

**CONFLICT OF INTEREST MANAGEMENT POLICY AS REQUIRED BY THE FAIS  
GENERAL CODE OF CONDUCT**

**FOR**

**SANLAM TRUST LIMITED**

**(FAIS COI POLICY)**

**EXECUTIVE SUMMARY**

The objective of the Sanlam Trust (ST) Conflict of Interest (COI) 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 ST 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 ST.

The policy defines how conflicts of interest are to be managed, that is, to identify potential conflicts, to avoid conflicts where possible and, how to disclose.

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## 1. DEFINITIONS

### 1.1 “Associate”

- (a) 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;
- (b) 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-
    - had such first-mentioned juristic person been a company; or
    - 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;
- (c) 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.

1.2 **“COI”** means Conflict of Interest.

1.3 **“Conflict of interest”** means any situation in which a person has an actual or potential interest that may, in rendering a financial service to a client:-

(a) influence the objective performance of their obligations towards such client; or

(b) 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 –

(i) a financial interest;

(ii) an ownership interest;

(iii) any relationship with a third party.

1.4 **“Employee”**, for the purpose of this policy, will include:

(a) All directors and full-time employees of any associate of Sanlam Limited;

(b) All temporary contracted employees;

(c) All employed representatives including independent financial advisors and tied agents.

1.5 **“Exco”** means the Sanlam Trust Executive Committee.

1.6 **“FAIS”** means the Financial Advisory and Intermediary Services Act, No. 37 of 2002.

1.7 **“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).

1.8 **“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 -

(a) an ownership interest;

(b) training, that is not exclusively available to a selected group of providers or representatives, on -

(i) products and 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;

but excluding travel and accommodation associated with that training.

- 1.9 **“Financial Service”** means any service contemplated in paragraph (a), (b) or (c) of the definition of ‘financial services provider’, including any category of such services.
- 1.10 **“FSB”** means the Financial Services Board.
- 1.11 **“Financial Services Provider”** means any person, other than a representative, who as a regular feature of the business of such person –
- (a) furnishes advice; or
  - (b) furnishes advice and renders any intermediary service; or
  - (c) renders an intermediary service
- 1.12 **“FSP”** means a Financial Services Provider.
- 1.13 **“Group COI Policy”** means the FAIS COI Policy for the Sanlam Group.
- 1.14 **“GCO”** means the Sanlam Group Compliance Office.
- 1.15 **“Immaterial Financial Interest”** means any financial interest with a determinable monetary value, the aggregate of which does not exceed R1 000 in any calendar year from the same third party in that calendar year received by -
- (a) a provider who is a sole proprietor; or
  - (b) a representative for that representative’s direct benefit;
  - (c) a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives;
- 1.16 **“Ownership Interest”** means -
- (a) 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
  - (b) includes any dividend, profit share or similar benefit derived from that equity or ownership interest.
- 1.17 **“Provider”** means an authorised FSP registered as such with the FSB.
- 1.18 **“Representative”** means any person, including a person employed or mandated by such first-mentioned person, who renders a financial service to a client for or on behalf of a financial services provider, in terms of conditions of employment or any other mandate, but excludes a person

rendering clerical, technical, administrative, legal, accounting or other service in a subsidiary or subordinate capacity, which service-

- (a) does not require judgment on the part of the latter person; or
- (b) does not lead a client to any specific transaction in respect of a financial product in response to general enquiries.

1.19 “**Sanlam**” means the Sanlam Group inclusive of its associates as defined in 1.1 above, and includes references to Sanlam Limited, Sanlam Life Insurance Limited 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.

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

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

1.22 “**Third party**” means -

- (a) a product supplier;
- (b) another provider;
- (c) an associate of a product supplier or a provider;
- (d) a distribution channel;
- (e) 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

**Note**

- Please refer to **Annexure “A”** which lists the names of associates set out in an organisational diagram in which Sanlam holds an ownership interest, together with the nature and extent of such ownership interest. SL forms part of this organisational structure.

**2. INTRODUCTION**

Sanlam Trust is committed to ensuring that all business is conducted in accordance within the standards of good corporate governance.

Accordingly, the manner in which ST conducts business is based on integrity and ethical and equitable behaviour.

This policy aims to emphasise the interests of all stakeholders by minimising and managing all actual or potential conflicts of interest.

### **3. OBJECTIVE**

Various regulatory measures that have been developed include the FAIS General Code of Conduct and the Financial Institutions (Protection of Funds) Act (No. 28 of 2001) which is directed towards, inter alia:

- the duties of persons dealing with the funds of clients and financial institutions;
- observing the utmost good faith and exercising proper care and diligence with regard to the funds of such clients and institutions; and
- ensuring a consistent manner of dealing with conflicts of interest and the disclosure thereof.

One of the consequences of implementing this legislation is that consumers will be exposed to fewer conflicts of interest and where such conflicts have been identified, (but could not be avoided) these would be effectively managed, and adequate disclosure would have been made.

The objective of the ST COI 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 ensure compliance with the Code of Ethical Conduct as well as other regulatory measures such as 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 ST.

### **4. POLICY STATEMENT**

Whilst the Group COI policy sets the high level standards for Sanlam, ST has formulated and implemented detailed measures to proactively ensure compliance with these standards, having due regard for the specific business environment within which ST operates.

This policy is related to and must be read with the Code of Ethical Conduct, the SGFCCP, Sanlam Group Policy on the Giving and Receipt of Gratifications and the business specific FAIS COI Management Policy.

This policy applies to all employees, third parties where applicable and, associates as defined.

No person may avoid, limit or circumvent, or attempt to avoid, limit or circumvent compliance with the ST COI policy via an associate or third party or an arrangement involving an associate or a third party.

## **5. MANAGING CONFLICTS OF INTEREST**

Once a conflict of interest has been identified, it must be appropriately and adequately managed

### **5.1. Avoidance of Conflicts of Interest**

- 5.1.1 Once an actual or potential conflict of interest has been identified, steps must be taken (wherever possible), to avoid such a conflict.
- 5.1.2 Should such avoidance not be possible, steps must be taken to mitigate and adequately manage such an actual or potential conflict of interest and the conflict must be disclosed to all impacted parties.

### **5.2 Processes and Procedures to ensure Compliance**

- 5.2.1 ST (as a business entity within the Sanlam Group) adopts this policy as the standard according to which businesses conducting business in terms of the ST Financial Services Provider licence (FSP 21489) shall conduct business in relation to the identification, avoidance and managing of conflicts of interest.
- 5.2.2 The Compliance Officer of ST is responsible for managing (and updating) the ST COI policy and will provide guidance to ST management thereon (including the pre-clearance of business processes that potentially may cause a conflict of interest).
- 5.2.3 The onus is on the individuals subject to this policy to avoid creating conflicts of interest, and if this is unavoidable, to take effective steps to mitigate such a COI and ensure that proper disclosure is made in respect thereof;
- 5.2.4 All employees are responsible for identifying specific instances of COI/ potential COI and are required to notify the ST Compliance Officer (or the GCO) of any conflicts of interest they become aware of. The ST Compliance Officer will escalate the conflict of interest to the Chief Executive with a recommendation as to how the conflict of interest should be managed (if it cannot be avoided);
- 5.2.5 Documentation and processes which have been formulated to identify, avoid, mitigate and disclose conflicts of interest include the following:
  - The central register for the recording of conflicts of interest;
  - The Sanlam Trust Investment Policy Statement;
  - Continuous monitoring of compliance to the ST COI Policy;
  - Where monitoring reveals non-compliance to either the Group COI Policy or this Policy, the CO will assess the risk and escalated it to the ST Chief Executive with a recommendation as of measures to be taken to mitigate the risk;



- 5.2.6 Employment contracts must include the necessary termination and/or sanctions clauses to manage the risk of an actual or potential conflicts of interest situations created by employee acts or omissions;
- 5.2.7 Disciplinary procedures in ST must provide for the review of any breach by employees and determine appropriate sanctions;
- 5.2.8 If employees are of the view that their own conduct has caused this policy to be breached, they must inform their manager at the earliest available opportunity after they have become aware of the breach. Management must report this breach to the ST Compliance Officer for further investigation;
- 5.2.9 When employees reasonably suspect that a co-worker or contractor is in breach of this policy, they must report it as soon as possible and in the strictest of confidence, to their line manager or the ST Compliance Officer for further investigation.

### **5.3 Disclosure of Conflicts of interest**

- 5.3.1 ST and its 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).
- 5.3.2 The disclosure must be made in writing to the client and contain the following information which includes, but is not limited to:
  - a) The measures taken, in accordance with this policy, to avoid or mitigate the conflict;
  - b) 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 must be disclosed to the client. Such disclosure should enable the client to make a reasonable assessment as to whether to proceed with a transaction; and
  - c) Informing the client of the existence of a ST COI policy and how this document may be accessed.

## **6 . ACCESSIBILITY OF POLICY**

This policy document will be made available on the Sanlam intranet as well as the Sanlam website to ensure that it is easily accessible by employees, clients and third parties at all reasonable times.

## **7. TRAINING AND AWARENESS**

- 7.1 All ST employees, contractors and temporary workers will annually receive appropriate training and awareness on this policy
- 7.2 All newly recruited employees should attend a training session during their induction program.

## **8. CONSEQUENCES OF NON-COMPLIANCE**

- 8.1 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.
- 8.2 The Registrar of FAIS is empowered to refer instances of non-compliance to an Enforcement Committee that may impose administrative penalties on offenders.
- 8.3 The FAIS Act also gives the Registrar the powers to revoke the license of an FSP.
- 8.4 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 the disciplinary procedures as foreseen in paragraphs 6.8 and 6.9 above.
- 8.5 Certain transgressions of this policy may result in civil or criminal prosecution. Please refer to the SGFCCP in this regard.
- 8.6 All potential transgressions of this policy must be investigated fairly and objectively and be reported by the relevant compliance department to the relevant Chief Executive for a decision.

## **9. REVISION**

This policy document will be reviewed on an annual basis and submitted by the CO to the Exco and the Sanlam Trust Board for evaluation and amendment, where necessary.