

Conflict of Interest Management Policy

1 PURPOSE OF A CONFLICT OF INTEREST MANAGEMENT POLICY

In terms of the General Code of Conduct a provider and a representative must avoid, and where this is not possible, mitigate any conflict of interest between the provider and a client, or a representative of the provider and his, her or its clients.

The FSP and its representatives are committed towards acting within the best interests of our clients and to avoid all conflict of interests in relation to the provision of financial services. Where we are unable to avoid a conflict of interest, we will take all necessary precautions to ensure that any actual or potential conflict of interest is mitigated and adequately disclosed to our clients.

In order to ensure the continued demonstration of our commitment, management has adopted a Conflict of Interest Management policy to provide for the effective management of any actual or potential conflicts of interest that may arise wholly or partially, in relation to the provision of financial services.

The purpose of the Conflict of Interest Management Policy is therefore to:

- establish internal controls and mechanisms towards the identification of conflicts of interest
- establish measures to avoid conflicts of interest, and where avoidance is not possible, to provide the reasons therefore
- establish measures to ensure that any unavoidable conflicts of interest are mitigated
- establish measures to ensure the proper disclosure of any conflicts of interest
- establish processes, procedures and internal controls to facilitate compliance with the policy
- communicate the consequences of non-compliance with the policy

2 IDENTIFYING CONFLICT OF INTEREST

2.1 INDIVIDUAL IDENTIFICATION

The primary responsibility for the identification of a conflict of interest rests with the

representatives, employees and individual members of the governing body of the FSP. Throughout the process of rendering a financial service to a client, a representative must apply his or her mind to answering the following questions:

- is there any situation that exists that influences the objective performance of my obligations to my client?
- is there any situation that exists that prevents me from rendering an unbiased and fair financial service to my client?
- is there any situation that exists that prevents me from acting in the best interest of my client?

If the answer to all three questions is “no”, then there is no conflict of interest associated with the financial service and the representative may proceed.

If the answer to any one of the three questions is “yes”, the representative must proceed to answer the following additional questions:

- is the situation caused as a result of an actual or potential relationship with a third party? (see definition of “third party”)
- is the situation caused by an actual or potential financial or ownership interest? (see definition of “financial interest” and “ownership interest”)

If the answer to any one of these questions is “yes”, an actual or potential conflict of interest will have been identified.

2.2 FURTHER GUIDANCE ON IDENTIFYING A CONFLICT OF INTEREST

The definition of a Conflict of Interest incorporates the following terminology:

.....influence the “**objective performance**” of his, her or its obligations to that client....
.....prevent a provider or representative from rendering an “**unbiased and fair financial service**” to that client....
.....including but not limited to a “**financial interest**”

It is generally understood that the word “objective” refers to a situation where an individual’s personal feelings or opinions are completely removed from the equation. The “objective performance” of a FSP or representative’s obligations therefore implies a situation where financial services are rendered without any untoward influences.

The word “bias” or “biased” is understood to mean a form of prejudice towards a particular person or viewpoint, whereas the word “fair” or “fairness” indicates a situation of just circumstances or being treated on an equal footing. An unbiased financial service therefore implies a financial service that does not lend itself to a particular persuasion, where no reasonable justification for such persuasion can be found. Similarly, a fair financial service implies a situation where the same conclusion or outcome will consistently present itself given the exact same set of circumstances.

Subject to section 3A(1)(c) of the General Code of Conduct, the FSP and its

representatives may only receive or offer the following “financial interest” from or to a “third party”:

- **commission** authorised under the Long-term Insurance Act, Short-term Insurance Act or under the Medical Schemes Act
- **fees** authorised under the Long-term Insurance Act, the Short-term Insurance Act or the Medical Schemes Act, if those fees are reasonably commensurate to a service being rendered
- **fees** for the rendering of a financial service in respect of which commission or fees referred to above is not paid, if those fees:
 - are specifically agreed to by a client in writing; and
 - may be stopped at the discretion of that client
- **fees or remuneration** for the rendering of a service to a third party, which fees or remuneration are reasonably commensurate to the service being rendered
- an **immaterial financial interest** (subject to any other law)
- 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 FSP or representative at the time of receipt thereof

The FSP will not offer any financial interest to its representatives for:

- giving preference to **the quantity of business** secured for the FSP to the exclusion of the quality of the service rendered to clients; or
- giving preference to a **specific product supplier**, where a representative may recommend more than one product supplier to a client; or
- 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.

2.3 INTERNAL CONTROLS TO IDENTIFY CONFLICTS OF INTEREST

The FSP has implemented the following internal controls to identify actual or potential conflicts of interest that may arise:

- The governing body of the FSP conducts annual reviews on all contracts held with third parties in order to assess whether the contractual relationship in any way influences the FSP’s objective performance towards its clients
- The governing body of the FSP conducts annual reviews on all contracts held with third parties in order to assess whether the contractual relationship in any way influences the FSP’s ability to render fair and unbiased financial services towards its clients
- The governing body of the FSP conducts annual reviews on all contracts held with third parties in order to assess whether the contractual relationship in any way influences the FSP’s ability to act in the best interest of the client
- The governing body of the FSP conducts annual reviews on all relationships where an ownership interest exists between the FSP and a third party. The purpose of the review is to assess whether the relationship in any way influences the FSP’s objective performance towards its clients
- The governing body of the FSP conducts annual reviews on all relationships where an ownership interest exists between the FSP and a third party. The

purpose of the review is to assess whether the relationship in any way influences the FSP's ability to render fair and unbiased financial services towards its clients

- Conflict of Interest declarations are signed by all relevant personnel on an annual basis. The purpose of collecting Conflict of Interest declarations is to assist the FSP and the appointed Compliance Officer to identify actual or potential conflicts of interest
- A list of the FSP's associates is attached as an annexure hereto. The list is reviewed on an annual basis
- A list of all third parties in which the FSP holds an ownership interest is attached as an annexure hereto. The list is reviewed on an annual basis
- A list of all third parties that holds an ownership interest in the FSP is attached as an annexure hereto. The list is reviewed on an annual basis
- The FSP maintains a Gift Register. All gifts received from a third party with an estimated value of R500 or more will be recorded in the FSP's Gift Register. The Gift Register is kept in the FSP's Compliance Manual
- All relevant personnel (Key Individuals and Representatives) are required to immediately disclose in writing to the governing body of the FSP and the FSP's Compliance Officer, any actual or potential conflicts of interest as soon as they become aware of such situation

3 AVOIDING AND MITIGATING A CONFLICT OF INTEREST

Once an actual or potential conflict of interest has been identified, the following procedures will be followed in order to determine whether the conflict of interest is avoidable:

- The governing body of the FSP will convene and evaluate the actual or potential conflict of interest in an open and honest manner
- All information that's led up to and resulting in, or causing the actual or potential conflict of interest will be disclosed to the FSP's governing body and the FSP's compliance officer
- The governing body of the FSP will apply its mind and determine by way of majority vote whether the FSP is in a position to avoid the actual or potential conflict of interest
- During the evaluation process, the governing body of the FSP will take into account the following possible outcomes prior to a finding in favour of unavailability:
 - The possible negative impact it will have on the FSP's clients where the actual or potential conflict of interest is deemed to be unavoidable
 - The possible negative impact it will have on the integrity of the financial services industry where the actual or potential conflict of interest is deemed to be unavoidable
- Where the governing body of the FSP has determined that the actual or potential conflict of interest is in fact avoidable, the following processes will be followed:
 - The governing body will remove the underlying cause or situation that results in the actual or potential conflict of interest as soon as reasonably possible
 - Any immediate negative impact or prejudice towards clients pending the removal of the actual or potential conflict of interest will be kept to a minimum
 - The reasons why the actual or potential conflict of interest was determined to be avoidable will be recorded in the FSP's Compliance Manual
 - Similar circumstances that led up to the actual or potential conflict of interest will be avoided in the future
- Where the governing body of the FSP has determined that the actual or potential conflict of interest is unavoidable, the following processes will be followed:
 - The governing body of the FSP and the FSP's compliance officer will convene and determine the measures that will be implemented in order to mitigate the actual or potential conflict of interest as far as reasonably possible
 - The reasons why the actual or potential conflict of interest was considered to be unavoidable will be recorded in the FSP's Compliance Manual
- Any measures implemented towards mitigating the actual or potential conflicts of interest will include the following arrangements:
 - The status of whether the actual or potential conflicts of interest's is still deemed to be unavoidable shall be reassessed on a continuous basis
 - Where a previously deemed unavoidable actual or potential conflicts of interest is subsequently deemed to be avoidable, such actual or potential

- conflict of interest shall immediately be avoided
- All representatives will be notified of any actual or potential conflicts of interest as well as the reasons for its unavoidability
- When rendering financial service a representative shall be required to disclose to the client in writing that an actual or potential conflict of interest exist
- The FSP and/or the FSP's compliance officer shall report on the status of the actual or potential conflict of interest in the FSP's compliance report to be submitted to the Financial Services Board

4 DISCLOSURE OF CONFLICTS OF INTEREST

It is acknowledged that while disclosure alone will often not be enough, disclosure must be treated as an integral part of managing conflicts of interest. The FSP is therefore committed to ensure that clients are fully informed about actual or potential conflicts of interest in relation to the provision of financial services.

- The FSP has adopted the following disclosure measures:
- The FSP shall disclose to a client any conflict of interest in respect of that client
- The disclosure shall be made in writing at the earliest reasonable opportunity.
- The disclosure may be communicated by way of appropriate electronic media
- The disclosure shall include the nature of any relationship or arrangement with a third party that gives rise to a conflict of interest
- The disclosure shall be made in sufficient detail to enable the client to understand the exact nature of the relationship or arrangement and the conflict of interest
- The disclosure shall include the measures taken to avoid or mitigate the conflict
- The disclosure shall include any ownership interest or financial interest, other than an immaterial financial interest, that the FSP or representative may be or become eligible for
- The disclosure shall include a reference to the FSP's Conflict of Interest Management Policy and how it may be accessed

5 COMPLIANCE MEASURES

The measures implemented towards ensuring the FSP's continued compliance with the Conflict of Interest Management Policy rests with the governing body of the FSP. The FSP's appointed Compliance Officer will monitor the FSP's continued compliance with the policy on an ongoing basis.

The FSP has adopted the following internal controls and processes:

- The governing body of the FSP shall ensure that the Conflict of Interest Management Policy is kept in the FSP's Compliance Manual
- The governing body of the FSP shall ensure that all relevant personnel read the Conflict of Interest Management Policy and understand their duties in respect thereof
- The governing body of the FSP shall ensure that all personnel, and where appropriate, associates are made aware of the contents of the Conflict of Interest Management Policy and shall provide personnel with training and educational material where deemed appropriate

- The governing body of the FSP shall ensure that all Conflict of Interest declarations are signed by relevant personnel on an annual basis
- Where an employee or representative have any concerns whether or not an actual or potential conflict of interest might arise in a particular situation, the employee or representative will be required to refer his or her concern to the FSP's Compliance Officer
- The governing body of the FSP shall ensure that a list of all the FSP's associates is annexed to the Conflict of Interest Management Policy and that a review of the list shall be conducted annually
- The governing body of the FSP shall ensure that a list of all the parties in which the FSP holds an ownership interest is annexed to the Conflict of Interest Management Policy and that a review of the list shall be conducted annually
- The governing body of the FSP shall ensure that a list of all third parties that holds an ownership interest in the FSP is annexed to the Conflict of Interest Management Policy and that a review of the list shall be conducted annually
- The governing body of the FSP shall continue to maintain a Gift Register and shall ensure that all gifts received from a third party with an estimated value of R500 or more are recorded in the FSP's Gift Register
- The governing body of the FSP shall ensure that the proper disclosures are made to the client regarding actual or potential conflicts of interest
- The Conflict of Interest Policy shall be regularly reviewed by the appointed Compliance Officer, and where necessary, updated to ensure that the measures contained herein remains effective
- The governing body of the FSP shall publish its Conflict of Interest Management Policy in appropriate media and ensure that it is easily accessible for public inspection at all reasonable times
- The governing body of the FSP shall ensure that the Conflict of Interest Management Policy is reviewed on at least an annual basis

5.1 CONSEQUENCES OF NON-COMPLIANCE

Where there is reason to believe that an employee or representative has failed to disclose an actual or potential conflict of interest via the proper communication channels, the FSP will proceed to conduct an investigation and take any appropriate steps it deems necessary to limit any financial prejudice that may be suffered by the FSP, its clients or any other third party.

Where an investigation concludes that an employee or representative of the FSP has indeed failed to disclose an actual or potential conflict of interest, the FSP shall immediately take appropriate disciplinary steps and corrective actions against such employee or representative. Any failure by an employee to comply with the Conflict of Interest Management Policy will be considered serious form of misconduct and a dismissible offence.