

CONFLICT OF INTEREST MANAGEMENT POLICY IN TERMS OF THE FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT

Type of Policy:	A policy that applies to all Financial Services Providers registered in terms of the Financial Advisory and Intermediary Services Act, 2004 as recorded in the 'Scope of Policy' only;
Scope of Policy:	<p>Sanlam Investment Management (Pty) Ltd, FSP 579 Sanlam Multi Manager International (Pty) Ltd, FSP 845 Blue Ink Investments (Pty) Ltd, FSP 712 Graviton Financial Partners (Pty) Ltd, FSP 4210 Graviton Wealth Management (Pty) Ltd, FSP 8772 Radius Administrative Services (Pty) Ltd, FSP 43670 Satrix Managers (RF) (Pty) Ltd, FSP 15658 Simeka Wealth (Pty) Ltd, FSP 46871 Sanlam Credit Fund Advisor (Pty) Ltd, FSP 44746 Sanlam Africa Real Estate Advisor (Pty) Ltd, FSP 44356 Sanlam Collective Investments (RF) (Pty) Ltd</p>
Governance Area Addressed:	<p>This policy provides for:</p> <ol style="list-style-type: none"> 1. for the management of conflicts of interests; 2. mechanisms for the identification of conflicts of interest; 3. measures for the avoidance of conflicts of interest, and where avoidance is not possible, the reasons therefore and the measures for the mitigation of such conflicts of interest; 4. measures for the disclosure of conflicts of interest; 5. processes, procedures and internal controls to facilitate compliance with the policy; and 6. consequences of non-compliance with the policy by the Financial Services Provider employees and representatives
Version number:	2

1. POLICY PURPOSE

The purpose of this policy is to provide a framework within which to address areas where conflicts of interest may arise. It aims to establish broad principles and guidance, and it prescribes processes that are essential to ensuring compliance with the Code of Ethical Conduct applicable to SI as well as other regulatory measures (e.g. the FAIS Act).

In conjunction with the Code of Ethical Conduct, this policy aims to promote transparency and fairness in the interest of consumers, employees, providers and SI .

This policy must provide for:

- 1.the management of conflicts of interests;
2. mechanisms for the identification of conflicts of interest;
3. measures for the avoidance of conflicts of interest, and where avoidance is not possible, the reasons therefore and the measures for the mitigation of such conflicts of interest;
4. measures for the disclosure of conflicts of interest;
5. processes, procedures and internal controls to facilitate compliance with the policy; and
6. consequences of non-compliance with the policy by the Financial Services Provider employees and representatives

2. POLICY STATEMENT

Whilst the Group Conflict of Interest policy sets the high level standards for Sanlam, SI has formulated and implemented detailed measures to proactively ensure compliance with these standards, having due regard for the specific business environment.

This policy is related to and must be read with the Code of Ethical Conduct, the Sanlam Group Finance Crime Combating Policy and the Gratifications Policy, which is aligned with the Sanlam Group Policy on the Giving and Receipt of Gratifications.

This policy governs any situation in which a key individual or representative of a Financial Services Provider has an actual or potential interest that may, in the rendering of a financial service to a client:

1. influence the objective performance of his, her or its obligations to that client, or
2. prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the interest of that client

3. DEFINITIONS

3.1 “associate”

3.1.1 in relation to a natural person, means –

- (i) a person who is recognised in law or the tenets of religion as the spouse, life partner or civil union partner of that person;
- (ii) a child of that person, including a stepchild, adopted child and a child born out of wedlock;
- (iii) a parent or stepparent of that person;

- (iv) a person in respect of which that person is recognised in law or appointed by a Court as the person legally responsible for managing the affairs of or meeting the daily care needs of the first mentioned person;
- (v) a person who is the spouse, life partner or civil union partner of a person referred to in subparagraphs (ii) to (iv);
- (vi) a person who is in a commercial partnership with that person.

3.1.2 in relation to a juristic person –

- (i) which is a company, means any subsidiary or holding company of that company, any other subsidiary of that holding company and any other company of which that holding company is a subsidiary;
- (ii) which is a close corporation registered under the Close Corporations Act, 1984 (Act No. 69 of 1984), means any member thereof as defined in section 1 of that Act;
- (iii) which is not a company or a close corporation as referred to in subparagraphs (i) or (ii), means another juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person –
 - (a) had such first-mentioned juristic person been a company; or
 - (b) in the case where that other juristic person, too, is not a company, had both the first-mentioned juristic person and that other juristic person been a company;
- (iv) means any person in accordance with whose directions or instructions the board of directors of or, in the case where such juristic person is not a company, the governing body of such juristic person is accustomed to act;

3.1.3 in relation to any person –

- (i) means any juristic person of which the board of directors or, in the case where such juristic person is not a company, of which the governing body is accustomed to act in accordance with the directions or instructions of the person first-mentioned in this paragraph;
- (ii) includes any trust controlled or administered by that person.

3.2 “Conflict of interest (COI)” means any situation in which a person has an actual or potential interest that may, in rendering a financial service to a client:

- (i) influence the objective performance of their obligations towards such client; or
- (ii) prevent a person 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) a financial interest;

- (b) an ownership interest;
- (c) any relationship with a third party.

3.3 Employee, for the purpose of this policy, will include:

- (i) All directors and full-time employees of any associate of entities mentioned in the 'Scope of Policy'.
- (ii) All temporary contracted employees of any associate of Sanlam Investments;

All employed or contracted representatives and key individuals, including independent financial advisors and tied agents of any associate entities mentioned in the 'Scope of Policy'.

3.4 "FAIS" means the Financial Advisory and Intermediary Services Act, No. 37 of 2002.

3.5 "Fair value" means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction (as set out in the reporting standards adopted in terms of the Companies Act (Act no 61 of 1973)).

3.6 "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 –

- (i) an ownership interest;
- (ii) training, that is not exclusively available to a selected group of providers or representatives, on –
 - (a) products and legal matters relating to those products;
 - (b) general financial and industry information;
 - (c) specialised technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training.

3.7 "FSP" means a Financial Services Provider.

3.8 "Group COI Policy" means the Conflicts of Interest Management Policy for the Sanlam Group.

3.9 "GCO" means the Sanlam Group Compliance Office.

3.10 "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 –

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

3.11 “Ownership interest” means –

- (i) 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
- (ii) includes any dividend, profit share or similar benefit derived from that equity or ownership interest;

3.12 “Sanlam” means the Sanlam Group collectively together with its associates as defined in 3.1 above, and includes references to Sanlam Limited, Sanlam Investment Management and any other entity, legal or operational, reflected as a subsidiary or a Sanlam business in the organizational chart of the Sanlam Group as updated from time to time.

3.13 “SGFCCP” means the Sanlam Group Financial Crime Combating Policy.

3.14 “Sanlam Investments (SI)” consists of all entities as defined in the ‘Scope of Policy’.

3.15 “sign-on bonus” means –

- a. 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
- b. a financial interest referred to in paragraph (a) includes but is not limited to-
 - i. compensation for the-
 - aa. potential or actual loss of any benefit including any form of income, or part thereof; or
 - ab. 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
 - ii. a loan, advance, credit facility or any other similar arrangement;

3.16 “SINERGY” means the SI intranet.

3.17 “The Code of Ethical Conduct” means the Sanlam Group Code of Ethical Conduct.

3.18 “Third party” means –

- (i) a product supplier;
- (ii) another provider;
- (iii) an associate of a product supplier or a provider;
- (iv) a distribution channel;

- (v) any person who in terms of an agreement or arrangement with a person referred to in paragraphs (i) to (iv) above provides a financial interest to a provider or its representatives

Note

- Please refer to **Annexure “B”** which lists the names of third parties in which the FSP’s as defined in the ‘Scope of Policy’ holds an ownership interest as well as third parties that holds an ownership in the FSP’s, together with the extent of such ownership interest.

4. PROCEDURE FOR IMPLEMENTATION OF CONFLICTS OF INTEREST

4.1 MECHANISMS TO IDENTIFYING CONFLICTS OF INTEREST

- 4.1.1 No person may avoid, limit or circumvent, or attempt to avoid, limit or circumvent compliance with the SI COI Management policy via an associate or an arrangement involving an associate.
- 4.1.2 If employees are of the view that their own conduct has caused this policy to be breached, they should inform their line manager at the earliest available opportunity after they have become aware of the breach. Management should report this breach to SI Compliance for further investigation;
- 4.1.3 When employees reasonably suspect that a co-worker or contractor is in breach of this policy, they should report it as soon as possible and in the strictest of confidence, to their line manager or SI Compliance for further investigation.

Every Department Head must, on an ongoing basis, identify any actual or potential COI which may arise within his or her area. These must be reported to SI Compliance.

- 4.1.4 Documented guidelines on providing “immaterial financial interest” have been compiled and are set out in Annexure A. These guidelines will assist the Department Head to identify reportable COI.
- 4.1.5 SI and its employees may only receive or offer the following financial interest from or to a third party. The financial interest includes but is not limited to –
 - (i) Commission authorised in terms of the Long-term Insurance Act (No. 52 of 1998), the Short-term Insurance Act (No. 53 of 1998) or the Medical Schemes Act (No. 131 of 1998).
 - (ii) Commission is strictly monetary amounts paid to a provider, designated as such and determined on a basis specified prior to payment.
 - (iii) Fees authorised in terms of 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;
 - (iv) Fees for the rendering of a financial service in respect of which commission or fees referred to in paragraph (i) or (ii) above is not paid, if those fees –
 - a) are specifically agreed to by a client in writing; and
 - b) may be stopped at the discretion of the client.

- (v) 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;
- (vi) Subject to other legislation, an immaterial financial interest;
- (vii) A financial interest not referred to in paragraphs (i) to (v) above, for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by SI or its representatives at the time of receipt thereof.
- (viii) Services that are not essential in enabling the provider to do business with SI, but which offers the provider value in terms of enhancing or supplementing the provider's interaction with clients may be provided if there is clear proof of benefiting the client and it does not create a conflict of interest.
(Also refer to the decision framework in Annexure A)
- (ix) Services that do not form part of those described in (vii) or (viii) above may be made available to a provider at a fair market value.
- (x) A Category I FSP that is authorised or appointed to give advice may not receive a sign-on bonus from any person.
- (xi) 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 FSP that is authorised or appointed to give advice.

4.1.6 SI shall only provide bona fide training to providers on:

- (i) Products or legal matters relating to those products;
- (ii) General financial and industry information;
- (iii) Specialised technological systems of a third party necessary for the rendering of a financial service;
- (iv) SI may provide reasonable costs directly related to the training provided, such as venue costs, speaker fees and meals. The reasonable costs associated with providing meals and refreshments should not be regarded as part of immaterial financial interests, and need not be recorded.

4.2 MEASURES TO DISCLOSE CONFLICTS OF INTEREST

4.2.1 SI Employees must at the earliest reasonable opportunity disclose to a client any conflict of interest in respect of that client (and all other impacted parties) as well as to SI Compliance.

4.2.2 The disclosure must be made in writing to the client and contain the following information which includes, but is not limited to:

- (i) The measures taken, in accordance with this policy, to avoid or mitigate the conflict;

- (ii) Any ownership interest or financial interest, other than an immaterial financial interest, that SI or its employees may become eligible for;
- (iii) The nature of any relationship or arrangement with a third party that gives rise to a conflict of interest. Sufficient detail in terms of the nature and extent of the relationship that creates or gives rise to the conflict should be disclosed to the client. Such disclosure should enable the client to make a reasonable assessment as to whether to proceed with a transaction;
- (iv) Inform the client of the existence of a SI COI Management policy and how this document may be accessed.

4.3 MECHANISMS TO AVOID OF CONFLICTS OF INTEREST

Once an actual, potential or perceived conflict of interest has been identified, steps need to be taken to avoid such a conflict. Should such avoidance not be possible, steps need to be taken to mitigate such an actual, potential or perceived conflict of interest and must be disclosed to all impacted parties.

4.3.1 SI shall not offer any financial interest to its representatives for:

- (i) Giving preference to the quantity of business secured to the exclusion of the quality of the service rendered to clients; or
- (ii) Giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; or
- (iii) 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.

5. PROCESSES AND PROCEDURES TO ENSURE COMPLIANCE

- 5.1** The Compliance Officer of SI is responsible for managing (and updating) the SI COI Management policy and will provide guidance to SI management thereon (including the pre-clearance of business processes that potentially may cause a conflict of interest).
- 5.2** The onus is on employees subject to this policy to avoid creating COI, and if this is unavoidable, to take effective steps to mitigate such a COI and ensure that proper disclosure is made in respect thereof;
- 5.3** All employees are responsible for identifying specific instances of COI and are required to notify SI Compliance.
- 5.4** SI Compliance maintains a COI Register which is used to determine whether conflicts already identified are still valid, whether the mitigation strategies in place operate effectively and whether there are any new or potential conflicts
- 5.5** The SI Compliance will report all COI identified in the monthly Compliance Officers report to the respective business units and highlight steps that were taken to mitigate the COI.

6. ACCESSIBILITY OF COI MANAGEMENT POLICY

This policy document will be made available on SINERGY as well as on the FSPs websites mentioned in the 'Scope of Policy'.

7. TRAINING AND AWARENESS

7.1 All SI employees will annually receive training on this policy. Specific training and educational material on how conflicts of interest may arise and how it can be avoided

7.2 All new employees will receive training during the SI induction program;

8. CONSEQUENCES OF NON-COMPLIANCE

8.1 Employees' failure to provide disclosures will be seen as a transgression of the Code of Ethical Conduct and will be dealt with in terms of Sanlam's Disciplinary Code.

8.2 Certain transgressions of this policy may result in civil or criminal prosecution. Please refer to the SGFCCP in this regard.

8.3 The FAIS Act provides for penalties in the event that a person is found guilty of contravening the Act, or of non-compliance with the provisions of the Act. The penalty for non-compliance of specific provisions of the Act, is an amount of up to R1 million or a period of imprisonment for up to 10 years.

8.4 The Registrar of FAIS is empowered to refer instances of non-compliance to an Enforcement Committee that may impose administrative penalties on offenders.

8.5 The FAIS Act also gives the Registrar the powers to revoke the license of an FSP.

GUIDELINES TO EVALUATE THE PROVIDING OF “IMMATERIAL FINANCIAL” INTERESTS TO PROVIDERS

1. LEGISLATIVE REQUIREMENTS

In terms of the FAIS General Code of Conduct the following requirements are set for managing conflicts of interests that may be created between an FSP and his/her client:

1.1 Principle based requirement

The following principle applies:

“A provider or a representative must avoid and where this is not possible mitigate any conflict of interest between the provider and a client or the representative and a client.”

1.2 Rule based requirement

An FSP is not allowed to offer Brokers (and they are not allowed to receive) any financial interest other than:

- (i) Statutory commission and fees;
- (ii) Fees applicable to the investment industry as agreed to by the client;
- (iii) Fees for rendering a service to a third party (this provides for outsourcing arrangements, e.g. back office services rendered in the collective investments environment);
- (iv) Immaterial financial interest. The focus is on the immateriality of the financial interest that is given, but is subject to an overall maximum amount of R1 000 in a calendar year per annum; and
- (v) Financial interest for which the Broker pays a fair value.

2. GENERAL INTENTION OF THE REGULATIONS

The general intention of the regulations is to eradicate the opulence that business courtesies have been known to create. Normal business courtesies (as indicated by the examples used in this document) are still acceptable provided they fall within the limitations set out below.

3. APPLICATION OF IMMATERIAL FINANCIAL INTEREST

In terms of the definition of “immaterial financial interest”, the amount of R1 000 would apply to a “provider who is a sole proprietor”, (i.e. a Key Individual who is also a representative), a representative of an FSP who stands to benefit, and an FSP who may benefit or all or some of its representatives.

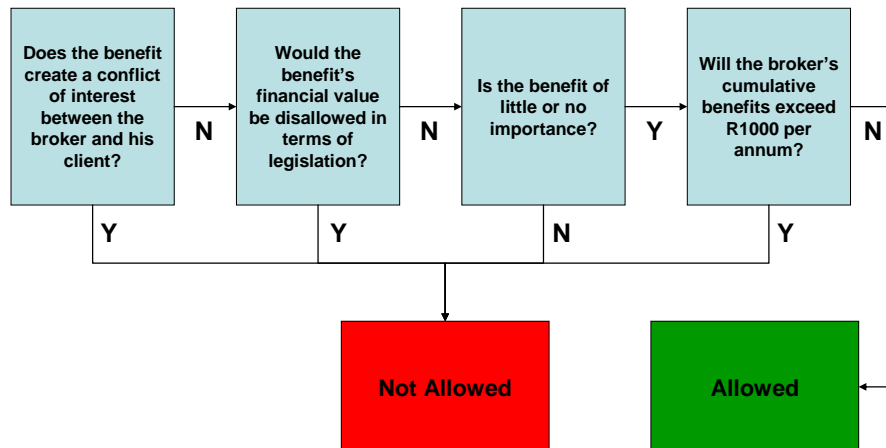
The limitation of the R1 000 amount is applicable to FSP’s, their key individuals and representatives.

This can be illustrated by way of an example:

A FSP may have 100 representatives. The limitation on providing “immaterial financial interests” is limited to a R1 000 per individual (a FSP may not aggregate the R1000 per representative to the benefit of another FSP) (100 X R1 000 for the FSP).

4. FRAMEWORK FOR DECISION MAKING

The following decision-tree is suggested as a guide to assist in deciding whether a specific benefit is allowable:



5. EXAMPLES

5.1 Extending Invitations to key individuals and representatives

(i) Golf Invitations

An invitation to a key individual or representative of another FSP to attend a golf game is acceptable, and is not viewed as creating an unallowable conflict of interest. The limitation is however that this may only include reasonable expenses to be paid for by the FSP. Reasonable expenses would be linked to the specific circumstances of an event, but always limited to an overall maximum amount of R1 000 per calendar year. As such an invitation falls within the definition of an allowable financial interest, this would need to be recorded and will be subject to the R1 000 pa immaterial financial interest limit.

(ii) Sporting and similar events

As part of its normal marketing activities, companies within the Sanlam Group may at times host (or be asked to participate in) a charity event (e.g. sponsoring a golf event or hole). When an FSP invites key individuals and representatives of another FSP to play (as part of the benefits afforded to the FSP for its sponsorship), this is not regarded as creating an unallowable conflict of interest. The limitation set out in (i) above applies.

(iii) Invitations to cultural events

The same limitation as set out in (a)(i) above applies.

5.2 Hosting Events for brokers

(i) Golf Day

Hosting a golf day for brokers is regarded as creating an unallowable conflict of interest.

(ii) Hunting/fishing

Hosting a social trip for brokers is regarded as creating an unallowable conflict of interest.

5.3 Inviting key individuals and representatives to conduct a “due diligence” visit to SI’s Office

Inviting key individuals and representatives from a FSP (and their managers) to interact with SI office staff is not regarded as an unallowable conflict of interest. The limitation would however be that no travel or accommodation costs may be paid for by the FSP. Normal business courtesies (linked to reasonable expenses) would be allowable, but would be subject to the overall maximum of R1000 per annum in any calendar year.

5.4 Providing brokers with marketing material to conduct promotional projects

Providing brokers with a complimentary supply of SI specific branded material to conduct his/her own promotional activities, is regarded as creating an unallowable conflict of interest.

Providing marketing material to brokers at the normal distribution price is acceptable.

(Bear in mind that providing free promotional material for their own promotional activities and including this as an “immaterial financial interest” is not allowed.)

5.5 Providing brokers with a Sanlam diary (or other date-linked items)

Providing a broker with a diary is not regarded as creating an unallowable conflict of interest. The cost of such a diary should however be included in the calculation of “immaterial financial interest” (in relation to such a broker).

5.6 Hosting product seminars on behalf of a broker

An FSP (who is also a product provider) may invite its clients to a function where its products are explained. At such a function the FSP is the host, and sends out invitations to its clients (and prospective clients).

Brokers may request the product provider to send invitations to his/her clients, but the guest list remains the sole responsibility of the product provider. The FSP (product provider) may provide reasonable refreshments to its clients (and prospective clients) at such functions.

5.7 Personal gifts of nominal value

Providing a supporting broker with a gift of a nominal value at special occasions e.g. at the end of the year, at birthdays, anniversaries is allowed provided that the cost of such gift should be included in the calculation of “immaterial financial interest”.