

# **CONFLICT OF INTEREST MANAGEMENT POLICY FOR SIMEKA CONSULTANTS & ACTUARIES (PTY) LTD (FSP 13900)**

**(WITH SPECIFIC REFERENCE TO THE FAIS GENERAL CODE OF CONDUCT)**

## **1. DEFINITIONS**

### **1.1 “associate”**

**1.1.1** 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;

A schedule of the Associates of Simeka is attached marked Annexure D

**1.1.2** 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;

**1.1.3** 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.

**1.2 “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:-

- (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.

**1.3 Employee**, for the purpose of this policy, will include:

- (i) All directors and full-time employees of any associate of Sanlam Investment Management;
- (ii) All temporary contracted employees;
- (iii) All employed or contracted representatives including independent financial advisors and tied agents.

**1.4 “Exco”** means the Simeka Consultants & Actuaries Executive Committee.

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

**1.6 “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).

**1.7 “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.

**1.8 “FSP”** means a Financial Services Provider.

**1.9 “Group COI Policy”** means the Conflicts of Interest Management Policy for the Sanlam Group.

**1.10 “GCO”** means the Sanlam Group Compliance Office.

**1.11 “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 ail of its representatives, aggregates the immaterial financial interest paid to its representatives;

**1.12 “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;

**1.13 “Provider”** means an authorised FSP registered as such with the Financial Services Board.

**1.14 “Sanlam”** means the Sanlam Group collectively together with its associates as defined in 1.1 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.

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

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

**1.17 “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 “A”** which lists the names of third parties in which Simeka holds an ownership interest, together with the nature and extent of such ownership interest.
- Please refer to **Annexure “B”** which lists the names of any third parties that holds an ownership interest in Simeka, together with the nature and extent of such ownership interest.

**2. INTRODUCTION**

Simeka Consultants & Actuaries (Pty) Limited (Simeka) is committed to ensuring that all business is conducted in accordance with the standards of good corporate governance.

Accordingly, the manner in which Simeka 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, potential or perceived conflicts of interest.

**3. OBJECTIVE**

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

- (i) the duties of persons dealing with the funds of clients and financial institutions;
- (ii) observing the utmost good faith and exercising proper care and diligence with regard to the funds of such clients and institutions; and
- (iii) 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 mitigated (managed), and adequate disclosure would have been made to all impacted parties.

The objective of the Simeka Conflict of Interest Management (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 Simeka 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 SIMEKA.

#### **4. POLICY STATEMENT**

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

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

This policy applies to all employees and associates as defined.

This policy has been approved by the Simeka Board of Directors.

#### **5. MANAGING THE RISK OF CONFLICTS OF INTEREST DEVELOPING**

Once a conflict of interest has been identified, it needs to be appropriately and adequately managed.

##### **5.1 IDENTIFYING CONFLICTS OF INTEREST**

- 5.1.1** No person (including Simeka) may avoid, limit or circumvent, or attempt to avoid, limit or circumvent compliance with the Simeka COI Management policy via an associate or an arrangement involving an associate.
- 5.1.2** Simeka 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 Simeka or its representatives at the time of receipt thereof.
- (viii) Services that are not essential in enabling the provider to do business with Simeka, 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 C)
- (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.

**5.1.3** Simeka 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) Simeka 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.

**5.1.4** Simeka 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.

## **5.2 AVOIDANCE OF CONFLICTS OF INTEREST**

Once an actual, potential or perceived conflict of interest has been identified, steps need to be taken to (wherever possible) 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.

## **5.3 DISCLOSURE OF CONFLICTS OF INTEREST**

**5.3.1** Simeka and its representatives 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 Simeka Compliance.

**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:

- (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 Simeka 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 Simeka COI Management policy and how this document may be accessed.

## **6. PROCESSES AND PROCEDURES TO ENSURE COMPLIANCE**

**6.1.** Simeka, a licensed FSP, and a business entity within the Sanlam Group, adopts this policy as the standard according to which it shall conduct its business in relation to the identification, avoidance and managing of conflicts of interest.

**6.2.** The Compliance Officer of Simeka is responsible for managing (and updating) the Simeka COI Management policy and will provide guidance to Simeka management thereon (including the pre-clearance of business processes that potentially may cause a conflict of interest).

**6.3.** 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;



- 6.4.** All employees are responsible for identifying specific instances of conflict of interest and are required to notify Simeka Compliance of any conflicts they become aware of. The Simeka Compliance Officer will escalate the conflict of interest to the Chief Executive with a recommendation as to how the conflict should be managed (if it cannot be avoided);
- 6.5.** Documented guidelines to management on providing “immaterial financial interest” have been compiled and are set out in Annexure C. These guidelines may be adapted from time-to-time to address specific business needs.
- 6.6.** Documented processes to identify, avoid, mitigate and disclose conflicts of interest have been formulated.
- (i) The framework to evaluate whether the providing of immaterial financial interests to providers create an actual or potential conflict of interest, and whether it is allowable in terms of the financial conditions imposed by regulation (R1000 per annum) is set out in Annexure C.
  - (ii) The central register for the recording of conflicts of interest, including the persons involved and the controls implemented has been created.
  - (iii) Measures will be implemented to ensure continuous monitoring of compliance to the Simeka COI Management Policy.
  - (iv) Where monitoring has identified non-compliance with the Simeka COI Management policy, the compliance risk should be assessed and escalated to the SIMEKA Chief Executive with a recommendation as to the measures that will be taken to mitigate the compliance risk;
  - (v) Specific instances of conflict may require management intervention in addition to the documented controls already in place. This may include escalation to the Simeka Chief Executive for a decision on how the conflict should be managed, for example, disclose to the client or decline to act.
- 6.7.** All employment contracts must include the necessary termination and/or sanctions clauses to manage the risk of an actual or potential conflict of interest that is created;
- 6.8.** Disciplinary procedures in Simeka must provide for the review of any breach by employees and determine appropriate sanctions;
- 6.9.** 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 Simeka Compliance for further investigation;
- 6.10.** 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 Simeka Compliance Office for further investigation.

## **7. ACCESSIBILITY OF COI MANAGEMENT POLICY**

This policy document will be made available on the Simeka website to ensure that it is easily accessible for inspection by employees, clients and third parties at all reasonable times. A hard copy of the policy will be provided upon request from Simeka Compliance.

## **8. TRAINING AND AWARENESS**

- 8.1.** All Simeka employees, contractors and temporary workers will annually receive appropriate training and awareness on this policy.
- 8.2.** All newly recruited employees should attend a training session during their induction program;
- 8.3.** The Simeka Operations Officer will co-ordinate and facilitate training interventions for Simeka employees. Training and training materials provided to representatives must include a reference to, and information on the content and application of this policy.

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

- 9.1.** 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.
- 9.2.** The Registrar of FAIS is empowered to refer instances of non-compliance to an Enforcement Committee that may impose administrative penalties on offenders.
- 9.3.** The FAIS Act also gives the Registrar the powers to revoke the license of an FSP.
- 9.4.** 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 Sanlam's Disciplinary Code.
- 9.5.** Certain transgressions of this policy may result in civil or criminal prosecution. Please refer to the SGFCCP in this regard.
- 9.6.** 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.

## **10. REVISION**

This policy document will be reviewed on an annual basis and submitted by the Simeka Compliance Officer to the Simeka Exco and the Simeka Board for evaluation and adjustment, where necessary.

**Annexure A**

**LIST OF THIRD PARTIES IN WHICH SIMEKA HOLDS AN OWNERSHIP INTEREST**

No.	Product Supplier	Nature of ownership interest eg. equity or proprietary interests or holdings	Extent of ownership interest	Relevant Associates	Agreements / arrangements where a financial interest is provided to a provider or its representative
	NONE				
	<b>Product Provider</b>				
	NONE				
	<b>Distribution Channel Arrangements</b>				
	NONE				

**Annexure B**

**LIST OF THIRD PARTIES THAT HOLDS AN OWNERSHIP INTEREST IN SIMEKA**

<b>No.</b>	<b>Product Supplier</b>	<b>Nature of ownership interest eg. equity or proprietary interests or holdings</b>	<b>Extent of ownership interest</b>	<b>Relevant Associates</b>	<b>Agreements / arrangements where a financial interest is provided to a provider or its representative</b>
	Sanlam Life Insurance Limited	Shareholding	100%		
	<b>Product Provider</b>				
	NONE				
	<b>Distribution Channel Arrangements</b>			N/A	
	NONE				

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

**1. LEGISLATIVE REQUIREMENTS**

In terms of the General Code of Conduct (issued in terms of FAIS), 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<sup>1</sup>. The focus is on the immateriality of the financial interest that is given, but is subject to an overall maximum amount of R1000 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 R1000 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.

It would follow that the limitation of the R1000 amount is aimed at providers (FSP's) and their representatives. As the FSP may also be a legal entity, it would follow that such reference would include the Key Individuals (in their capacity as representatives) linked to such providers.

This can be illustrated by way of an example: A corporate brokerage who is an FSP may have 100 representatives. The limitation on providing "immaterial financial interests" is limited to a R1000 per individual (and does not apply to the aggregation of 100 representatives (100 X R1000 for the FSP). This means that you cannot multiply the R1000 by the 100 representatives and regard this as an immaterial financial interest that accrues to the FSP.

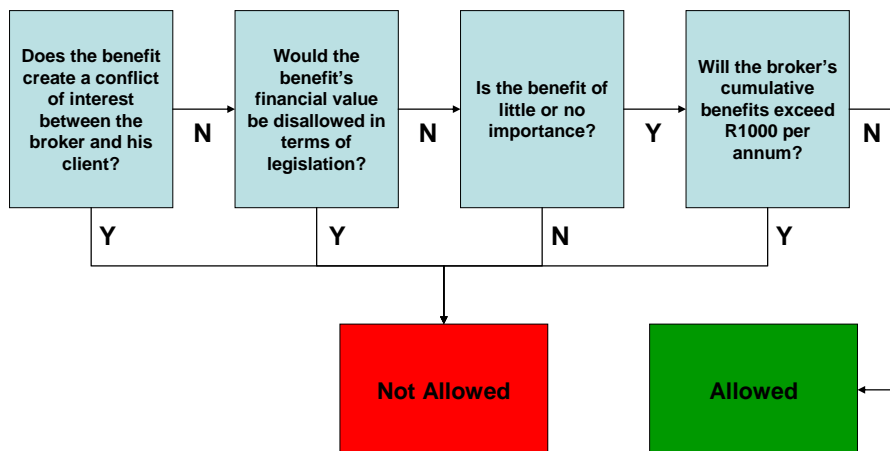
In a Sanlam Group context, this would mean that all "providers" and "product suppliers" (who are not also FSP's) would be entitled to justify the expenses related to "immaterial financial interests" limited to R1000 per FSP (or representative). In practical terms this would allow SIMEKA (as an FSP) to spend a maximum of R1000 per broker on "immaterial financial interests" in a calendar year.

The R1000 limitation will be aggregated in instances where there are various divisions within an FSP – (e.g. SIM (Pty) Ltd is the FSP, but SIM Global, SPE (Sanlam Private Equity) and SSS (Sanlam Structured Solutions) are all divisions of SIM).

The requirements in Board Notice 58 of 2010 apply to all relationships between the FSP and other FSP's, product suppliers and representatives, in respect of services rendered in South Africa but regardless of whether they are domiciled in South Africa or internationally.

#### 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 brokers**

(i) **Golf Invitations**

An invitation to a broker 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 R1000 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 R1000 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 brokers 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 (a) (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.

### 5.3 **Inviting brokers to conduct a “due diligence” visit to SANLAM’s Office**

Inviting brokers (and their managers) to interact with Simeka 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 Simeka 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 and including this as an “immaterial financial interest” is not allowed.)

**5.5 Proving 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”.