

CONFLICT OF INTEREST MANAGEMENT POLICY

1. INTRODUCTION

The General Code of Conduct for Authorised Financial Services Providers and Representatives ("General Code") in terms of section 15 of the Financial Advisory and Intermediary Services Act 37 of 2002 ("FAIS") requires of FSP's to implement a Conflicts of Interest Policy, to make it available to Clients and to ensure controls are in place to avoid and/or manage all Conflicts of Interests. Some definitions have recently been amended with effect from 26 June 2021 and included in this Policy.

2. PURPOSE

This Policy provides clarity as to what constitutes a Conflict of Interest and the process to follow when a Conflict of Interest has been identified. Conflicts of Interest should be avoided as far as possible, if this is not possible then the FSP must implement mitigation controls to manage such risks and properly disclosure such risks to Clients to ultimately ensure the fair treatment of Clients at all times.

3. WHAT IS A CONFLICT OF INTEREST?

A Conflict of Interest means any situation in which a provider or a representative has an actual or potential interest that may, in the rendering a financial service to a client, either:

- influence the objective performance of his/ her obligations to that client; or
- prevent a provider or representative from rendering an unbiased and fair financial service to that client; or from acting in the interests of that client, including but not limited to
 - a financial interest (material financial interests excluding a maximum of a R1000 received by the FSP or per Rep per year; or provided by the FSP to an another FSP/ Rep per year);
 - ownership interest;
 - or any relationship with a third party.

Example: A Conflict of Interest may arise where a company, or one of its employees, is providing a financial service to its clients and such financial service may entail a material risk of damage to those client's interests, and where the company or its employee:

- is likely to make a financial gain, or avoid a financial loss, at the expense of the Client;
- has an interest in the outcome of a service provided to the Client or of a transaction carried out on behalf of the Client, which is distinct from the Client's interest in that outcome;
- has a financial or other incentive to favour the interest of another client, or group of clients, over and above the interests of the Client;
- carries on the same business as the Client; or
- receives or will receive from a person other than the Client, an inducement in relation to a service provided to the Client, in the form of monies, goods or services, other than the standard commission or fee for that service.

4. DEFINITIONS

"Financial interest" means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, other than:

- an ownership interest;
- training, that is not exclusively available to a selected group of providers or representatives, on products and legal matters relating to those products, general financial and industry information, or specialised technological systems of a third party necessary for the rendering of a financial service (but excluding travel and accommodation associated with that training); or
- a qualifying enterprise development contribution to a qualifying beneficiary entity by a provider that is a measured entity.

"Holding company" has the meaning assigned to it in the Companies Act, 2008 (Act No. 71 of 2008).

"Immaterial financial interest" means any financial interest with a determinable monetary value, the aggregate of which does not exceed R 1 000 in any calendar year from the same third party in that calendar year received by:

- a provider who is a sole proprietor; or
- a representative for that representative's direct benefit,
- a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.

"Loyalty benefit" means any benefit (including a so-called cash- or premium-back bonus) that is directly or indirectly provided or made available to a client by a provider or a product supplier or an associate of the provider or product supplier, which benefit is wholly or partially contingent upon:

- the financial product with that provider or product supplier remaining in place;
- the client continuing to utilise a financial service of that provider or product supplier;
- the client increasing any benefit to be provided under a financial product; or
- the client entering into any other financial product or benefit or utilising any related services offered by that provider, product supplier or their associates.

"No-claim bonus" means any benefit that is directly or indirectly provided or made available to a client by a product supplier in the event that the client does not claim or does not make a certain claim under a financial product within a specified period of time.

"Related service" means a service or benefit provided or made available by a product supplier or a provider or any associate of that product supplier or provider, together with, or in connection with, any financial product, financial service or benefit in respect of that financial product or financial service, and includes a loyalty benefit and a no-claim bonus.

"Service Supplier" means any person (whether or not that person is the agent of the provider), other than a representative, with whom a provider has an arrangement relating to the marketing, distribution, administration or provision of financial products, financial services or related services;

"Sign-on bonus" means any financial interest offered or received directly or indirectly, upfront or deferred, and with or without conditions, as an incentive to become a provider; and such "financial interest" includes but is not limited to-

- compensation for the potential or actual loss of any benefit including:
 - any form of income, or part thereof,
 - cost associated with the establishment of a provider's business or operations, including the sourcing of business, relating to the rendering of financial services; or
- a loan, advance, credit facility or any other similar arrangement;

"Significant owner" means a significant owner as described in section 157(1) and (2) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017).

"Ownership interest" means -

- any equity or proprietary interest, for which fair value was paid by the owner at the time of acquisition, other than equity or an proprietary interest held as an approved nominee on behalf of another person; and
- includes any dividend, profit share or similar benefit derived from that equity or ownership interest;

"Subsidiary" means a subsidiary as defined in section 1 (3) of the Companies Act, 1973 (Act No. 61 of 1973);

"Third party" means a product supplier, another provider, an associate of a product supplier or a provider, a distribution channel, or any person who in terms of an agreement or arrangement with a person referred to in paragraphs (a) to (d) above provides a financial interest to a provider or its representatives

5. FINANCIAL INTERESTS THAT ARE ALLOWED

The FSP or its representatives may only receive/offer the following financial interest from/to a third party:

- 5.1 Commission authorised under the Long-term Insurance Act, 1998, or the Short-term Insurance Act, 1998
- 5.2 Commission authorised under the Medical Schemes Act, 1998,
- 5.3 Fees authorised under the Long-term Insurance Act, 1998, the Short-term Insurance Act, 1998 or the Medical Schemes Act, 1998,
- 5.4 Fees for the rendering of a financial service in respect of which commission or fees referred to above is not paid if:
 - the amount, frequency, payment method and recipient of those fees and details of the services that are to be provided by the provider or its representatives in exchange for the fees are specifically agreed to by a client in writing; and
 - those fees may be stopped at the discretion of that client;
- 5.5 Fees or remuneration for the rendering of a service to a third party;
- 5.6 An immaterial financial interest (subject to any other law) and
- 5.7 A financial interest, not referred to above, for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

6. FINANCIAL INTERESTS THAT THE FSP WILL BE PAYING/ RECEIVE

FINANCIAL INTEREST	DETAILS
Representatives' Remuneration	The FSP shall remunerate its representatives as provided for in terms of the Conflict of Interest requirements as set out in clause 5 above and specifically as follows:
FSPs Associates	None
Ownership Interest in Third Parties	None
Ownership Interest in FSP	None

7. FINANCIAL INTERESTS THAT ARE NOT ALLOWED

- 7.1 A provider may not offer any financial interest to a representative of a provider-
 - that is determined with reference to the quantity of business secured for the provider without also giving due regard to the delivery of fair outcomes for clients; or
 - for giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; or
 - for giving preference to a specific product of a product supplier, where a representative may recommend more than one product of that product supplier to a client.
- 7.2 The FSP must be able to demonstrate that the determination of and entitlement to the financial interest takes into account measurable indicators relating to the-
 - achievement of minimum service level standards in respect of clients;
 - delivery of fair outcomes for clients;
 - quality of the representative's compliance with this Act;

The aforementioned must be agreed between the FSP and the representative, and sufficient weight must be attached to such indicators to materially mitigate the risk of the representative giving preference to the quantity of business secured for the provider over the fair treatment of clients.

Where the FSP is a product supplier and a provider, then 7.1 applies to the entity and 7.2 to its representatives.

7.3 The FSP or its representatives may only receive or offer financial interests which are financial interests referred to in clause 5.3 to 5.5 above if-

- The fees are reasonably commensurate with the service being rendered, taking into account the nature of the service and the resources, skills and competencies reasonably required to perform it;
- the payment of fees does not result in the provider or representative being remunerated more than once for performing a similar service;
- any actual or potential conflicts between the interests of clients and the interests of the person receiving the fees are effectively mitigated; and
- the payment of fees does not impede the delivery of fair outcomes to clients.

7.4 Sign-on bonuses:

- A Category I provider that is authorised/ appointed to give advice may not receive a sign-on bonus from any person.
- No person may offer or provide a sign-on bonus to any person, other than a new entrant, as an incentive to become a Category I provider that is authorised or appointed to give advice.

7.5 The FSP and Representatives undertakes not to or attempt to avoid, limit or circumvent compliance with the FAIS Conflicts of Interest requirements including through an associate or any arrangement involving an associate.

7.6 The FSP shall not present itself as independent if –

- The FSP/ associate is a significant owner of a product supplier;
- A Product Supplier is a significant owner of the FSP/ associate; or
- If there is any relationship between the FSP and Product Supplier that constitutes a material Conflict of Interest.

8. EXAMPLES OF CONFLICT OF INTEREST

- Contracts, proposed contracts and similar transactions or arrangements: A conflict of interest may arise where an employee has a direct or indirect interest in a transaction. This may be where the employee has a connection with the other party to the transaction, or where the employee's family has a connection. The connection may be from a directorship, significant shareholding, employment or consultancy. The FSP requires disclosure of any connection which could or could be seen to have the effect of compromising the judgment of any of the FSP's employees. Key Persons/ Parties/Employees or the FSP itself. Directors, Key Individuals and Representatives are required to notify the FSP of any such potential conflicts of interest without delay. The latter identified parties of the FSP are also required to complete and sign annual declarations to enable the FSP to identify all Conflicts of Interests, assess them and then decide whether to avoid/proceed (together with mitigation controls and required disclosures to Clients) with such Conflict of Interest.
- Gifts, Hospitality & Inducements: Inducements, gifts and hospitality are all issues that could lead to potential Conflicts of Interest. All employees must act with the highest standards of integrity to avoid any allegations of Conflicts of Interest. Employees must not accept any cash payments, significant gifts or hospitality. Token gifts may be accepted, providing they have not been solicited, have not been given as a business inducement and will not compromise >FSP Name< integrity. A register must be maintained for any gifts, or hospitality received. Employees cannot attend hospitality events, without their line manager's approval. Where an invitation could be construed as being a business inducement, it must be declined.

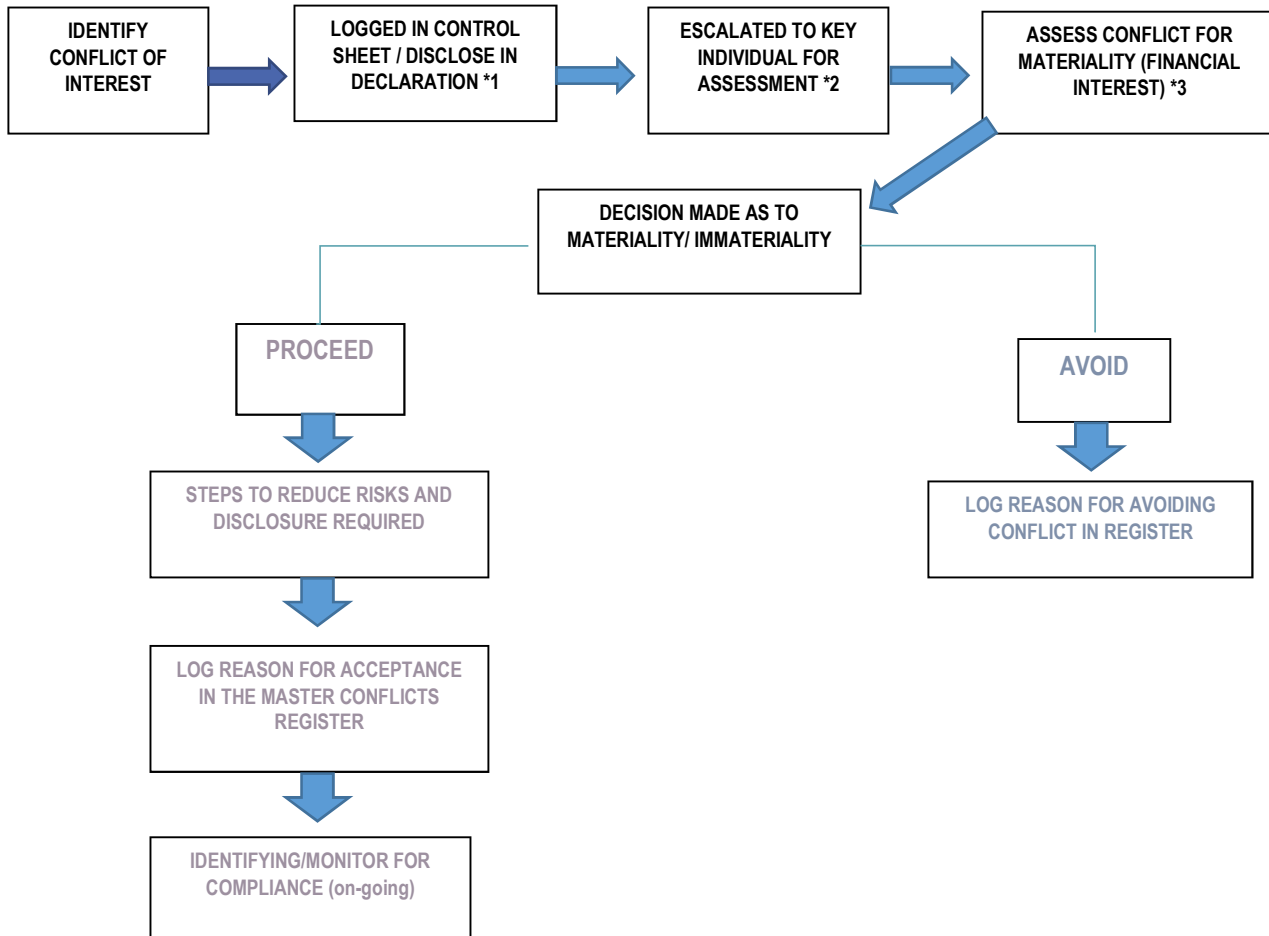
9. MANAGING CONFLICTS OF INTERESTS

There is the potential for a conflict of interest in any activity, relationship or process that FSP may be involved with. The FSP will for the purpose of managing conflict of interests, shall deal with conflicts of interests as follows:

- Identify and report any conflict of interests – this is done by means of annual declarations signed by Persons/ Employees/ Parties (as applicable) and specifically the FSP itself, Directors, Key Individuals and Representatives. There is also a duty on them to inform the Internal Contact Person/ Key Individual immediately when such Conflict of interest arises or if they became aware that another Key Person/ Party/ Employee may have a Conflict of Interest that may lead to the unfair treatment of Clients/Potential Clients;

- Avoid a Conflict of Interest;
- If not possible to avoid, then to provide reasons why it cannot be avoided and to decide and implement measures to manage the Conflict of Interest;
- Implement mitigation controls and ensure suitable measures are implemented to disclose Conflict of interests to Clients e.g., in writing at the earliest reasonable opportunity.
- Regularly identify new Conflicts of Interest and review identified Conflicts of Interests to ensure management controls remain effective.

Procedure diagram



Guide to Conflicts of Interest Procedure:

- *1. Log the date and contents of the Conflict of Interest (real, existing or potential);
- *2. Conflicts of Interest can be communicated via email/ disclosed in annual declarations but must be addressed in writing to the Key Individual/ Internal Compliance Contact Person (“Conflicts officer”). All correspondence relating to conflicts must be placed in the FSP’s conflicts file and noted in the relevant register (material or immaterial);
- *3. The Key Individual/ Internal Compliance Contact Person (“Conflicts officer”) to liaise with the Compliance Officer (if required) to evaluate the conflict and to decide which mechanism to be used to manage the conflict (control, avoid or disclose). All material Conflicts of Interests should be brought to the attention of to the **Board** and the Compliance Officer.

Note: If the conflict can’t be resolved immediately then implement the required controls. The on-going status of the conflict is to be recorded in the register. If the conflict requires further clarity and investigation by any other party, insert comments as appropriate in the appropriate register.

10. EXAMPLES OF CONFLICT OF INTEREST (Amend and add)

- Contracts, proposed contracts and similar transactions or arrangements: A Conflict of Interest may arise where an employee has a direct or indirect interest in a transaction. This may be where the employee has a connection with the other party to the transaction, or where the employee’s family has a connection. The connection may be from a

directorship, significant shareholding, employment or consultancy. The FSP requires disclosure of any connection which could or could be seen to have the effect of compromising the judgment of any of the FSP's employees. Key Persons/ Parties/Employees or the FSP itself. Directors, Key Individuals and Representatives are required to notify the FSP of any such potential conflicts of interest without delay. The latter identified parties of the FSP are also required to complete and sign annual declarations to enable the FSP to identify all Conflicts of Interests, assess them and then decide whether to avoid/proceed (together with mitigation controls and required disclosures to Clients) with such Conflict of Interest.

- **Gifts, Hospitality & Inducements:** Inducements, gifts and hospitality are all issues that could lead to potential Conflicts of Interest. All employees must act with the highest standards of integrity to avoid any allegations of Conflicts of Interest. Employees must not accept any cash payments, significant gifts or hospitality. Token gifts may be accepted, providing they have not been solicited, have not been given as a business inducement and will not compromise >FSP Name< integrity. A register must be maintained for any gifts, or hospitality received. Employees cannot attend hospitality events, without their line manager's approval. Where an invitation could be construed as being a business inducement, it must be declined.

11. ROLES AND RESPONSIBILITIES (AMEND)

The following roles are important to ensure that Conflicts of Interests are properly addressed in the business of the FSP:

- **Board:** The Board is ultimately responsible to ensure compliance with FAIS as one of the key pieces of legislation applicable to its business. Conflicts of interest will become a standing agenda item for Board and Management meetings. Procedures will be drafted and adopted to form part of the compliance documentation so as to ensure that Conflicts of Interests are properly addressed within the business.
- **Key Individual/ Compliance Contact Person:** The Key Individual is responsible for the internal oversight function to implement appropriate processes and procedures for the effective risk management of conflicts of interest and other risks arising within the FSP. The Key Individual is responsible for the implementation of the conflicts management policies, procedures and controls to enable the FSP to manage conflicts effectively. The Key Individual is also responsible for identifying, recording and managing conflicts of interest within the business and will be responsible for the training of all staff in respect of conflicts of interests, including examples or possible conflicts of interest that may emerge. He/she must keep adequate records of the management process, from the identification through to the effective resolution of the conflict.
- **Compliance:** Compli-Serve, as compliance officer of the FSP is available to assist in the handling of any identified conflict relating to the business of the FSP. This may involve assessing and evaluating the conflict within the FSP and deciding upon the appropriate response to the conflict. Compli-Serve will ensure conflict-monitoring procedures are in place to ensure that any non-compliance with the FSP's conflicts management arrangements are identified and appropriately acted on appropriately.
- **Persons/ Employees/ Parties (as applicable):** All Persons/ Employees/ Parties (as applicable) of the FSP are obliged to report actual, perceived or potential conflicts of interests (see procedures above) to the Board/ Executive Management (Amend) and failure will be seen in a serious light where suitable action will be taken against such Person/ Employee/ Party (as applicable).

12. IMPORTANT PRINCIPLES WHEN DEALING WITH CONFLICTS OF INTEREST (AMEND)

The FSP expects all Persons/ Employees/ Parties (as applicable) to maintain the highest standards in carrying out their business activities, adhering to legislative requirements and policies on business conduct. It further expects its employees to act professionally, honestly and ethically in all their dealings with clients, colleagues.

The following principles will be applied when dealing with Conflicts of Interest in the business of the FSP:

- Conflicts of Interest should always be avoided, wherever possible.
- If not possible to avoid, then to implement mitigation controls to reduce the risks and to ensure proper disclosure to Clients. The FSP will not tolerate non-disclosure by Key Persons/Parties/ Employees.
- This Conflict of Interest Management Policy will be enforced within the FSP to ensure that all Persons/ Employees/ Parties (as applicable) are aware of the FAIS Conflict of Interest requirements and the policy, controls and procedures put in place by the FSP as to deal effectively with conflicts of interests within the business.
- Conflicts of Interest Controls will be implemented as to manage conflicts of interests and to ensure compliance with the FAIS Conflict of Interest requirements with the ultimate aim as to treat Clients fairly.

- The Key Individual/ Compliance Contact Person will act as the person primarily responsible for identifying, recording and managing conflicts of interest within the business (“Conflicts Officer”) and will be responsible to advise or train people in respect of Conflicts of Interests and Conflicts of Interest that may emerge.
- The Conflicts of Interest procedures and their efficacy in operations will be regularly reviewed by the FSP.
- Conflicts of Interests must become a standing agenda item at [Board](#) and Executive Management meetings. Procedures should be drafted and adopted to form part of the compliance documentation to ensure that Conflicts of Interest are properly addressed within the business.