

CONFLICT OF INTEREST 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.

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
- prevent a provider from acting in the best interests of that client, due to the FSP/Rep receiving 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. **MANAGING CONFLICTS OF INTERESTS**

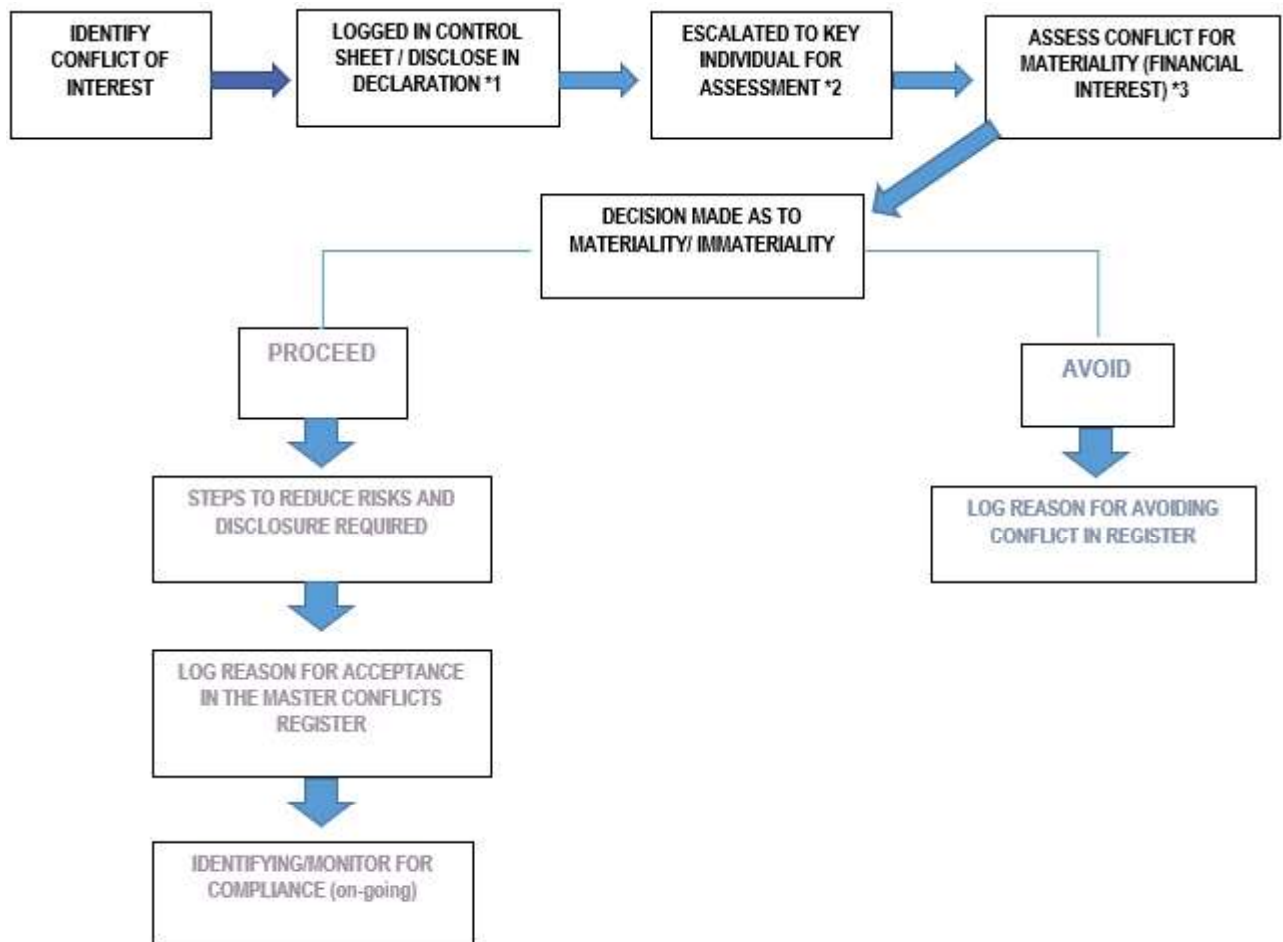
There is the potential for a conflict of interest in any activity, relationship or process that FSP may be involved with.

The FSP will for the purpose of managing conflict of interests, 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 manage the Conflict of Interest by deciding on the appropriate action;

- Implement mitigation controls and disclose Conflict of Interests to Clients 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 ongoing 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.

5. 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 the FSP's 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.

6. ROLES AND RESPONSIBILITIES

The following key areas 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 Executive Management and failure will be seen in a serious light where suitable action will be taken against such Person/Employee/Party (as applicable).

7. IMPORTANT PRINCIPLES WHEN DEALING WITH CONFLICTS OF INTEREST

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 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.