Mufaro

EMPLOYEE BENEFITS

CONFLICT OF INTEREST MANAGEMENT POLICY

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Document Control

Key Document Summary

Document Status	**Approved**
Document Owner	**Chief Executive Officer**
Final Approval by	**Mufaro Executive Committee**
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Purpose of the policy

There needs to be a common understanding of what constitutes a conflict of interest, which direct and indirect benefits need to be disclosed to consumers and how to disclose it. Efficient conflict management policies ensure that there is no unfair treatment of consumers or rendering of inappropriate financial services by providers. Disclosure of direct and indirect benefits needs to be made in a consistent and transparent manner. Representatives must avoid vague and inadequate disclosures.

Policy objectives

The objective of this policy are as follows:

- The company, from a governance perspective, wants to do business where no actual or potential conflicts of interest exists and furthermore, if there is any aspect relating to its business that could potentially give rise to a conflict of interest or where a client may perceive any aspect to be a conflict of interest, to disclose such conflict in a transparent manner and alert clients of such actual or potential conflicts of interest
- The company is committed to comply with the standards and prescriptions set by the Code of Conduct and relevant legislation and has adopted this policy
- The company requires its employees to be aware of what constitutes such conflicts and, through this awareness, ensure that employees do not find themselves in situations where there may be clashes between own interest and that of the company or a client.
- The company requires that its employees not compete with it in any manner.

Scope of policy

This policy applies to all employees, representatives, representatives under supervision and key Individuals employed by . The policy is given to all employees on appointment and with every revision. The policy can be accessed at any time on the company website.

Policy administration

The company has appointed a person responsible for the administration of the conflict of interest management policy – referred to as the responsible person. The responsible person shall maintain all registers associated with this policy, ensure that employees adhere to the prescriptions and methodologies laid down in terms of this policy, update the policy when necessary and ensure proper communication thereof to all existing and new employees.

The policy shall be updated, and new measures instituted as required by changes in law and determined by the company's operations. Changes that affect the policy will be communicated by the Financial Sector Conduct Authority and any other regulatory authorities and the compliance officer to the company.

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Review of this policy:	Annually

Regulatory framework

The amended general Code of Conduct prescribes that an FSP and representative must avoid and where this is not possible mitigate, any conflict of interest between the FSP (provider) and the client or between the representative and the client.

An FSP or representative must, in writing, at the earliest reasonable opportunity disclose to the client any conflict of interest of respect of the client, including the following:

- The measures taken, in accordance with conflict of interest management policy to avoid or mitigate the conflict.
- Any ownership interest or financial interest, other than an immaterial financial interest, that the FSP or representative may be or become eligible for.
- The nature of any relationship or arrangement with a third party that gives rise to a conflict of interest, in sufficient detail to a client to enable the client to understand the exact nature of the relationship or arrangement and the conflict of interest.

The amendment notice did not replace section 4(1)(d) of the general code of conduct that stipulates that an FSP (other than a direct marketer) must at the earliest reasonable opportunity inform the client (where applicable) the fact that the FSP-

- Directly or indirectly holds more than 10% of the relevant product supplier's shares or has any equivalent substantial financial interest in the product supplier.
- During the preceding 12-month period received more than 30% of total remuneration, including commission, from the product supplier.

An FSP or representative must, in writing, at the earliest reasonable opportunity inform the client of the conflict-of-interest management policy and how it may be accessed.

The FSP must convey any changes thereafter regarding such information at the earliest opportunity to the client.

If the aforementioned disclosures were made orally, the FSP must confirm such information within 30 days in writing.

All representatives and employees must ensure that these disclosures are made in all instances, in the prescribed format and in a timely manner.

Requirement regarding permissible financial interest receivable

The amendment code stipulates that an FSP or representative may only receive or offer the following financial interest from or to a third party

- Commission authorised under the Long-term Insurance Act, the Short-term Insurance Act or the Medical Schemes Act.
- Fees authorised under 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.
- Fees for the rendering of a financial service in respect of which commission or fees referred to in the aforementioned bulleted points is not paid of those fees are specifically agreed to by a client in writing and may be stopped at the discretion of the client.
- Fees or remuneration for the rendering of a service to a third party, if those fees or remuneration are reasonably commensurate to the service being rendered.
- Subject to any other law, any immaterial financial interest.
- Any financial interest not referred to in the above bullet points for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

The above specifications do not apply to the representative of an entity if the same legal entity is a product supplier and a provider.

The amendment code also stipulates that an FSP may not offer any financial interest to a representative of that provider for giving preference to-

- The quantity of business secured for the FSP to the exclusion of the quality of the service rendered to clients.
- A specific product supplier, where a representative may recommend more than one product supplier to a client.
- A specific product of a product supplier, where a representative may recommend more than one product of that product supplier to a client.

Conflict of interest management policy

The amendment code stipulates that all Financial Services Providers (FSPs) must adopt, maintain, and implement a conflict-of-interest management policy that complies with the provision of the FAIS Act.

Provisions to be included in the conflict-of-interest management policy

The conflict of management policy must provide for the management of conflicts of interest and provide for-

- Mechanisms for the identification of conflicts of interest.
- Measures for the avoidance of conflicts of interest, and where avoidance is not possible, the reasons therefore and the measures for the mitigation of such conflicts of interest.
- Measures for the disclosure of conflicts of interest.
- Processes, procedures, and internal controls to facilitate compliance with the policy.
- Consequences of non-compliance with the policy by the FSP's employees and representatives.

The conflict of management policy must specify the type of and basis on which representative will qualify for a financial interest that the FSP will offer a representative and motivate how that financial interest complies with section 3A(1)(b) of Board Notice 58 of 2010.

The conflict of management policy must include the following:

- A list of all the FSP's associates.
- The names of any third parties in which the FSP holds an ownership interest.
- The names of any third parties that holds an ownership interest in the FSP.
- The nature and extent of the ownership interest.

Other requirements regarding the conflict-of-interest management policy

The conflict of management policy must be in an easily comprehensible form and manner.

The conflict of management policy must be adopted by the FSP who a sole proprietor is, the Board of Directors of an FSP where the FSP is a company or close corporation, and, where not an incorporated entity, the governing body of the FSP (e.g. a trust).

The FSP must ensure that its employees, representatives and (where appropriate) its associates are aware of the contents of its conflict-of-interest management policy and provide for appropriate training and educational material in this regard.

An FSP must continuously monitor compliance with its conflict-of-interest management policy and annually conduct a review of the policy.

An FSP or representative may not avoid, limit, or circumvent or attempt to avoid, limit or circumvent compliance with these stipulations through an associate or an arrangement involving and associate.

Reporting obligation in terms of conflict-of-interest management

A compliance officer or (where the FSP need not to appoint a compliance officer) the FSP must include a report on the FSP's conflict of interest management policy in compliance reports submitted to the Commissioner under the FAIS Act. The report must report at least on the implementation, monitoring and compliance with, and the accessibility of the conflict of interest management policy.

Conflict of interest

A conflict of interest is defined in the general Code of Conduct as amended by Board Notice 58 of 2010 as any situation in which an FSP or representative has an actual or potential interest that may in the rendering of financial services influence the objective performance of its obligations to that client, or prevent an FSP or representative from rendering an unbiased and fair financial service to that client, or from acting in the interest of that client, including the but not limited to a financial interest, an ownership interest or any relationship with a third party.

An apparent conflict of interest is one in which a reasonable person would think that the professional's judgment is likely to be compromised. A potential conflict of interest involves a situation that may develop into an actual conflict of interest. It is important to note that a conflict of interest exists whether decisions are affected by a personal interest.

The actual or potential existence of a conflict of interest may not be an undesirable practice. It is imperative to properly disclose the nature and monetary value of such conflict to a client. Such disclosure can be made prior to rendering of financial services or in the record of advice and should also be recorded in a register. Full disclosure allows a potential client to decide whether, in the client's view, a conflict situation may influence advice provided. The client will therefore be better equipped to assess whether the advice given may be flawed or influenced unduly.

Applicable definitions

The amendment notice further defines the following terms as understood under the provisions of the general Code of Conduct as amended:

Associate

(1) In relation to a natural person it means:

- Spouse, life partner, child, adopted child, parent, stepparent, stepchild or spouse of any of the aforementioned.

- Curator of the natural person
- Anybody in a commercial relationship with the person.

(2) In relation to a juristic person it means:

- If the juristic person is a company, it includes its holding company and subsidiaries
- If the juristic person is a close corporation; it includes any member of the close corporation
- Any person that my direct a company's board of directors
- Any trust controlled by an associated person

Distribution channel

Distribution channel refer to the following:

- Support services offered by a product supplier to a provider or providers to render financial services to clients.
- The arrangement between providers to facilitate their relationship with a product supplier.
- The arrangement between product suppliers to facilitate their relationship with a financial services provider/s.

Financial Interest

Any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration other than ownership interest, training that is not exclusively available to a selected group of FSPs or representatives.

Immaterial financial interest

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 sole proprietor FSP or a representative for direct benefit or an FSP, who for its benefit or that of some or all its representatives, aggregates the immaterial financial interest paid to its representatives.

Ownership interest

Includes 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 held on behalf of another person; including any dividend, profit share or similar benefit derived from that equity or ownership interest.

Third party

Third party includes product suppliers, other financial services providers, associate entities of product suppliers, any distribution channel and any other person that provides services to a provider on behalf of any of the aforementioned.

Control measures

The following measures were adopted to manage identified conflicts. These measures are necessary in dealing with any potential conflict of interest to ensure impartially and avoid a material risk of harming any clients' interests.

Internal processes

This policy sets out the procedures to manage and curb potential conflicts of interest. Representatives, associates and employees receive guidance and training in these procedures, and they are subject to monitoring and review processes. There are specific measures and consequences in place for non-compliance with the conflict of interest policy.

Confidentiality barriers

Representatives, associates and employees respect the confidentiality of client information. No such information may be disclosed to a third party without the written consent of a client.

Monitoring:

The key individual in charge of supervision and monitoring of this policy will regularly provide feedback on all related matters. The policy will be reviewed annually.

Disclosure

Where there is no other way of managing a conflict, or where the measures in place do not sufficiently protect clients' interests, the conflict must be disclosed to allow clients to make an informed decision on whether to continue using our service in the situation concerned. The monetary value of non-cash inducements will be disclosed to clients in all cases.

Publication

The conflict of interest management policy is available for inspection at all offices of the provider, is referred to in the disclosure notice and published on the company's website. It will be published in appropriate media if prescribed by the FSCA.

Report

The conflict-of-interest policy is reported on in the annual report submitted to the FSCA.

Identification of conflict of interest

Employees, representatives, and associates will receive training and educational material to be able to identify potential and actual conflicts of interest.

Avoidance of conflict of interest

Avoidance of conflict of interest is achieved by-

- ensuring that all employees, representatives and associates have an understanding and adopt the conflict-of-interest policy and control measures.
- conducting regular inspections on all commissions, remuneration, fees and financial interests proposed or received to avoid non-compliance.
- keeping a register of conflicts of interest.

Receipt of gifts

Any gift, where the value exceeds three hundred rand (R300), received in a consecutive 12-month period from an employee/ any external party/ FSP must be declared to the key individual in the prescribed format who will determine whether such gift constitutes conflict of interest.

The supervisor will decide whether the gift can be accepted or not. 2nd and subsequent gifts (from the same party/person/FSP) will also be declared and a decision will be taken whether the gift constitutes conflict of interest and if the gift can be accepted. All gifts will be noted on the gift register.

Consequence of non-compliance with policy

Any person that fails to adhere to the policy will be subject to disciplinary action. If found guilty on any conflict of interest not being declared or disclosed an employee will be dismissed and if he or she is a representative, debarment procedures must be instituted, and the FSCA informed thereof.

Documentation

The following registers and documentation dealing with conflict-of-interest situations have been instituted and must be used by staff members at all relevant times:

- Register of gifts given
- Register of gifts received
- Disclosure notice
- Commission disclosure (quotes, presentations and policy documents)
- Honesty and integrity undertaking
- Conflict of interest register

Annexure A

A list of all the FSP's associates

None currently

The names of any third parties in which the FSP holds an ownership interest

None currently

The names of any third parties that holds an ownership interest in the FSP

None currently

The nature and extent of the ownership interest.

None currently