



CONFLICT OF INTEREST

In terms of the General Code of Conduct a provider and 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.

In order to adhere to this requirement, African Eagle Financial Services ensure that adequate arrangements are in place for the management of conflict of interests that may arise wholly or partially, in relation to the provision of any financial services to clients by the FSP, or any Representative of the FSP, as part of the financial services business of the FSP.

1. DEFINITIONS

1.1. "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:

1. a) Influence the objective performance of their obligations towards such client; or
2. 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
 - o A financial interest;
 - o an ownership interest;
 - o any relationship with a third party

1.2 "Employee", for the purpose of this policy, will include:

1. a) All directors and full-time employees of African Eagle Financial Services (PTY) Ltd
2. b) All temporary contracted employees;
3. c) All employed or contracted representatives including independent financial advisors and tied agents.

1.3. "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).

1.4. "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-

1. (i) Products and legal matters relating to those products;
2. (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.

1.5. "financial service provider" means any person, other than a representative, who as a regular feature of the business of such person –

1.6. "FSP" mean Financial Service Provider – African Eagle Financial Services PTY Ltd.

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- (A) Furnishes advice; or
- (B) Furnishes advice and renders any intermediary service;
- (C) Renders an intermediary service.

1.7. "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.

1.8. "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 –

1. a) A provider who is a sole proprietor; or
2. b) A representative for that representative's direct benefit;
3. 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.

1.9 "Ownership interest" means –

1. a) Any equity or proprietary interest, for which fair value was paid by the owner at the time of acquisition, other than equity or a proprietary interest held as an approved nominee on behalf of another person; and
2. b) Includes any dividend, profit share or similar benefit derived from that equity or ownership interest;

1.10. "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 –

1. a) does not require judgment on the part of the latter person; or
2. b) does not lead a client to any specific transaction in respect of a financial product in response to general enquiries;

1.11. "Third party" means –

1. a) A product supplier;
2. b) Another provider;
3. c) An associate of a product supplier or a provider;
4. d) A distribution channel;
5. 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

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FOREWORD:

The conflict of interest management policy contains the following provisions:

- 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
- The processes, procedures and internal controls to facilitate compliance with the policy
- Consequences of non-compliance with the policy by the provider's employees and representatives
- The basis on which a representative will qualify for a financial interest
- A list of all the FSP's associates
- A list of all parties in which the FSP holds an ownership interest
- A list of all third parties that holds an ownership interest in the FSP

MANAGEMENT PROCESS

IDENTIFICATION:

In terms of Section 3A(2)(b)(i)(aa) of the General Code of Conduct, a conflict of interest management policy must provide mechanisms for the identification of conflicts of interest.

The occurrence or existence of an actual or potential conflict of interest may well, due to its intangible nature, be identified only once a subjective realisation of its presence has been acknowledged by an individual. The legal duty to avoid, whenever possible, an actual or potential conflict of interest is therefore to a large extent dependent on whether an individual believes that there is a conflict of interest, to begin with. It is for this reason that Key Individuals and Representatives should arrive at their conclusions only once they have adopted reflective and honest internal dialogue on the subject matter.

Representatives

Throughout the process of rendering a financial service to a client, a Representative must apply his or her mind to answering the following questions:

- "Is there any situation that exists that influences the objective performance of my obligations to my client"?
- "Is there any situation that exists that prevents me from rendering an unbiased and fair financial service to my client"?
- "Is there any situation that exists that prevents me from acting in the interest of my client"?
 - If the answer to any one of these questions is "no" - No further action would be required
 - If the answer to any one of these questions is "yes" - The following two questions must also be answered:
 - "Is the situation caused by an actual or potential relationship with a 3rd party"? (see definition of 3rd party)

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- “Is the situation caused by an actual or potential financial or ownership interest”? (see definition of financial and ownership interest)
- If the answer to any one of these questions is “yes” - An actual or potential conflict of interest has been identified (note that a conflict of interest is not limited to a financial or ownership interest)

Key Individuals

Throughout the process of rendering a financial service to a client, a Key Individual must apply his or her mind to answering the following questions:

- “Is there any situation that exists that influences the objective performance of the representative’s obligations to his or her client”?
- “Is there any situation that exists that prevents the representative from rendering an unbiased and fair financial service to his or her client”?
- “Is there any situation that exists that prevents my representative from acting in the interest of his or her client”?
 - If the answer to any one of these questions is “no” - No further action would be required
 - If the answer to any one of these questions is “yes” - The following two questions must also be answered:
- “Is the situation caused by an actual or potential relationship of the FSP with a 3rd party”? (see definition of 3rd party)
- “Is the situation caused by an actual or potential financial or ownership interest of the FSP”? (see definition of financial and ownership interest)
 - If the answer to any one of these questions is “yes” - An actual or potential conflict of interest has been identified

(note that a conflict of interest is not limited to a financial or ownership interest)

Guidance Notes on “objective performance”, “unbiased and fair” & “financial interest”:

The contextual definition of the relevant sections referring to “influences the objective performance” and “unbiased and fair financial services” cannot be found within legislation and its interpretive meaning must, therefore, be sourced from elsewhere.

It is generally accepted that the word “objective” implies a situation where an individual’s feelings or opinions are completely absent. The “objective performance” of an FSP’s obligations, therefore, implies a situation where financial services are rendered without the influence of unrelated feelings or opinions. In the same vein, “unrelated feelings and opinions” denote separate, external persuasions or motivations where no causal link or nexus can be found between the particular feeling or opinion and the financial service that is rendered within the best interests of the client. Put differently, if an unrelated feeling or opinion of an individual, influences the performance of such said individual’s obligations, it cannot be said to be an objective performance of that individual’s obligation.

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The word “bias” indicates an inclination or prejudice in favour of a particular person or viewpoint. Similarly, the word “fair” indicates a situation of just circumstances or treating people equally.

Unbiased financial services, therefore, imply financial services that do not lend itself to a particular preference towards a person or viewpoint, if an accompanying, reasonable justification for such preference cannot be found. Consequently, all unbiased financial services must necessarily comprise services that are capable of being motivated by readily discernible, logical reasons and explanations. “Fair” financial services, on the other hand, imply a situation where the same conclusion or outcome is consistently reached given the same exact set of circumstances. In other words, financial services cannot be said to be fair if a pattern of favouritism begins to present itself vis-à-vis a particular person or service. Any unexpected inconsistencies towards a group of clients and/or a particular client must therefore again, have to be motivated by logic reasons and explanations.

A provider or its representatives may only receive or offer the following financial interest from or to a third party:

- **Commissions** as authorised under the Long-term Insurance Act, Short-term Insurance Act and the Medical Schemes Act
- **Fees** as authorised under the Long-term Insurance Act, Short-term Insurance Act and the Medical Schemes Act if those fees are reasonably commensurate to a service being rendered.
- **Fees** for the rendering of financial services in respect of which the above-mentioned commissions and fees are not paid, provided that the client agreed to such fees 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, which fees or remuneration are reasonably commensurate to the service being rendered
- **An immaterial financial interest** (i.e. a financial interest with a determinable monetary value, the aggregate of which does not exceed R1000 in any calendar year from the same third party in that calendar year received by – a provider who is a sole proprietor, or a representative for that representative’s direct benefit, or a provider who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.)
- **A financial interest not referred to above**, 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.

A provider **may not** offer any financial interest to a representative of that provider for:

- Giving preference to the **quantity of business** secured for the provider 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 of a product supplier**, where a representative may recommend more than one product of that product supplier to a client

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Mechanisms for Identification:

The mechanisms implemented to identify actual or potential conflicts of interests for AFRICAN EAGLE FINANCIAL SERVICES (PTY) Ltd are:

- The governing body of AFRICAN EAGLE FINANCIAL SERVICES (PTY) Ltd conducts quarterly reviews of all contracts held with 3rd parties and re-examines whether this relationship influences the FSP's objective performance towards its clients.
- Declarations are signed by all Key Individuals confirming the presence or absence of any actual or potential conflict of interest on a quarterly basis
- A list of all the FSP's associates is attached as an annexure hereto and is updated annually
- A list of all parties in which the FSP holds an ownership interest is attached as an annexure hereto and is updated annually.
- A list of all third parties that holds an ownership interest in the FSP is attached as an annexure hereto and is updated annually
- All gifts received from 3rd parties, with an estimated value of R50 or more, are recorded in the FSP's gift register which is kept on the FSP's compliance file
- All employees must disclose in writing to the governing body of the FSP on an on-going basis, any conflicts of interest that they may become aware of
- All records associated with the identification of an actual or potential conflict of interests is kept on the compliance file which is available for inspection purposes

The mechanisms implemented to identify actual or potential conflicts of interests for Representatives are:

- Declarations are signed by all Representatives confirming the presence or absence of any actual or potential conflict of interest on a quarterly basis
- All Representatives must disclose in writing to the governing body of the FSP on an on-going basis, any conflicts of interest that they may become aware of

AVOIDANCE AND MITIGATION:

In terms of Section 3A(2)(b)(i)(bb) of the General Code of Conduct, a conflict of interest management policy must provide 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.

Once an actual or potential conflict of interest has been identified the following measures will be followed in order to determine whether the conflict of interest is avoidable:

- The governing body of the AFRICAN EAGLE FINANCIAL SERVICES (PTY) Ltd will convene and review the actual or potential conflict of interest in an open and honest forum:
- All information surrounding the actual or potential conflict of interest must be disclosed to all interested parties

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- All information surrounding the actual or potential conflict of interest must be disclosed to the FSP's Compliance Officer
- The following consequences must be considered during the review process:
 - The consequences of both avoidance and unavailability as well as the subsequent negative impact it will have on clients
 - The consequences of both avoidance and unavailability as well as the subsequent negative impact it will have on the integrity of the financial services industry
 - The consequences of both avoidance and unavailability as well as the subsequent negative impact it will have on the FSP
 - The governing body of the FSP must apply its mind whether the FSP can obtain a more advantageous transaction, contract or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.
 - If a more advantageous transaction, contract or other arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the governing body of the FSP shall determine by a majority vote whether the transaction, contract or arrangement is in the best interest of the FSP and any affected client/s and accordingly make its decision as to whether to enter into the transaction, contract or arrangement in conformity with such determination.

If the governing body of the FSP has determined that the actual or potential conflict of interest is avoidable, the following processes must be adhered to:

- The governing body must approve, by a majority vote, the removal of the underlying cause of the actual or potential conflict of interest
- The underlying cause of the actual or potential conflict of interest must be removed as soon as reasonably possible
- Any negative impact on clients owing to the removal of the actual or potential conflict of interest must be kept to a minimum
- The reason(s) why the actual or potential conflict of interest was determined to be avoidable must be recorded
- All determinations and interventions as it pertains to the avoidance of the conflict of interest must be documented and kept on the compliance file
- Similar conflicts of interests must be avoided in the future

If the governing body of AFRICAN EAGLE FINANCIAL SERVICES (PTY) Ltd has determined that the actual or potential conflict of interest is unavoidable, the following mitigation processes must be adhered to:

- The governing body of the FSP will convene and review an appropriate mitigation process given the unavoidability of the particular set of circumstances
- The reason(s) why the actual or potential conflict of interest is considered to be unavoidable must be recorded and kept on the compliance file
- The FSP's compliance officer must be made aware of the conflict's unavoidability as well as the reasons for such said unavoidability.

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- The mitigation process will include the adoption of the following measures:
 - The actual or potential conflict of interest must remain only for as long as it is absolutely necessary given the unavailability of the actual or potential conflict of interest
 - Alternative arrangements to a proposed transaction, contract or arrangement that is the subject of the conflict of interest must be investigated on a continuous basis.
 - The rendering of financial services must at all times be conducted as to the best interest of the client (in as far as this is possible, given the unavailability of the actual or potential conflict of interest)
 - All representatives must be made aware of the actual or potential conflict of interest, and the reasons for its unavailability
 - Full disclosure of the actual or potential conflict of interest must be made to the client at the earliest reasonable opportunity.
 - Full disclosure of the actual or potential conflict of interest must be made to the Financial Service Board during the FSP's annual compliance report.

DISCLOSURE:

In terms of Section 3A(2)(b)(i)(cc) of the General Code of Conduct, a conflict of interest management policy must provide measures for the disclosure of conflicts of interest.

The FSP must make appropriate disclosures to third parties including clients, as part of its arrangement to manage conflicts of interest. It is acknowledged that while disclosure alone will often not be enough, the disclosure must be treated as an integral part of managing conflicts of interest. The FSP is therefore committed to ensuring that clients are adequately informed about any conflicts of interest that may affect the provision of financial services to them.

It is furthermore acknowledged that whilst a clearly identified conflict of interest will not necessarily cause the provision of financial advice to a client to be significantly compromised, it should nonetheless be disclosed to the client. The client must be afforded the opportunity to decide for him/herself whether the conflict of interest is significant and to what extent he/she will rely on the advice or intermediary service.

On the discovery and identification of a conflict of interest, and the subsequent determination of its unavailability, the following disclosure processes will be implemented on behalf of the FSP:

- ☑ Full disclosure of the actual or potential conflict of interest must be made to all the Key Individuals of the FSP and where such information is provided orally, the FSP must confirm such information in writing within 30 days
- ☑ Full disclosure of the actual or potential conflict of interest must be made to all representatives of the FSP.
- ☑ Full disclosure of the actual or potential conflict of interest must be made to the compliance officer of the FSP.

On the discovery and identification of a conflict of interest, and the subsequent determination of its unavailability, the following disclosure processes will be implemented on behalf of the client:

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- Full disclosure of the actual or potential must be made to the client at the earliest reasonable opportunity.
- The disclosure must be made before or when the financial service is provided, but in any case at a time that allows the client a reasonable time to assess its effect
- The disclosure must be formulated in such a way as to be considered prominent, specific and meaningful to the client
- The disclosure must be made in such a way as to allow the client to make an informed decision as to whether to continue with the financial services
- The disclosure must indicate the nature of the relationship or arrangement with a 3rd party that gives rise to the conflict of interest
- The disclosure must indicate whether the conflict of interest is based on a financial and/or ownership interest
- The disclosure must indicate any ownership interest held by a product supplier in accordance with section 4(1)(d) of the General Code of Conduct.
- Where the disclosure is provided orally, the disclosure must be confirmed in writing within 30 days of such said disclosure
- The written disclosure must be communicated by hardcopy, telefax or any appropriate electronic medium that is accurately and readily reducible to written or printed form.
- The written confirmation of the disclosure must be provided by means of standard forms or format, in a clear and readable print size, spacing and format.
- The reasons for the conflict of interest's unavoidability must be made available to the client on request.
- The conflict of interest policy must be made available to the client on request
- The FSP's gift register must be made available to the client on request

FACILITATION OF COMPLIANCE WITH THE POLICY:

In terms of Section 3A(2)(b)(i)(dd) of the General Code of Conduct a conflict of interest management policy must provide processes, procedures and internal controls to facilitate compliance with the policy.

The processes associated with the implementation and continued compliance with the conflict of interest management policy must be performed by the governing body of the FSP as well as the appointed Compliance Officer.

Internal controls and processes include the following:

- The governing body of the FSP will ensure that the policy is kept on the compliance file, and the appointed Compliance Officer will confirm its adoption as part of the FSP's quarterly feedback report.
- The governing body of the FSP will ensure that all relevant staff sign the policy and the appointed Compliance Officer will confirm such signature as part of the FSP's quarterly feedback report.
- The governing body of the FSP will ensure that the annexure section of this policy is completed, and

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the appointed Compliance Officer will confirm such completion as part of the FSP's quarterly feedback report.

- The governing body of the FSP will ensure the annual review of all contracts held by 3rd parties, and the appointed Compliance Officer will confirm such review as part of the FSP's feedback report.
- The governing body of the FSP will ensure that all declarations confirming the presence or absence of any actual or potential conflict of interests are signed on a quarterly basis, and the appointed Compliance Officer will confirm such declarations as part of the FSP's quarterly feedback report.
- The governing body of the FSP will ensure that a list of all the FSP's associates is attached hereto and updated annually. The appointed Compliance Officer will confirm such update as part of the FSP's feedback report.
- The governing body of the FSP will ensure that a list of all the parties in which the FSP holds an ownership interest is attached hereto and updated annually. The appointed Compliance Officer will confirm such update as part of the FSP's feedback report.
- The governing body of the FSP will ensure that a list of all third parties that holds an ownership interest in the FSP is attached hereto and updated annually. The appointed Compliance Officer will confirm such update as part of the FSP's feedback report.
- The governing body of the FSP will ensure that all gifts received from 3rd parties, with an estimated value of R50 or more are recorded in the FSP's gift register. The appointed Compliance Officer will confirm that such register is in place as part of the FSP's quarterly feedback report.
- The governing body of the FSP will ensure that all records associated with the identification of actual or potentials conflicts of interest are kept on the compliance file. The appointed Compliance Officer will confirm such records as part of the FSP's quarterly feedback report.
- The governing body of the FSP will ensure that the proper disclosure requirements are communicated to the client. The appointed Compliance Officer will confirm such disclosures as part of the FSP's quarterly feedback report.

The policy will be:

- Overseen by the governing body of the FSP who carry the responsibility for the implementation, reviewing and updating of the policy's associated processes.
- Reviewed at least annually, and where necessary, updated to ensure that the arrangements remain adequate to identify, assess, evaluate and successfully control conflicts of interest
- Regularly reviewed by the appointed Compliance Officer, and where necessary, updated to ensure that the arrangements remain adequate to identify, assess, evaluate and successfully control conflicts of interest.
- The Annexure section of this policy must be reviewed, updated and signed by the nominated Key Individual on an annual basis
- The Annexure section of this policy must be reviewed, updated and signed by the appointed Compliance Officer on an annual basis

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CONSEQUENCES OF NON-COMPLIANCE:

In terms of Section 3A(2)(b)(i)(ee) of the General Code of Conduct a conflict of interest management policy must provide for the consequences of non-compliance with the policy by the FSP's employees and representatives.

If there is a reason to believe that an employee or a representative has failed to disclose actual or possible conflicts of interest, the FSP's governing body shall afford that person the opportunity to explain the alleged failure to disclose.

If after hearing the response of the employee or representative and making such further enquiries as may be warranted in the circumstances, and where the governing body of the FSP determines that the employee or representative has, in fact, failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

The FSP's representatives qualify for the following type(s) of financial interests

- 1. Commissions** as authorised under the Long-term Insurance Act, Short-term Insurance Act and the Medical Schemes Act
- 2. Fees** as authorised under the Long-term Insurance Act, Short-term Insurance Act and the Medical Schemes Act if those fees are reasonably commensurate to a service being rendered.
- 3. Fees** for the rendering of financial services in respect of which the above-mentioned commissions and fees are not paid, provided that the client agreed to such fees in writing and may be stopped at the discretion of the client.
- 4. 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
- 5. An immaterial financial interest** (i.e. a financial interest with a determinable monetary value, the aggregate of which does not exceed R1000 in any calendar year from the same third party in that calendar year received by – a provider who is a sole proprietor, or a representative for that representative's direct benefit, or a provider who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.)
- 6. A financial interest not referred to above**, for which a consideration, fair value or remuneration that is reasonably commensurate with the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

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