

SANLAM DEVELOPING MARKETS LIMITED (FSP 11230 , 11231)
CONFLICT OF INTEREST MANAGEMENT POLICY
(WITH SPECIFIC REFERENCE TO THE FAIS GENERAL CODE OF CONDUCT)

EXECUTIVE SUMMARY

The objective of the Sanlam Developing Markets Limited's (SDM) 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 SDM 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 SDM.

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-
 - (aa) had such first-mentioned juristic person been a company; or
 - (bb) 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 **“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 –
 - a financial interest;
 - an ownership interest;
 - any relationship with a third party.

As dealt with in Board Notice 58 of 2010 amending the FAIS General Code of Conduct .

- 1.3 **“Employee”**, for the purpose of this policy, will include:
- a) All directors and full-time employees of any associate of Sanlam Developing Markets Limited;
 - b) All temporary contracted employees;
 - c) All employed or contracted representatives including independent financial advisors and tied agents.

1.4 **“Exco”** means the Sanlam Developing Markets Limited 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 -

- (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.

- 1.8 **“FSP”** means a Financial Services Provider.
- 1.9 **“financial service 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.
- 1.10 **“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;
- 1.11 **“Group COI Policy”** means the Conflicts of Interest Management Policy for the Sanlam Group.
- 1.12 **“GCO”** means the Sanlam Group Compliance Office.
- 1.13 **“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;
- 1.14 **“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;
- 1.15 **“Provider”** means an authorised FSP registered as such with the FSB.
- 1.16 **“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;
- 1.17 **“Sanlam”** means the Sanlam Group collectively together with its associates and includes references to Sanlam Limited, Sanlam Developing Markets 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.

1.18 “ **SDM** refers to Sanlam Life Developing Markets Limited (FSP 11230.11231)

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

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

1.18 “**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. SDM forms part of this organisational structure.

2. INTRODUCTION

SDM is committed to ensuring that all business is conducted in accordance with the standards of good corporate governance.

Accordingly, the manner in which SDM 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

Consumerism has led to regulatory measures that have been developed to protect the interests of consumers, including the FAIS General Code of Conduct ,which are 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 mitigated (managed), and adequate disclosure would have been made to all impacted parties.

The objective of the SDM 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 SDM 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 SDM.

4. POLICY STATEMENT

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

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

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

5. MANAGING THE RISK OF CONFLICTS OF INTEREST DEVELOPING

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

5.1 IDENTIFYING CONFLICTS OF INTEREST

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

5.1.2. SDM and its employees (i.e. representatives) may only receive or offer the following financial interest from or to a third party. The financial interest includes but is not limited to –

a) 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).

Commission is strictly monetary amounts paid to a provider, designated as such and determined on a basis specified prior to payment.

b) 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;

c) Fees for the rendering of a financial service in respect of which commission or fees referred to in paragraph (a) or (b) above is not paid, if those fees –

- are specifically agreed to by a client in writing; and

- may be stopped at the discretion of the client.
- d) 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;
 - e) Subject to other legislation, an immaterial financial interest;
 - f) A financial interest not referred to in paragraphs (a) to (e) above, for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by the provider or its representatives at the time of receipt thereof.
 - g) Sales tools or services (electronic or otherwise) that SDM wishes to provide to a financial services provider (provider), on condition that the tools and services provided to a provider are:
 - essential in enabling the provider to prepare, submit and finalise any business transaction in accordance with SDM's business requirements;
 - not essential, but offers value to the provider in terms of enhancing/ supplement the provider's interaction with clients; and
 - regarded as other services.

(Refer also to the decision framework in AnnexureB)
 - h) Services that are essential in enabling the provider to prepare, submit and/ or finalise SDM transaction documentation, may be offered unless it would influence the provider in the objective performance of its functions or prevent the provider from rendering unbiased service.

(Refer also to the decision framework in Annexure B)
 - i) Services that are not essential in enabling the provider to do business with SDM , 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.

(Refer also to the decision framework in Annexure C)
 - j) Services that do not form part of those described in (h) or (i) above may be made available to a provider at a fair market value.

5.1.3. SDM shall only provide bona fide training to providers on:

- a) Products or legal matters relating to those products;
- b) General financial and industry information; and
- c) Specialised technological systems of a third party necessary for the rendering of a financial service. This would include SDM sales and administrative processes aimed at enabling other FSP`s to do business with SDM.

SDM 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.

SDM or its associates may not provide for the travel and accommodation associated with the training and may not offer the training to an exclusive group of FSPs only.

Other forms of training not mentioned in (a) – (c) above, may be provided subject to a consideration or remuneration (based on fair value) being paid for the training so provided to FSPs (or their representatives) receiving the training.

5.1.4. SDM shall **not** offer any financial interest to its representatives for:

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

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

5.3 DISCLOSURE OF CONFLICTS OF INTEREST

5.3.1 SDM 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).

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) Any ownership interest or financial interest, other than an immaterial financial interest, that SDM or its employees may become eligible for;
- c) 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
- d) Informing the client of the existence of a SDM COI policy and how this document may be accessed.

6. PROCESSES AND PROCEDURES TO ENSURE COMPLIANCE

6.1. SDM (as a business entity within the Sanlam Group) adopts this policy as the standard according to which businesses conducting business in terms of the SDM Financial Services Provider licence (FSP 11230 ,11231) shall conduct business in relation to the identification, avoidance and managing of conflicts of interest.

- 6.2. The Compliance Officer of SDM is responsible for managing (and updating) the SDM COI policy and will provide guidance to SDM 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 conflicts of interest and are required to notify the SDM Compliance Officer (or the GCO) of any conflicts of interest they become aware of. The SDM 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);
- 6.5. Documented guidelines to management on the provision of “immaterial financial interest” are set out in Annexure E. These guidelines may be adapted from time-to-time to address specific business needs.
- 6.6. Documentation and processes which have been formulated to identify, avoid, mitigate and disclose conflicts of interest include the following: .
 - a) The framework to evaluate whether the providing of sales tools to providers (electronic or otherwise) creates an actual or potential conflict of interest is set out in Annexure B.
 - b) The framework to evaluate whether the providing of services in support of providers create an actual or potential conflict of interest, is set out in Annexure B.
 - c) 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.
 - d) The central register for the recording of conflicts of interest, including the persons involved and the controls implemented has been created.
 - e) Measures will be implemented to ensure continuous monitoring of compliance to the SDM COI Policy.
 - f) Where monitoring has identified non-compliance with either the Group COI policy or the SDM COI policy, the compliance risk should be assessed and escalated to the SDM Chief Executive with a recommendation as to the measures that will be taken to mitigate the compliance risk; and
 - g) Specific instances of conflicts of interest may require management intervention in addition to the documented controls already in place. This may include escalation to the SDM Chief Executive for a decision on how the conflict should be managed, for example, disclosure to the client or declining 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 conflicts of interest situations created by employee acts or omissions;
- 6.8. Disciplinary procedures in SDM 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 must inform their manager at the earliest available opportunity after they have become aware of the breach. Management must report this breach to the SDM Compliance Officer for further investigation;
- 6.10. 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 SDM Compliance Officer for further investigation.

7. ACCESSIBILITY OF COI 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 for inspection by employees, clients and third parties at all reasonable times.

8. TRAINING AND AWARENESS

- 8.1. All SDM employees, contractors and temporary workers will annually receive appropriate training and awareness on this policy.
- 8.2. All newly recruited employees must attend a training session during their induction program;
- 8.3. The SDM Human Resources department will co-ordinate and facilitate training interventions for SDM employees. SDM Training and Developing will co-ordinate and facilitate training interventions for Distribution sales personnel (both SDM Advisers and Broker Distribution).
- 8.4. 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-COMPLANCE

- 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 make the necessary disclosures could 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.

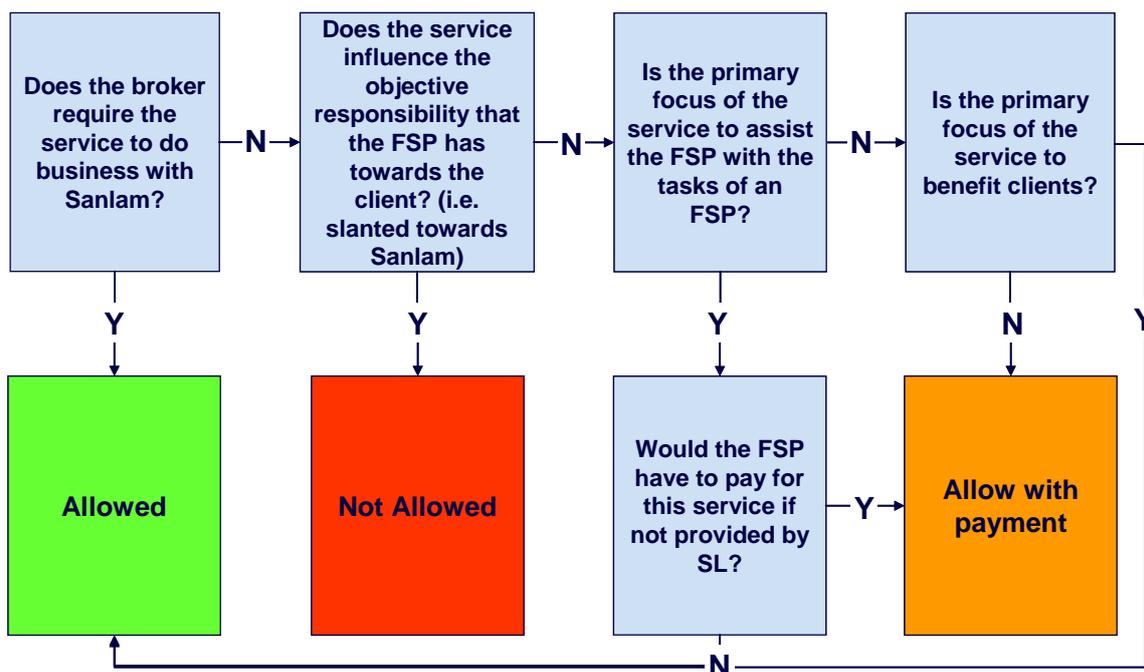
10. REVISION

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

REFER TO ATTACHED ORGANISATIONAL DIAGRAM

Framework to evaluate the provision of broker support services and tools

Services for Brokers framework



Guidelines to evaluate the provision 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 their client:

“Conflict of interest” – This means any situation where an FSP or representative has an actual or potential interest (financial¹ or otherwise) that may influence the objective exercise of their obligations to a client. The focus is on any relationship (e.g. with a product provider) that would prevent such a person from offering unbiased and fair advice (or intermediary service) or from acting in the interest of a client.

- 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.”

- Rule based requirement
An FSP is not allowed to offer Brokers (and they are not allowed to receive) any financial interest other than:
 - a. Statutory commission and fees;
 - b. Fees applicable to the investment industry as agreed to by the client;
 - c. 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);
 - d. Immaterial financial interest². 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
 - e. Financial interest for which the Broker pays a fair value.

2. **General intention of the regulations**

¹ **“Financial Interest”** – means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, training, sponsorship, other incentive or valuable consideration, other than an ownership interest.

² **“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, received by a provider or its associate, or representative from the same third party or an associate of that third party in that calendar year.

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 applies to Providers(FSPs) and their representatives .It cannot be aggregated for an FSP having multiple representatives .. As the FSP may also be a legal entity, it follows that Key Individuals (in their capacity as representatives) linked to such providers are included..

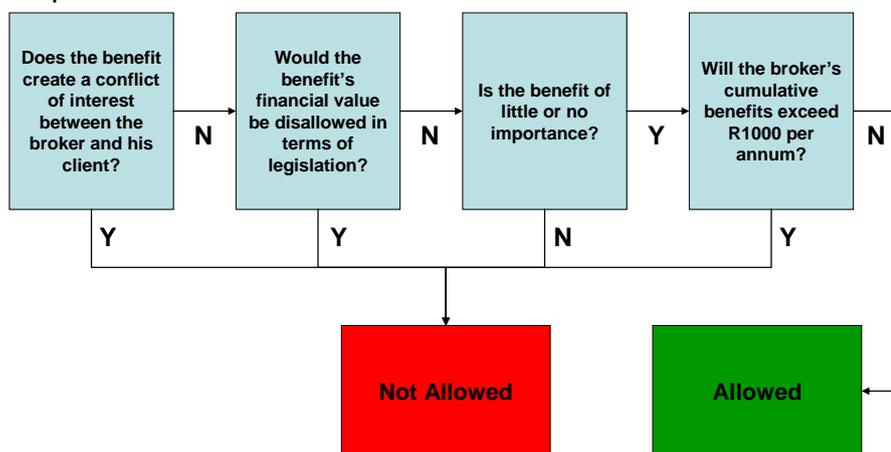
This can be illustrated by way of an example: A brokerage which is an FSP may have 100 representatives. The limitation on providing “immaterial financial interests” is R1000 per individual You cannot multiply the R1000 by the 100 representatives and regard this as an immaterial financial interest that accrues to the FSP.

The R1000 limitation will be aggregated across the various divisions within SDM

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

a. 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 per 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.

b. Hosting Events for brokers

i. Golf Day

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

ii. Social Events

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

c. Inviting brokers to conduct a “due diligence” visit to SDM Head Office

Inviting brokers (and their managers) to interact with SDM head 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.

d. Providing brokers with marketing material to conduct promotional projects

Providing brokers with a complimentary supply of Sanlam 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.)

e. 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).

f. 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.

g. 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".