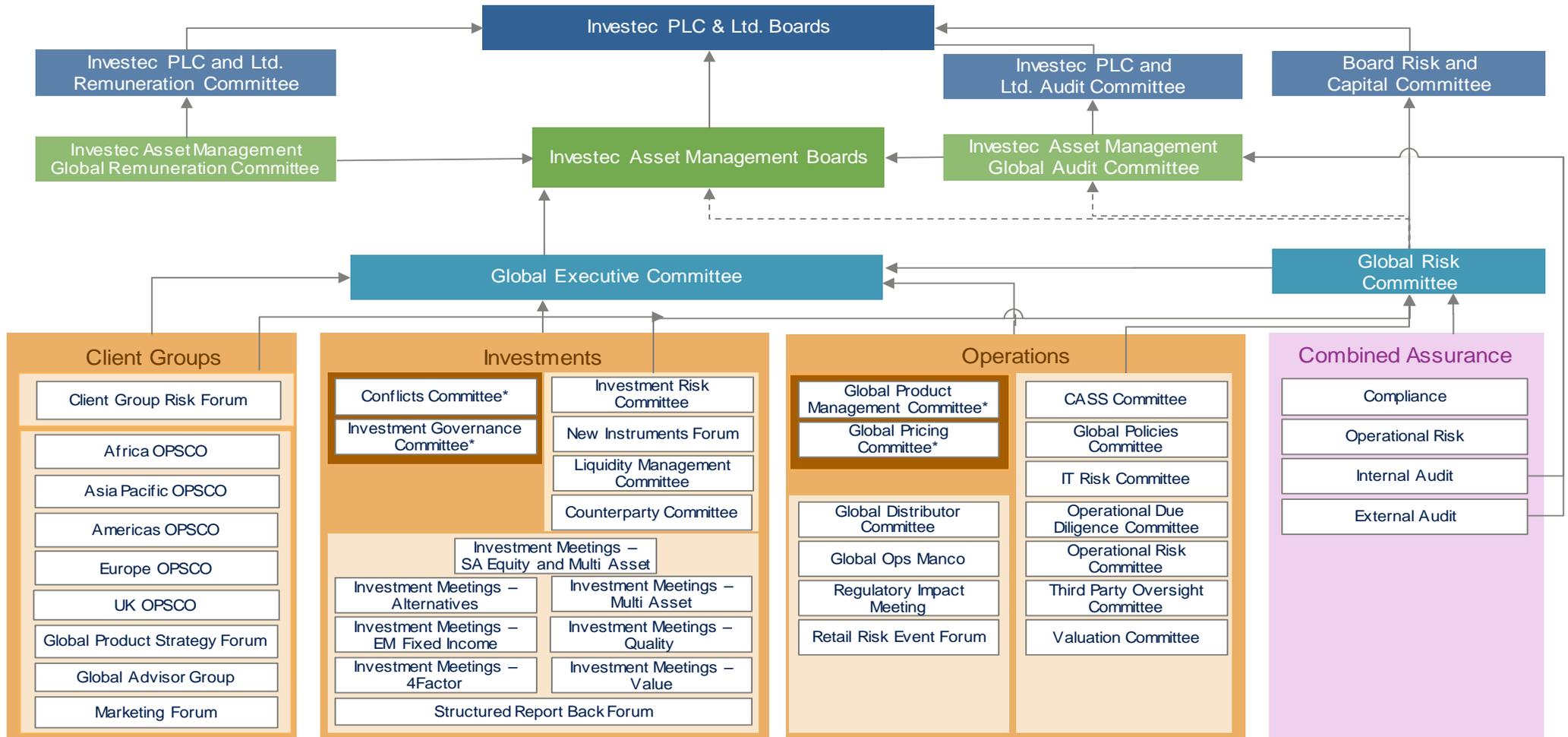
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**Hendrik du Toit**

Chief Executive Officer  
Investec Asset Management



# Governance and oversight framework



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# Senior Management Endorsement of Governance and Compliance

- Compliance culture embedded in the business and sponsored by the CEO
- Compliance has unrestricted access to executive management (CEO, COO, CIOs, directors), the Global Audit Committee and Group Compliance
- Compliance have no operational functions and have unrestricted business access
- Head of Compliance formally attends and reports to Global Risk Committee, Global Audit Committee, Boards and Group Compliance meetings

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# **Compliance and Risk Responsibilities forming part of the Employment process**

- All staff are bound by their employment contracts to the Code of Ethics Policy. Any breaches are treated seriously and may lead to disciplinary action
- Compliance and risk responsibilities form part of each employee's job descriptions
- Compliance and risk responsibilities are included in the annual performance appraisal process
- Compliance induction, online and awareness training provided on regular basis

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# Compliance vs the Business Case

- Always difficult to get buy-in from business areas as they see Compliance as an impediment to business
- But, important to emphasise that potential clients always want to see that the company that they are going to do business with has a well-embedded Compliance function and are serious about Governance
- Our clients have Compliance responsibilities and they want to know that we take our Compliance responsibilities seriously
- This is a good way to encourage the Compliance culture in the business areas
- We also emphasise that Compliance standards are high internationally and that we need to ensure that we meet global standards if we want to compete on the global stage

**Compliance philosophy: Always do the right thing  
even when no-one is looking....**

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# Instilling a Compliance Culture in a Global Business

- Our business is a global business
- We have offices and Compliance responsibilities in different jurisdictions in the world: SA, Botswana, Namibia, US, UK, Europe, Asia
- We therefore align our Compliance requirements globally and apply the most strict law or rule across our jurisdictions
- We also use examples from other jurisdictions to inform our choices and decisions in the Compliance and Governance space
- The Compliance function shares ideas about how we can instil the Compliance culture and apply it globally

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# The Need for Policies

- Code of Ethics
- Third Party Benefits
- Personal Account Dealing
- Investments
- Outside Interests Declaration
- Fit and Proper Declarations
- HR Declarations – Equality Policy
- IT Declarations – Secure and Acceptable Usage Policy
- Training – PAD, AML, FIA

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# Conflicts of Interest

- A conflict of interest is a situation in which someone is or could be perceived to be unable to make a fair /impartial decision because they could be affected by the result
- This includes any conflict of interest which may arise or potentially arise between:
  - The firm and a client
  - A client and employee; or
  - Between different clients

## Why is this important?

- As a regulated financial services company operating in numerous jurisdictions we are required to properly manage actual and potential conflicts of interest with or between our clients

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# Conflicts of Interest

- IAM will always seek first to avoid, and second to manage any possible conflicts that may occur through normal business activities so that there is no risk of damage to clients' interests. Finally, we will disclose to the relevant parties, where we are not able to avoid or mitigate a conflict
- The reputation of the firm could be damaged by poor management of potential or actual conflicts of interest and our priority is also to ensure that our clients are not prejudiced by any conflicts

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# Fair Treatment of Clients

Our global regulators want to ensure that IAM's clients can be confident that when they deal with us they are treated in a fair and ethical way

## Why is this important?

- The firm has a responsibility towards clients and has a duty to protect client and business information. We must manage any potential confidentiality breaches that may occur through normal business activities appropriately
- Mis-use of confidential information and/or internal information could lead to reputational damage, as well as regulatory or legal action against the firm
- Employees are additionally subject to the firm's internal disciplinary procedures if there is a breach

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# Personal Account Dealing

- Personal Account Dealing (PAD) is making trades for personal investment. Personal account dealing must not create a conflict of interest with client investments. The PAD policy is created to address this

## Why is it important?

- To protect clients from employees prioritising their own personal dealing over client trades
- To protect employees from possible misuse of information gained from their employment
- To safeguard the reputation of the firm. As a regulated financial services company, we must achieve the highest standards of market conduct
- To protect client interests

**Policy applies to all employees and affiliates**

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# Disclosure of Outside Interests

- An outside interest is any activity, investment or position of office that is performed by an employee or an affiliate person outside of employee's normal employment
- Examples of outside interests that would include disclosure:
  - Appointment as a director (executive or non-executive) or trustee or similar role;
  - Involvement in investment clubs, or other investment related projects or firms; or
  - Involvement with, or appointments to any office or position in a club, society, private company, trust, or similar entity where this may regularly impact on employee's time

## Why is this important?

- An outside interest may constitute a conflict of interest and could affect the reputation of the firm and lead to regulatory action if not handled appropriately
- IAM views outside interests as a key risk, as this may result in reputational risk or a conflict with a client's interest

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# Disclosure of Outside Interests

- All employees are required to declare and obtain pre-approval for any outside interests that are performed or held outside of their normal company roles
- Employees may not engage in any practice or pursue private or personal interests that may conflict, or potentially conflict, with the interests of IAM, clients or the Investec Group
- IAM Compliance reviews all disclosures and amendments, and may investigate any outside interest which could be deemed to be a conflict of interest

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# Provision of Receipt of Third Party Benefits

## What is a Third Party Benefit?

- A benefit is defined as anything that is either of value to the recipient or has a cost to the donor and for which the recipient has not paid. This includes both tangible and intangible benefits
- A third party is any individual or organisation with whom the firm has an actual or potential business relationship

**Employees prohibited from offering, providing or accepting monetary or non-monetary benefits from third parties without prior approval via IAM Compliance**

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# Provision of Receipt of Third Party Benefits

## Why is this important?

- To ensure that employees do not influence and are not influenced by third parties (including clients) to act improperly through the provision or receipt of monetary or non-monetary benefits
- To promote trust and respect between employees, the firm and its clients
- To maintain reputational standards of the firm and its employees
- To ensure that our products are recommended to investors on the basis of their merits and in recognition of the needs of the investor

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# Conclusions

- Strong **leadership** is required in setting the culture
- A **robust governance framework** must be put in place
- **Independent** compliance function with unfettered access
- **Policies** must be enforced and there must be consequences for non-compliance

# Thank you

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