



EXCELSIA CAPITAL (PTY) LTD

FSP No. 46756

CONFLICT OF INTEREST MANAGEMENT POLICY

1. INTRODUCTION

- 1.1. The General Code of Conduct for Financial Services Providers and Representatives (“the General Code”) published in terms of the Financial Advisory and Intermediary Services Act, No. 37 of 2002, requires every Financial Services Provider (“FSP”) to adopt, implement and maintain a Conflict of Interest Management Policy.
- 1.2. This document embodies the Conflict of Interest Management Policy for Excelsia Capital (the “Company”).
- 1.3. In addition to the General Code, Directive PF No. 8 (“the Directive”) in terms of the Pension Funds Act, No. 24 of 1956, states that all service providers to a retirement fund (which includes investment managers) should not be involved in any conduct constituting corruption or corrupt activities and should report or disclose to the Registrar of Pension Funds any breach or attempted breach of the Directive immediately upon becoming aware of such conduct. The Directive also sets out the specific types of gratification not permitted, and which have been included as Annexure B hereto.
- 1.4. **“Conflict of interest” (“COI”)** means any situation in which the Company or its representatives 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 the Company or its representatives 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 –
 - 1.4.1. a financial interest;
 - 1.4.2. an ownership interest;
 - 1.4.3. any relationship with a third party (“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 paragraph (a) to (d) above provides a financial interest to a provider or its representative).

- 1.5. The primary objectives of this Policy are –
 - 1.5.1. To provide guidance on the behaviours expected in accordance with the Company’s standards.
 - 1.5.2. To promote transparency and to avoid business-related COI.
 - 1.5.3. To ensure fairness in the interests of employees and the Company.
 - 1.5.4. To document the process for the identification, mitigation, disclosure, approval and review of activities that may amount to actual, potential or perceived COI, and
 - 1.5.5. To provide a mechanism for the objective review of personal outside interests.

- 1.6. The Company is committed to ensuring that all business is conducted in accordance with good business practice. To this end the Company conducts business in an ethical and equitable manner, and in a way that safeguards the interests of all stakeholders to minimize and manage all real or potential COI. The Company and its representatives must therefore avoid (or mitigate where avoidance is not possible) any COI between the Company and a client or its representatives and a client.

2. FINANCIAL INTEREST

- 2.1. The Company, or its representatives, may only receive or offer financial interest from or to a third party as determined by the Commissioner of the Financial Sector Conduct Authority (“the Commissioner”) from time to time, and as set out in Annexure A hereto, or as determined by the Registrar of Pension Funds from time to time, and as set out in Annexure B hereto.

- 2.2. **“Financial interest”** means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic and foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, other than –
 - 2.2.1. an ownership interest;
 - 2.2.2. training, that is not exclusively available to a selected group of providers or representatives on products and legal matters relating to those products; general financial and industry information; specialized technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training.
 - 2.2.3. Any financial interest received by an employee of the Company must within 10 days of that receipt be recorded in the gift registry of the Company, attached hereto as Annexure C.

- 2.3. The Company may not offer any financial interest to its representatives–
- 2.3.1. That is determined with reference to the quantity of business secured for the provider without also giving due regard to the delivery of fair outcomes for clients; or
 - 2.3.2. For giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; or
 - 2.3.3. For giving preference to a specific product of a product supplier, where a representative may recommend more than one product supplier to a client.
- 2.4. For purposes of paragraph 2.4, the Company must be able to demonstrate that the determination of and entitlement to the financial interest takes into account measurable indicators relating to the –
- 2.4.1. Achievement of minimum service level standards in respect of clients,
 - 2.4.2. Quality of the representative's compliance with this Act,
- as agreed between the Company and the representative, and that sufficient weight is attached to such indicators to materially mitigate the risk of the representative giving preference to the quantity of business secured for the provider over the fair treatment of clients.
- 2.5. Since the General Code sets a limit of R1,000 for immaterial financial interests and the Directive sets a limit of R500 for permitted gratification, the Company will apply the lower amount of R500 in the application of this Conflict of Interest Management Policy.

3. MECHANISMS FOR IDENTIFYING COI

- 3.1. All employees are required to report any potential or actual COI to the Compliance Officer. The onus is on every employee to comply with this policy. Should any individual be uncertain as to whether they are in a conflicted situation, e.g. whether the offer they wish to make or the offer which has been made to him/her, or whether a particular action or omission amounts to a COI, then he/she should contact the Compliance Officer immediately.
- 3.2. Every manager must, on an ongoing basis, identify any actual or potential COI which may arise within his or her area. These must be reported to the Compliance Officer. The Compliance Officer maintains a COI Register which is reviewed periodically with senior management to determine whether conflicts already identified are still valid, whether the mitigation strategies

in place operate effectively and whether there are any new or potential conflicts that may have arisen since the last review.

- 3.3. The Compliance Officer will investigate any potential or actual Conflicts of Interest to determine whether such conflicts are conflicts as contemplated in FAIS or any other applicable legislation. The Compliance Officer, in conjunction with senior management, will determine whether such COI are avoidable or unavoidable conflicts.
- 3.4. If a COI is identified as being avoidable, then the Company will adopt the necessary internal procedures to ensure that the activity that gives rise to the avoidable conflict, is avoided.
- 3.5. If a COI is identified as being unavoidable, the Compliance Officer, in conjunction with senior management, will establish a strategy to mitigate the risk of such COI impacting negatively on the Company's ability to render fair and unbiased services to affected clients.

4. RESOLVING COI

- 4.1. The first and most important line of defence against COI must be by the key individuals and representatives themselves.
- 4.2. Once an actual or potential COI has been identified, it must be reported to the Compliance Officer in the prescribed manner.
- 4.3. The Compliance Officer will keep a record of all actual or potential COI in the COI Register.
- 4.4. The Compliance Officer is responsible for monitoring the Company's adherence to the COI Management Policy (as well as adherence to the policies relating to the identified categories of potential COI).
- 4.5. All employees are required to declare on a bi-annual basis that they have complied with the COI Management Policy and related policies.
- 4.6. The COI Management Policy and related policies are reviewed annually, and where necessary, updated to ensure that the provisions remain sufficient to identify, assess, evaluate and mitigate COI.

5. POTENTIAL COI THAT COULD AFFECT EXCELSIA CAPITAL

- 5.1. The following are potential COI that could affect the Company –
- 5.1.1. Directorships or other employment;
 - 5.1.2. Interests in business enterprises or professional practices;
 - 5.1.3. Share ownership;
 - 5.1.4. Beneficial interests in trusts;
 - 5.1.5. Personal account trading;
 - 5.1.6. Professional associations or relationships with other organizations;
 - 5.1.7. Personal associations with other groups or organizations, or family relationships;
 - 5.1.8. Front running;
 - 5.1.9. Rebates;
 - 5.1.10. Kickbacks, and
 - 5.1.11. Commission.

6. MEASURES TO AVOID COI

- 6.1. All employees must know and understand the COI Management Policy as well as the policies relating to the identified categories of potential COI. Appropriate training will be provided to all employees on a periodic basis.

7. DISCLOSURE OF COI

- 7.1. At the earliest reasonable opportunity, the Company and its representatives must, in writing, disclose to a client any COI in respect of that client including –
- 7.1.1. Measures taken to avoid or mitigate the conflict.
 - 7.1.2. Any ownership interest or financial interest that the provider or representative may be or may become eligible for, and
 - 7.1.3. The nature of the relationship or arrangements with a third party that gives rise to a COI in sufficient detail to enable the client to understand the exact nature of the COI.
- 7.2. At the earliest reasonable opportunity, the Company and its representatives must, in writing, inform a client of the Conflict of Interest Management Policy and how it may be accessed.

- 7.3. Notification of an actual or potential COI should be made to the person with responsibility for the issue or area in question, such as the relevant management team, supervisor, head of the department or key individual.
- 7.4. In accordance with an employee's obligation to act in the best interest of his or her employer, it is not permissible for employees to engage in conduct that would amount to a COI with the Company.
- 7.5. Staff that fail to disclose a potential or actual COI in accordance with this policy may be liable to disciplinary procedures by the Company in terms of applicable legislation.

8. PROCESSES, PROCEDURES AND INTERNAL CONTROLS TO FACILITATE COMPLIANCE WITH THE POLICY

- 8.1. Every employee must have a copy of the Conflicts of Interest Management Policy.
- 8.2. If a potential COI arises, the transaction must first be discussed with management before entering the transaction.
- 8.3. The Company's representatives will not be entitled to any form of financial interest other than their remuneration income and participation in the company's performance bonus pool, on the same terms as other staff members.
- 8.4. All employees are required to declare on a bi-annual basis that they have complied with the COI Management Policy and related policies.
- 8.5. The COI Management Policy and related policies are reviewed annually, and where necessary, updated to ensure that the provisions remain sufficient to identify, assess, evaluate and mitigate any COI.

9. CONSEQUENCES OF NON-COMPLIANCE WITH THE POLICY BY EMPLOYEES AND REPRESENTATIVES

- 9.1. Non-compliance with this policy and the procedures described in it may amount to misconduct and employees may be subject to internal disciplinary action that may lead to dismissal.

10. LIST OF ALL EXCELSIA CAPITAL ASSOCIATES

None.

11. NAMES OF ANY THIRD PARTIES IN WHICH THE COMPANY HOLDS AN OWNERSHIP INTEREST AND THE EXTENT THEREOF

None.

12. NAMES OF ANY THIRD PARTIES THAT HOLD AN OWNERSHIP IN THE COMPANY AND THE EXTENT THEREOF

Excelsia Capital is held 91% by Excelsia Holdings (Pty) Ltd and 9% by employees of Excelsia Capital.

ANNEXURE A - FINANCIAL INTEREST

1. The Company, or its representatives, may only receive or offer the financial interests referred to herein if-
 - 1.1. Those financial interests are reasonably commensurate with the service being rendered, taking into account the nature of the service being rendered and the resources, skills and competencies reasonably required to perform it;
 - 1.2. The payment of those financial interests does not result in the provider or representative being remunerated more than once for the performance of a similar service;
 - 1.3. Any actual or potential COIs between the interests of the client and the interests of the person receiving the financial interests are effectively mitigated; and
 - 1.4. The payment of those financial interests does not impede the delivery of fair outcomes to the client.
2. The Company, or its representatives, may only receive or offer financial interest from or to a third party as follows:
 - 2.1. Commission authorised under the Long-term Insurance Act or Short-term Insurance Act.
 - 2.2. Commission authorised under the Medical Schemes Act.
 - 2.3. Fees authorised under the Long-term Insurance Act, the Short-term Insurance Act or the Medical Schemes Act.
 - 2.4. Fees for the rendering of a financial service in respect of which commission or fees referred to in sub-paragraph (1.1), (1.2) or (1.3) of this annexure is not paid, if:
 - 2.4.1. The amount, frequency, payment method and recipient of those fees and details of the services that are to be provided by the provider or its representative in exchange for the fees are specifically agreed to by a client in writing; and
 - 2.4.2. those fees may be stopped at the discretion of that client.

- 2.5. Fees or remuneration for the rendering of a service to a third party.
- 2.6. Subject to any other law, an immaterial financial interest; and
- 2.7. A financial interest, not referred to under sub-paragraph (1.1) to (1.4) of this annexure, 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.
- 2.8. For purposes of this document –
 - 2.8.1. **“immaterial financial interest”** means any financial interest with a determinable monetary value, the aggregate of which does not exceed R500 in any calendar year from the same third party in that calendar year received by –
 - 2.8.1.1. a provider who is a sole proprietor; or
 - 2.8.1.2. a representative for that representative’s direct benefit;
 - 2.8.1.3. a provider, who for its benefit or that of some or all its representatives, aggregates the immaterial financial interest paid to its representatives.

1. The following types of gratification are automatically not permitted to be accepted, agreed or offered to be accepted by the Company, or its representatives-
 - 1.1. any gratification which objectively viewed, creates a conflict of interest with their fiduciary duty towards the fund;
 - 1.2. token gift/s that exceed/s the annual limit set by the board in terms of the fund's gift policy, which annual limit shall not be more than R500.00 per annum in aggregate from any one service provider;
 - 1.3. any gratification relating to local or international due diligences including, but not limited to, subsistence, travel or accommodation;
 - 1.4. any gratification relating to local or international entertainment or sporting events including, but not limited to, subsistence, travel or accommodation; or
 - 1.5. conferencing costs or board of fund expenses.

2. "Gratification" means:
 - 2.1. money, whether in cash or otherwise;
 - 2.2. any donation, gift, loan, fee, reward, valuable security, property or interest in property of any description, whether movable or immovable, or any other similar advantage;
 - 2.3. the avoidance of a loss, liability, penalty, forfeiture, punishment or other disadvantage;
 - 2.4. any office, status, honour, employment, contract of employment or services, any agreement to give employment or render services in any capacity and residential or holiday accommodation;
 - 2.5. any payment, release, discharge or liquidation of any loan, obligation or other liability, whether in whole or in part;
 - 2.6. any forbearance to demand any money or money's worth or valuable thing;
 - 2.7. any other service or favour or advantage of any description, including protection from any penalty or disability incurred or apprehended or from any action or proceedings of a disciplinary, civil or criminal nature, whether or not already instituted, and includes the exercise or the forbearance from the exercise of any right or any official power or duty;
 - 2.8. any right or privilege;
 - 2.9. any real or pretended aid, vote, consent, influence or abstention from voting; or
 - 2.10. any valuable consideration or benefit of any kind, including any discount, commission, rebate, bonus, deduction or percentage.