

CONFLICT OF INTEREST MANAGEMENT POLICY – SOUTH AFRICA

1. INTRODUCTION

- 1.1 Maitland is required to maintain and operate effective organizational and administrative arrangements with a view to taking all reasonable steps to identify, disclose and manage conflicts of interest. Maitland aims to avoid, and where this is not possible mitigate, any conflict of interest in the rendering of financial services between ourselves or our Representatives and the client.
- 1.2 This policy provides for the management of conflicts of interest in compliance with the provisions of the Financial Advisory and Intermediary Services Act, 2002 (“FAIS”) which the authorized Financial Services Providers within Maitland are subject to.
- 1.3 A conflict of interest is defined in the General Code of Conduct for Authorised Financial Services Providers and Representatives (as amended) (“General Code of Conduct”) as follows:
- “conflict of interest”** means 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, -
- (a) influence the objective exercise of his, her or its obligations to a client; or
 - (b) prevent a provider or representative from rendering an unbiased and fair financial service, or from acting in the interests of that client,
- including, but not limited to –
- (i) a financial interest;
 - (ii) an ownership interest;
 - (iii) any relationship with a third party
- “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;
- “financial services 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;
- 1.4 Definitions from Section 1 of the General Code of Conduct, relevant to conflicts of interest, are provided in Annexure A.
- 1.5 This policy records the steps to be taken to identify conflicts of interest before engaging with new clients. It also sets out what should be done when potential conflicts become apparent.
- 1.6 It is vitally important that potential conflicts of interest are identified as soon as possible, as conflicts of interest affecting clients could undermine the integrity and professionalism of our business. Identifying conflicts at an early stage will encourage confidence in Maitland’s ethical standards.

2. GENERAL PRINCIPLES

- 2.1 Our aim is to identify and manage potential or actual conflicts of interest, relating to the rendering of a financial service, before any client becomes aware that there is a potential or actual conflict of interest and to ensure that our clients are not unduly prejudiced.
- 2.2 When engaging with a new client we must inform the client of our conflict of interest management policy and how it may be accessed.
- 2.3 A conflict of interest may be difficult to define, and is assessed in relation to all of the circumstances. This policy is specific to the regulated entities in South Africa and the rendering of financial services. Please refer to the Maitland Group Conflict of Interest policy for management of conflicts of interest on a firm wide basis.
- 2.4 Given Maitland's aim of encouraging long term, deep relationships with clients, it is preferable to have a low threshold for identifying a potential conflict of interest.

3. ROLE OF SENIOR MANAGEMENT

- 3.1 Senior managers who are responsible for oversight of the activities of the regulated entities are responsible for implementing appropriate processes and procedures for the effective risk management of conflicts of interest and other risks arising within their divisions.
- 3.2 It is the responsibility of senior management to implement the conflict of interest management policy, procedures and controls to manage conflicts effectively.

4. ROLE OF ALL EMPLOYEES

All Maitland employees are obliged to report actual, perceived or potential conflicts of interest. The failure of employees to notify management to the potential conflict of interest may result in disciplinary action being taken against the affected individual/s.

5. IDENTIFICATION OF CONFLICTS OF INTEREST

- 5.1 A conflict of interest is a situation in which the interests of Maitland or of its associates, in the exercise of its activities, and the interests of its clients, are directly or indirectly in competition, and which could significantly prejudice the client's interests.
- 5.2 A conflict of interest exists if an employee is in a position to make or influence a decision about whether and how to proceed with a proposed transaction, and has an affiliation with any other party to the transaction. An apparent conflict is one that a member of the public might reasonably believe might cause that employee's decision to be tainted by self-interest.
- 5.3 In determining whether there is an actual or potential conflict of interest, we must consider whether the conflict may influence the objective performance of our obligations or prevent us rendering an unbiased and fair financial service to the client, taking into account whether Maitland or a Representative, associate or employee –
 - 5.3.1 Is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
 - 5.3.2 Has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
 - 5.3.3 Has a financial or other incentive to favour the interest of another client, group of clients or any other third party over the interests of the client;

5.3.4 Receives or will receive from a person other than the client, an inducement in relation to a service provided to the client in the form of money, goods or services, other than the legislated commission or reasonable fee for that service;

5.4 Possible conflicts of interest would include, inter alia –

5.4.1 Any rebate, retrocession or related payment whereby remuneration benefits are paid by product suppliers or Discretionary Financial Services Providers to Maitland;

5.4.2 Personal account dealing/staff trading – this is dealt with in terms of our Personal Account Dealing policy;

5.4.3 The use of sensitive or privileged information.

6. DECLARATION OF CONFLICTS OF INTEREST

6.1 In order to ensure proper corporate governance and transparency, relevant employees are required to declare any private interests that might affect the performance of their duties. They are also required to take steps to resolve any conflicts that arise in a way that protects the public interest. To fulfil this requirement, any relevant interests must be declared in the Register of Interests. Relevant interests include a financial interest; an ownership interest or any relationship with a third party – these definitions are included below:

“**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) specialized technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training

“**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

“**ownership interest**” means –

- (a) any equity or ownership interest, for which fair value was paid by the owner, other than equity or an ownership 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

“**sign-on bonus**” means –

- (a) any financial interest offered or received directly or indirectly, upfront or deferred, and with or without conditions, as an incentive to become a provider; and
- (b) a financial interest referred to in paragraph (a) includes but is not limited to –
 - (i) compensation for the-
 - (aa) potential or actual loss of any benefit including any form of income, or part thereof; or
 - (bb) cost associated with the establishment of a provider’s business or operations, including the sourcing of business, relating to the rendering of financial services; or
 - (ii) a loan, advance, credit facility or any other similar arrangement.

- 6.2 Relevant employees (which would include Key Individuals, Representatives, management and Directors) must consider whether they need to disclose personal involvement with persons or organisations or business interests that might influence their judgement, deliberation or action as employees, or which might be perceived by a client as doing so. The purpose of this disclosure is to be able to provide information to clients about the relevant interests of the regulated entity and the key persons.
- 6.3 The types of conflicts of interest to be recorded would include, inter alia, gifts and financial interests (to be recorded in the Gift Register). No employee should obtain any material personal benefits or favours because of their position within Maitland. The Maitland Gift and Gift Acceptance policy addresses the circumstances in which gifts made to employees of Maitland may be accepted, and the procedure in terms of which gifts are to be entered in the Gift Register.
- 6.4 It is each affected employee's responsibility to inform the Compliance Officer of any relevant changes as they occur and to register their interests in the Register.
- 6.5 Where there is uncertainty about whether a particular interest should be declared, advice should be sought from the Compliance Officer and/or senior management.

7. ACCEPTABLE FINANCIAL INTEREST

- 7.1 In terms of Section 3A(1) of the General Code of Conduct, Maitland and its Representatives may only receive or offer the following financial interest from or to a third party –
- 7.1.1 Commission authorised under the Long-term Insurance Act, the Short-term insurance Act or the Medical Schemes Act, as applicable;
 - 7.1.2 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 the service being rendered;
 - 7.1.3 Fees for the rendering of a financial service in respect of which commission or fees referred to above are not paid, if those fees are specifically agreed to by a client in writing and may be stopped at discretion of the client;
 - 7.1.4 Fees or remuneration for services rendered to a third party, if those fees are reasonably commensurate to the service being rendered;
 - 7.1.5 An immaterial financial interest as defined;
 - 7.1.6 A financial interest for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest is paid by Maitland or the Representative at the time of receipt thereof.

8. AVOIDANCE OF CONFLICTS OF INTEREST

- 8.1 In order to avoid conflicts of interest, Maitland does not permit the practice of offering any financial interest to Representatives for:
- 8.1.1 Giving preference to the quantity of business secured for Maitland to the exclusion of the quality of the service rendered to clients; or
 - 8.1.2 Giving preference to a specific product supplier, where the Representatives may recommend more than one product supplier to the client; or

8.1.3 Giving preference to a specific product of a product supplier, where the Representative may recommend more than one product of that product supplier to the client.

8.2 Maitland does not permit the practice of offering or providing a sign-on bonus by any of its Financial Services Providers nor receipt of a sign-on bonus by its Category I Financial Services Providers.

8.3 Certain conflicts may have such a serious potential impact for Maitland or its clients that the only way to adequately manage such conflicts will be to avoid them. However, clearly it is not practical to prohibit all conflicts of interest regardless of impact. Therefore all conflicts of interest must be adequately assessed for impact, they must be reported to the Compliance Officer and/or senior management who will then decide how to proceed, i.e. either to proceed with caution; make the appropriate disclosures; or in severe cases to avoid the conflict altogether.

9. **CONTROLLING CONFLICTS OF INTEREST**

9.1 If it is decided to proceed the conflict can be normally managed by a combination of internal controls and appropriate disclosures.

9.2 Depending on the circumstances and the nature of any given conflict, it may be appropriate to:

9.2.1 Disclose the conflict of interest to the client;

9.2.2 Allocate another Representative to provide the service to the client;

9.2.3 Decline to provide a service to the client;

9.2.4 Initiate internal/external disciplinary action (referring matter to the Regulator for instance) where warranted.

9.3 What constitutes an appropriate response to a given conflict of interest will always depend on the circumstances and facts of the case.

9.4 In the event of a conflict of interest being identified and avoidance of this conflict of interest is not possible, the Compliance Officer must be advised of the reasons therefore and what measures the business will implement to mitigate such conflict of interest. Measure to mitigate will include disclosure to clients.

10. **DISCLOSURE OF CONFLICTS OF INTEREST**

10.1 At the earliest reasonable opportunity, we must disclose in writing to our client any conflict of interest in respect of that client, including –

10.1.1 The measures taken to avoid or mitigate the conflict;

10.1.2 Any ownership interest or financial interest, other than an immaterial financial interest, that we or our Representatives may be or become eligible for;

10.1.3 The nature of any relationship or arrangement with a third party that gives rise to a conflict of interest, in sufficient detail to our client to enable the client to understand the exact nature of the relationship or arrangement and the conflict of interest.

10.2 An appropriate mechanism for disclosure of material conflicts of interests is in the initial disclosure documentation provided to clients in the form of letters of introduction; letters of engagement; mandates; and related disclosure documents. The following information must be disclosed:

- 10.2.1 The extent to which Maitland (or any associated person) has a legal or beneficial interest in the financial products that are the subject of the service;
- 10.2.2 The extent to which Maitland (or any associated person) is related to or associated with the issuer or provider of the financial products that are the subject of the service;
- 10.2.3 The extent to which Maitland (or any associated person) is likely to receive financial or other benefits.
- 10.2.4 All fees, charges, rebates and benefits applicable to the service.

11. **CONFLICT OF INTEREST MANAGEMENT PROCEDURES**

- 11.1 Senior management have primary responsibility for identifying, recording and managing conflicts of interest. They will be assisted in the management of conflict of interest situations by the Compliance Officer.
- 11.2 The take on of new clients should be subject to approval by the Key Account Manager.
 - 11.2.1 The Key Account Manager will consider the existence of a conflict of interests in relation to the client, and if so, will determine (together with senior management and the Compliance Officer, as applicable) how the conflict should be managed.
 - 11.2.2 Where no conflicts are identified the client and matter may be taken on, subject to satisfactory anti-money laundering and other due diligence requirements being met.
 - 11.2.3 Where Maitland cannot take on the matter, the prospective client should be advised of this fact promptly and an offer should be made to refer the prospective client to an alternative firm.
- 11.3 The Compliance Officer will co-ordinate an annual questionnaire to be completed by Directors and relevant staff, requiring them to assess all aspects of their responsibilities and their business relationships, with a view to identifying actual or potential conflicts (and circumstances that might be perceived as conflicts). Directors, managers and Compliance Officers assess conflicts across the business, while other staff will focus on their individual circumstances.
- 11.4 Even when individuals completing the questionnaire are confident that an objective service will be provided, in spite of a potential conflict, they should report the conflict.
- 11.5 Senior management together with the Compliance Officer will assess the seriousness of identified possible conflicts, and will determine how the conflict should be managed. Typically this can involve:
 - 11.5.1 Whether current disclosures constitute adequate management;
 - 11.5.2 What further disclosures would constitute adequate management;
 - 11.5.3 Whether or not disclosure alone can adequately manage the conflict. Where it cannot, how the conflict should be avoided, or a decision made whether the conflict should be referred for prompt board consideration.
- 11.6 The Compliance Officer will maintain records of the conflict of interest management process, from identification through to effective resolution of the conflict.

- 11.7 Where there is a complaint received about a failure of by Maitland or its Representatives to disclose a relevant interest, the complaint should immediately be sent to the Compliance Officer for evaluation and response in conjunction with senior management.
- 11.8 The Compliance Officer will prepare a report on the management of conflicts of interest, for the Board to consider at intervals appropriate to the business.
- 11.9 Conflicts of interest will be a standing agenda item for Board meetings.
- 11.10 The conflicts of interest procedures and their efficacy in operation will be reviewed by senior management, in conjunction with the Compliance Officer, at least on an annual basis.
12. **LIST OF ASSOCIATES**
- Refer Annexure B.
13. **THIRD PARTIES IN WHICH MAITLAND HOLDS AN OWNERSHIP INTEREST**
- Refer Annexure C.
14. **THIRD PARTIES THAT HOLD AN OWNERSHIP INTEREST IN MAITLAND**
- Refer Annexure D.
15. **MASTER REGISTER OF INTERESTS (example)**
- Refer Annexure E.

ANNEXURE A – DEFINITIONS**“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 permanent life partner or spouse 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 –
 - (1) had such first-mentioned juristic person been a company; or
 - (2) 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.

“conflict of interest” means 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, -

- (a) influence the objective exercise of his, her or its obligations to a client; or
- (b) prevent a provider or representative from rendering an unbiased and fair financial service, or from acting in the interests of that client

including but not limited to –

- (i) a financial interest;
- (ii) an ownership interest;
- (iii) any relationship with a third party

“distribution channel” means –

- (a) any arrangement between a product supplier or any of its associates and one or more providers or any of its associates in terms of which arrangement, any support or service is provided to the provider or providers in rendering a financial service to a client
- (b) any arrangement between two or more providers or any of their associates, which arrangement facilitates, supports or enhances a relationship between the provider or providers and a product supplier
- (c) any arrangement between two or more product suppliers or any of their associates, which arrangement facilitates, supports or enhances a relationship between a provider or providers and a product supplier

“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) specialized technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training

“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

“ownership interest” means –

- (a) any equity or ownership interest, for which fair value was paid by the owner, other than equity or an ownership 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

“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

ANNEXURE B – LIST OF ASSOCIATES

Name of Associate	Nature of Relationship
Maitland FS Holdings (Pty) Ltd	Company within the Maitland group in South Africa
Maitland Group South Africa Limited	Company within the Maitland group in South Africa
Source Nominees (Pty) Ltd	Company within the Maitland group in South Africa
Maitland Asset Management (Pty) Ltd	Company within the Maitland group in South Africa
Maitland Advisory (Pty) Ltd	Company within the Maitland group in South Africa
Maitland Special Trustees (Pty) Ltd	Company within the Maitland group in South Africa
Maitland Trust (KZN) (Pty) Ltd	Company within the Maitland group in South Africa
Maitland Security Trustees (Pty) Ltd	Company within the Maitland group in South Africa
Changing Tides 17 (Pty) Ltd	Company within the Maitland group in South Africa
Maitland Executors Limited	Company within the Maitland group in South Africa
Admiral Hedge Fund Services (Pty) Ltd	Company within the Maitland group in South Africa

A list of Maitland's worldwide associates is available on request.

ANNEXURE C – THIRD PARTIES IN WHICH MAITLAND HOLDS AN OWNERSHIP INTEREST

Name of Third Party	Nature of Interest	Extent of Interest
None		

ANNEXURE D – THIRD PARTIES THAT HOLD AN OWNERSHIP INTEREST IN MAITLAND

Name of Third Party	Nature of Interest	Extent of Interest
Ditkeni Trust	BBBEE Partner	10% Shareholder of Maitland FS Holdings (Pty) Ltd

