

Sanlam Private Investments

FSP 37473

Conflict Of Interest Policy



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Important Definitions

1. **“Associate”** means any subsidiary of Sanlam Limited or any other company in the Sanlam Group.
2. **“Bona Fide Training”** includes quarterly feedback presentations, conferences and due diligence meetings.
3. **“Conflict of Interest”** Any situation in which a provider or a representative has an actual or potential interest that may, in rendering a financial service to a client
 - Influence the objective performance of his, her or its obligations to that client; or
 - Prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the interests of that client.

This includes, but not limited to a financial interest, ownership interest and any relationship with a third party.
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.
5. **“Exco”** means the Sanlam Limited Executive Committee.
6. **“Fair value”** The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.
7. **“FAIS”** means the Financial Advisory and Intermediary Services Act, No. 37 of 2002.
8. **“Financial Interest”** Includes any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration.
9. **“FSP”** means a Financial Services Provider.
10. **“Immaterial Financial Interest”** Any financial interest with a determinable monetary value of which the aggregate from the same third party does not exceed R1000 per calendar year.
11. **“Ownership Interest”** Any equity or proprietary interest, for which fair value was paid by the owner at the time of acquisition, other than equity or a propriety interest held as an approved nominee on behalf of another person and includes any dividend, profit share or similar benefit derived from that equity or ownership interest.
12. **“Provider”** means an authorised FSP registered as such with the FSB.
13. **“SPI”** means Sanlam Private Investments (Pty) Ltd.
14. **“Third Party”** means
 - a) A product supplier;
 - b) Another provider;
 - c) An associate of a product supplier or a provider;
 - d) A distribution channel or
 - e) Any person who in terms of an agreement or arrangement with a person referred to in (a) to (d) above who provides a financial interest to a provider or its representatives.



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Introduction

Sanlam Private Investments “SPI” is committed to an environment that is transparent of corruption and where clients can rest assured that we will at all times be acting in their best interests. To that end we have established this guideline to reinforce our commitment and to provide staff with guidelines as to how they might avoid situations where possible conflicts might arise.

Section 3(1) of the FAIS General Code of Conduct states that a provider and its representative must avoid and where this is not possible, mitigate any conflict of interest between the client, or the representative and the client. A provider or a representative must, in writing, at the earliest reasonable opportunity disclose to a client any conflict of interest in respect of that client.

Application

This guideline applies to all employees and associates as defined, of SPI, who deal with the funds of clients and financial institutions.

Purpose

The purpose of this guideline is to provide a framework within which to address areas where conflicts of interest may arise.

Key Principles

1. The interests of clients of SPI should be placed first at all times.
2. All FSP’s must disclose actual or perceived conflict to their clients in writing, as set out in the relevant SPI mandate.
3. Disclosures do not only refer to financial interests, but also to ownership interests or relationships with 3rd parties.
4. We must avoid (and where not possible, mitigate and disclose) any situ^{at}ion which can influence a 3rd party’s decision-making.



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Guidelines for identifying and avoiding conflicts

1. As from 19 October 2010, the regulations do provide for R1000 immaterial financial interest that may be spent per 3rd party per annum. The intention of this allowance is to cover the insignificant business courtesies that form part of day-to-day business.
2. No person (including SPI) may avoid, limit or circumvent, or attempt to avoid, limit or circumvent compliance with the SPI Conflict of Interest policy via an associate or third party or an arrangement involving an associate or a third party
3. SPI and its employees may only offer or receive, the following financial interest, from or supply to a third party:
 - a) Fees for the rendering of a financial service which –
 - are specifically agreed to by a client in writing; and
 - may be stopped at the discretion of the client.
 - b) 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;
 - c) 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.
 - d) 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;
 - 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 SPI or its representatives at the time of receipt thereof.
 - g) A distinction should be drawn between tools and services provided to a provider that are:
 - essential in enabling the provider to prepare, submit and finalise any business transaction in accordance with SPI's business requirements;
 - not essential, but which offers value to the provider in terms of enhancing/ supplement the provider's interaction with clients;
 - and those that are regarded as other services.
 - h) Services that are essential in enabling the provider to prepare, submit and/ or finalise SPI transaction documentation may be offered unless it would influence the provider in the objective performance of its functions or in the rendering of an unbiased service.
 - i) Services that are not essential in enabling the provider to do business with SPI, 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 there is no conflict of interest.



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- j) Services that do not form part of those described in (h) or (i) above should be charged for.
4. The following financial incentives are prohibited:
- SPI may not offer financial interest to a representative for
- Giving preference to the quantity of business secured for SPI to the exclusion of the quality of the service rendered to clients.
 - Giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client.
 - Giving preference to a specific product or product supplier, where a representative may recommend more than one product of that product supplier to a client.
5. SPI shall only provide bona fide training to providers on:
- a) Products or 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;
- SPI 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 be regarded as part of immaterial financial interests, and should accordingly be recorded.
6. It is important to note that we are not allowed to only make training available to an exclusive group of providers. Even though training is not seen as a financial interest, the travel and accommodation associated with the training would be. Accordingly, 3rd parties will have to pay for their own travel and accommodation. At such training events, reasonable refreshments may be provided, and will form part of the R1000 p.a. allowed “immaterial financial interest”.

The hosting of conferences that may be regarded as bona fide training interventions, are allowed. The costs associated with hosting such a training conference should be borne by the host. Expenses linked to business courtesies (i.e food and beverage expenses, stationary and branded gifts) per intermediary should be recorded as “immaterial financial interests” and recorded accordingly.

Disclosure of Conflicts of Interest

1. SPI and its representatives must at the earliest reasonable opportunity disclose to a client any conflict of interest in respect of that client.
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;



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- b) Any ownership interest or financial interest, other than an immaterial financial interest, that SPI 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 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;
- d) Inform the client of the existence of a COI policy and how same may be accessed.

Procedures to ensure compliance

1. All employees are responsible for identifying specific instances of conflict and are required to notify the Compliance Officer of any conflicts they become aware of. The Compliance Officer will escalate the conflict to the relevant Chief Executive with a recommendation as to how the conflict should be managed
2. All staff are to make use of the gratifications spreadsheet – this will enable the compliance department to monitor the monetary value of all gifts received / invitations accepted, and will assist us to help all staff remain within the limits set by the FSB. Each branch must update the spreadsheet monthly and forward to the compliance department.
3. All employment contracts must include the necessary termination and/or sanctions clauses to manage the risk of conflict of interest.
4. If employees are of the view that their own conduct has caused this policy to be breached, they should inform their manager at the earliest available opportunity after they have become aware of the breach. Management should report this breach to the Compliance department for further investigation.
5. 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 Compliance Officer for further investigation.
6. All newly recruited employees should attend a training session during their induction program.
7. Training and training materials provided to representatives must include a reference to, and information on the content and application of this policy.

Consequences of Non- Compliance

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 is an amount of up to R1 million or a period of imprisonment for up to 10 years.
2. The FAIS Act also gives the Registrar the powers to revoke the license of an FSP.
3. 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.



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4. Certain transgressions of this policy may result in civil or criminal prosecution. Please refer to the SGFCCP in this regard.
5. 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.



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Annexure A

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 interest¹. 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.



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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 SPI (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).

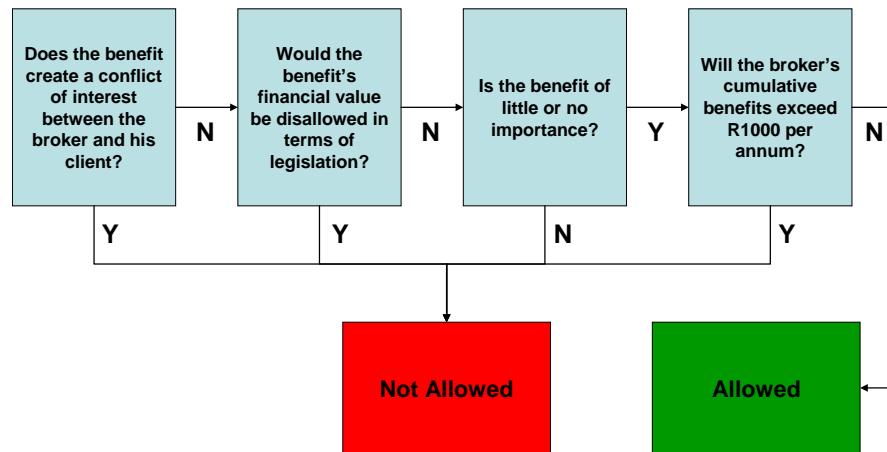
The requirements in Board Notice 58 of 2010 apply to all relationships between the FSP and other FSP’s, product suppliers and representatives, in respect of services rendered in South Africa but regardless of whether they are domiciled in South Africa or internationally.



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4. **FRAMEWORK FOR DECISION MAKING**

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



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**



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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 brokers to conduct a “due diligence” visit to SPI’s Office

Inviting brokers (and their managers) to interact with SPI 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 SPI 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).



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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".



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Annexure B**LIST OF THIRD PARTIES THAT HOLDS AN OWNERSHIP INTEREST IN SPI**

No.	Product Supplier	Nature of ownership interest eg. equity or proprietary interests or holdings	Extent of ownership interest	Relevant Associates (only apply to Product Suppliers and Product Providers)	Agreements / arrangements where a financial interest is provided to a provider or its representative (applies to Product Suppliers, Product Providers, Relevant Associates and Distribution Channels)
	Sanlam Investment Management (Pty) Ltd. FSP 579	Equity	100%		
	Product Provider				
	NONE				
	Distribution Channel Arrangements			N/A	
	NONE				



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Annexure C

LIST OF THIRD PARTIES IN WHICH SPI HOLDS AN OWNERSHIP INTEREST

No.	Product Supplier	Nature of ownership interest eg. equity or proprietary interests or holdings	Extent of ownership interest	Relevant Associates (only apply to Product Suppliers and Product Providers)	Agreements / arrangements where a financial interest is provided to a provider or its representative (applies to Product Suppliers, Product Providers, Relevant Associates and Distribution Channels)
	Calibre Investments	Equity	40%		
	Product Provider				
	NONE				
	Distribution Channel Arrangements				
	NONE				



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