

Conduct Risk Policy

Since the inception of the FCA (Financial Conduct Authority) in April 2013, their work has been underpinned by the concept of Conduct Risk. Conduct Risk is the risk that firms' behaviours may result in poor outcomes for the consumer.

The FCA have not given a standard definition of Conduct Risk because it is important for everyone to think about what conduct risk means to them and come up with their own definition. Conduct Risk comprises a wide variety of activities and types of behaviour, which fall outside the other main categories of risk, and is always focussed on risks to the delivery of fair customer outcomes.

This policy sets out guidance for California Car & Commercials Limited to aid in the management of conduct risks within the business.

Who is Responsible?

It is the responsibility of Mario Di Fazio to ensure that all policies and procedures within this manual are followed throughout their business to evidence the effective management of conduct risks.

How does this Affect Us?

Conduct Risk relates to every part of a governance, risk, and compliance framework. This could be:

- Ensuring oversight and monitoring is in place for conduct risks
- Managing conflicts of interest, including incentive schemes
- Implementing a robust sales process
- Building robust audit procedures

All California Car & Commercials Limited staff must be aware of conduct risk, the reasons for conduct risks to manifest and the processes that are in place to manage and monitor such risks.

Conduct can also be defined as 'Behaviour' and California Car & Commercials Limited therefore need to be aware of the risks posed to customers by poor staff conduct (behaviour). Conduct risks can manifest in all areas of our business, wherever the actions of an individual or a process can impact upon a consumer outcome.

The more obvious conduct risks, and those with potentially the greatest impact, are likely to arise during the sales process. We ask ourselves key questions about the conduct risks associated with the sales process:

1. Are sales staff incentivised to sell regulated products and is this incentivisation likely to lead to customers being disadvantaged in any way? e.g., sold products that customers are not eligible for just to meet targets and earn a bonus, or to qualify for a 'prize.'

2. Are sales staff pressurised into making sales of regulated products by any other means? e.g., league tables, individual sales figures communicated to all sales staff, sales manager targets, aggressive stance by management.
3. Are there any other conflicts which may make sales staff eager to make sales without appropriate consideration of the customer's needs or eligibility? e.g., relationship with finance provider, inappropriate gifts or hospitality, sales linked to additional benefits for the dealership.
4. Do sales staff always follow a compliant sales process? i.e., complete all sections of the process fully, obtain all relevant information and provide customers with all required information and documentation without being pressurised by time constraints or system constraints?

California Car & Commercials Limited will also be aware of conduct risks outside of the sales process, including, but not limited to:

- Are the Board, and senior management, of California Car & Commercials Limited setting the right 'tone' within the business?
- Are all conflicts being managed appropriately?
- Are staff competent in their roles, with appropriate evidence of recruitment, oversight, appraisal, and on-going training?
- Are customer complaints being recognised and handled appropriately at the initial point of contact and beyond?
- Are the regulated finance products available appropriate for the customer base and do all sales staff fully understand them, including benefits, limitations, exclusions etc?
- Are you able to produce accurate MI for senior management?

California Car & Commercials Limited will be able to assess, manage and monitor our own conduct risks.

California Car & Commercials Limited 'Conduct Risk' strategy considers the following:

- Assess conduct risk across the organisation – What risks could affect our business? i.e., Breaches of remuneration or customer trust
- Establish a conduct risk appetite that is signed off by the board – i.e. Is our firm's risk appetite "Cautious" where our firm has a preference for safe options that have a low degree of risk or is it "Adventurous/Hungry" where our firm is eager to be innovative which may incorporate a greater risk?
- Measure and monitor key conduct risks – Such as conducting staff appraisals and keeping training records up to date
- Review and assess potential conduct risk outcomes – i.e., review possible risks to the business such as miss-selling and the impact this could have on the business.
- Monitor and effectively manage regulatory change – Such as putting procedures in place ready for the implementation date.

- Create policies and procedures which focus on conduct risk outcomes - Such as a risk management policy and procedures that should be followed if a risk is identified.
- Address prevention and detection of conflicts of interest – Provide staff training and create a conflicts of interest log.
- Evaluate and control sales incentive programs – i.e. Could any current sales incentives lead a sales agent to miss-selling policies in order to gain more sales? Do you have any controls in place to prevent this?
- Educate staff on product suitability issues and enable a risk aware approach – Such as staff training.
- Maintain strong anti-bribery, Money Laundering and Fraud prevention controls – Provide staff training, keep records of possible breaches, and notify relevant authorities.

It is not just about achieving good customers outcomes, but about California Car & Commercials Limited and all employees conducting themselves in a way that shows integrity and builds the public's trust in the market. Good conduct should be demonstrated in both the governance of a firm, as well as in the actions and decisions of all employees.

Within this material are all the necessary policies, procedures, and tools to assist in the management and mitigation of conduct risks. All the Policies within this material are linked to conduct risk and should be adopted accordingly.

Monitoring & Reporting

California Car & Commercials Limited are responsible for identifying, managing, and mitigating conduct risks.

Management Information

Mario Di Fazio will monitor aspects of Conduct Risk on behalf of California Car & Commercials Limited via agreed risk controls deemed appropriate.

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