

POLICY AND PROCEDURE MANUAL

LC15.2

Effective date: 01 January 2014

Rev 1: 19 April 2011

CONFLICTS OF INTEREST

15.2.1 Scope

The General Code of Conduct for Authorised Financial Services Providers and Representatives (“**the Code**”) issued under the Financial Advisory and Intermediary Services Act, 2000 (Act No. 37 of 2002) (“**FAIS**”), requires financial service providers to have a Conflict of Interest Management Policy in place to ensure that conflicts of interest are managed appropriately in the business.

15.2.2 Purpose

The purpose of this policy is to assist Boutique Investment Partners (Pty) Ltd (hereinafter referred to as “**BIP**” or “**the Company**”) and its employees to identify potential and actual conflicts of interest and manage it appropriately.

15.2.3 Policy and Procedure

a. Policy Statement

The Company is committed to avoiding, and where this is not possible, mitigating any conflict of interest that may arise between the Company, as a financial services provider, and its clients when rendering financial services.

b. Who is subject to the policy?

The Company, its employees (including specifically analysts) and all individuals authorised by the Company, whether in terms of an employment agreement or a mandate, to render advice and/or intermediary services as defined in terms of FAIS (hereinafter referred to as “**representative(s)**”), to clients of the Company, are bound by this policy.

c. What is a Conflict of Interest?

(i) “Conflict of interest” is any situation, including financial interest, ownership interest, or any relationship with a third party, in which a provider or representative has an actual or potential interest that may:

- influence the objective fulfilment of obligations to a client;
- influence the offering of unbiased and fair advice or service to a client; or
- prevent the provider or representative from acting in the best interests of a client.



(ii) This may include:

- real or perceived financial gain resulting from recommendations to clients that may prejudice the client;
- an outcome of service delivery or transaction that may not best serve the interests of the client;
- non-cash incentives that may be received by the Company as a result of effecting any predetermined transaction and/ or product; and
- effecting a transaction and/ or product that may benefit a party other than the client.

(iii) In this regard Annexure A attached to this policy, lists the following:

- financial interests that are allowed;
- financial interests that are allowed, subject to prior approval and provided that the total value does not exceed R1 000.00 per representative during any one year;
- financial interests that are disallowed; and
- financial interests that are not subject to the Code and therefore does not require any prior approval in terms of this Policy.

d. Mechanisms for identifying Conflicts of Interest

(i) Avoiding conflicts of interest, or mitigating such conflicts, is primarily based on the principle of trust. In a nutshell this means that clients should trust our judgement without reservation. Whether a client would indeed trust our judgement in a particular situation or activity, given the existence of a conflict- or potential conflict of interest, is a question of fact and must be determined on a case by case basis, using objective judgement.

(ii) Similarly, the principle of “treating clients fairly” can also be applied to identify the existence of conflicts of interest. This principle requires one to consider whether the financial recommendation, guidance or proposal furnished to a client (i.e. “advice” as provided for in FAIS), or the act performed on behalf of a client or product supplier in respect of a financial product (i.e. “intermediary service” as provided for in FAIS), will result in fair treatment of the client. In considering one’s obligations to treat clients fairly, representatives should, amongst others, consider the following questions:


- Are we providing financial services in a manner that unfairly puts the interests of the Company, its representatives or any of its associates, ahead of their clients?
- Are we providing financial services in a way that unfairly puts the interests of one client ahead of the interests of other clients?
- Are we using knowledge about our clients in a way that is likely to advance our own interests without sufficient disclosure to the affected clients?

(iii) Irrespective of the above principles, a conflict of interest will be deemed to have arisen if the Company, or any employee or representative, receives a “disallowed financial interest” as listed in Annexure A.




e. Measures for avoidance or mitigation of conflicts of interest

- (i) Any activity that forms part of or results in an “immaterial financial interest” must be reported in terms of the Company’s Gift Policy and recorded in the relevant Gifts Register. “Immaterial financial interest” is a financial interest with an aggregate value of R1 000.00 or less, given to the same representative, in any given year;
- (ii) Each representative has a duty to keep record of any immaterial financial interest given to him or her by any product provider or other third party, and to report such interests by sending an e-mail to gifts@efgroup.co.za. The custodian of the Gifts Register shall report to the Managing Director of the Company (“the MD”) as soon as the aggregate financial interest received by any one representative from that product provider or third party, as the case may be, reaches R1 000.00 in that particular year. Any gifts over and above the R1 000.00 mark, or which causes the annual limit in respect of that representative to exceed the R1 000.00 annual mark, shall automatically render the gift to fall within the ambit of this policy and the potential conflict must henceforth be addressed in terms of this policy.
- (iii) A potential conflict of interest with a monetary value of between R1 000.00 and R10 000.00, will, prior to acceptance of the financial interest, require the written consent of the Managing Director of the Company (“the MD”) and must be recorded in the relevant conflict of interest register.
- (iv) Decisions regarding a potential conflict of interest that falls within the definition of a “material conflict” of interest must be taken by the MD in consultation with the Chief Executive Officer of Efficient Group Ltd (“the CEO”), the holding company of BIP. “Material conflict” is a conflict of interest, the monetary value of which exceeds R10 000.00, or which may directly impact the Company’s reputation.
- (v) In exercising his discretion, the MD (in consultation with the CEO, if so required by this policy) must have regard to:
- this conflict of interest policy and the requirements for updating the conflicts of interest register;
 - any commission regulations or other legislation which may be breached by the receipt of such gift or entertainment;
 - a written statement from the giver explaining the reason for and purpose of the entertainment or gift (which must accompany any request for authorisation, if so required by the MD);
 - the extent of the conflict;
 - the estimated direct financial impact that a particular situation or activity would have on the Company;
 - the effect that the financial interest is likely to have on the client; and
 - the value that internal or external discussions (e.g. referring the matter to the Group management committee or a professional body or regulator) may add.

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- (vi) If it has been established that a particular situation or activity gives rise to a conflict of interest, one must avoid that situation (e.g. by allocating another representative to provide the service to the client) or refrain from that activity.
 - (vii) Once it is decided that a conflict of interest is inevitable, the Company's MD (in consultation with the CEO, if applicable) must ensure that the effect of such conflict is mitigated by disclosing the conflict of interest to the relevant client(s).
 - (viii) Where a conflict is identified and a decision is made in respect of the management thereof, the nature of the decision must be communicated to the representative in writing within 3 business days. The representative must in turn disclose the conflict to the client, if deemed necessary by the MD / CEO, in the format and to the extent prescribed by the MD / CEO. This applies regardless of whether the decision was made to cease with the relevant activity or continue therewith despite the existence of the conflict or potential conflict. It is important for the preservation of the corporate integrity of BIP that these disclosures are made at all times.
 - (ix) If disclosure of a specific conflict of interest is indeed required, the extent and nature of that disclosure, as prescribed by the MD / CEO, must enable the client to make an informed assessment about how the conflict of interest might affect the representative's product recommendations and/or advice.



f. Conflict of interest internal controls

- (i) To manage conflicts of interest, the Company must maintain a conflict of interest register.
 - (ii) The conflict of interest register must be accessible by key employees identified by the MD from time to time. The Group Legal and Compliance Manager ("the Compliance Manager"), as compliance champion of Efficient Group and its subsidiaries, shall at all times have access to the register and all correspondence and deliberations in respect of conflicts- or potential conflicts of interest.
 - (iii) The Compliance Manager shall at all times assist the MD, CEO and all employees and representatives of the Company to implement and enforce this policy and to address conflicts- or potential conflicts of interest that may arise from time to time.
 - (iv) The MD, as the principal Key Individual of the FSP, shall be responsible for the maintenance of the register, and may accordingly be consulted by all employees and representatives prior to concluding transactions which might include conflicts of interest.
 - (v) All employees and representatives must disclose, to the MD, any immaterial- or other financial interest, as defined above, received from a product provider or other third party. This disclosure must be made within one week after the relevant activity has taken place or have come to the attention of the employee or representative. Details regarding supporting documentation, if applicable, must also be disclosed and recorded in the conflict of interest- or gifts register, as the case may be. **All conflicts of interest must be submitted via the gifts@efgroup.co.za e-mail address.**
 - (vi) The MD, or his duly appointed delegate, must record disclosures made in accordance with paragraph (v) above in the register, without delay.
 - (vii) The conflict of interest register will be audited by the Company's registered, external Compliance Officer as and when required for the purpose of determining whether any financial interest given or received exceeded the aggregate value of R1 000.00 per representative per annum and whether each conflict of interest has been addressed as required in terms of this policy.
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g. Reporting of conflicts of interest

- (i) The outcome of the conflict of interest register audit shall be reported to the MD, the CEO and the Compliance Manager.
- (ii) All activities that resulted in conflict of interest situations must be disclosed to the Group Audit and Risk Committee, including the detail pertaining to such activities and the mitigation measures taken. This will be done on a quarterly basis and must include recommendations regarding steps that will be taken to avoid a recurrence of such conflict of interest situations.
- (iii) Discussions regarding conflicts of interest by the Group Audit and Risk Committee during their meetings must be recorded in the minutes of such meetings. The relevant extracts of the minutes must be made available to the Company's Compliance Officer upon request, for the purpose of enabling the Compliance Officer to report on compliance with this Policy, as required by the Code.

h. Consequences of not adhering to this policy

Violation of this Policy by an employee or representative may result in disciplinary action being taken against the employee / representative, in accordance with the Company's Disciplinary Code as amended from time to time.

i. BIP's Associates

Conducting business with or via an "associate" (defined in Board Notice 58 of 2010 as any subsidiary or Holding Company of BIP, any other subsidiary of the said Holding Company and any other company of which the said Holding Company is a subsidiary) may inherently give rise to a conflict of interest, thus the Company is required by the Code to make a list of its associates available to interested parties, together with this policy. The Efficient Group structure, in which the Company's associates are listed, is attached as Annexure B.

j. Staff training and general awareness

- (i) All the company's staff will be trained on this policy.
- (ii) A copy of the policy will be provided to each staff member and representative, and updated versions must be circulated as and when they are updated.
- (iii) Moreover, all clients – existing and future, must be made aware of the existence of this policy.

k. Financial interest provided

Notwithstanding that this policy has been prepared from the point of view of receiving financial interests, the policy shall equally be applicable to the provision of financial interests to clients, product providers or other third parties ("stakeholders"). Any employee or representative who wishes to provide a financial interest to a stakeholder must submit a formal request, including supporting documents, via the gifts@efgroup.co.za e-mail address, for permission to provide the financial interest.

l. Review of the Policy

This policy shall be reviewed annually and any changes to this policy shall be communicated to all staff and representatives. For this purpose representatives and Key Individuals shall annually be required to provide feedback, as provided for in Annexure C, in respect of this policy and any conflicts- or potential conflicts of interest that may exist.



ANNEXURE A

BIP		
Key individuals and Representatives – Financial Interest Received		Company / Product Providers – Financial Interest Provided
Financial interest allowed	Disclosure required	Standard operating procedures
Fees as provided for in any applicable legislation, if those fees are reasonably commensurate to the service being offered.	Disclosed in mandate.	Financial interest disallowed: Financial interest to a representative for giving preference to a quantity of business to the exclusion of quality to the client, preference to a specific product supplier, or preference to a specific product.
Fees for rendering a financial service which are not provided for in any legislation or regulations, provided the client has specifically agreed to the fees in writing and has a discretion to stop them at any time.	Disclosed in mandate.	Financial interest disallowed: Cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, and any other incentive or valuable consideration not mentioned above, including travel and accommodation associated with allowed training.
Promotional items	Disclosed in internal gift register	Financial interest disallowed: Training that is restricted to a select group of providers or FAIS representatives and that does not meet the conditions in item 7 under the “Allowed Column”
Any financial interest with a determinable monetary value <u>not exceeding R1000.00</u> per FAIS representative/key individual in any given year.	Disclosed in internal gift register.	Financial interest allowed: Marketing and advertising, provided a fair value for the service, as would have been charged elsewhere, is charged
Financial interest for which the provider or representative has paid fair value or remuneration reasonably commensurate to the financial interest.	Disclosed in conflict of interest register.	Financial interest allowed: Provision of electronic tools and services without which an FSP cannot service The Company / Product Supplier, underwriting services, call centre services, etc.

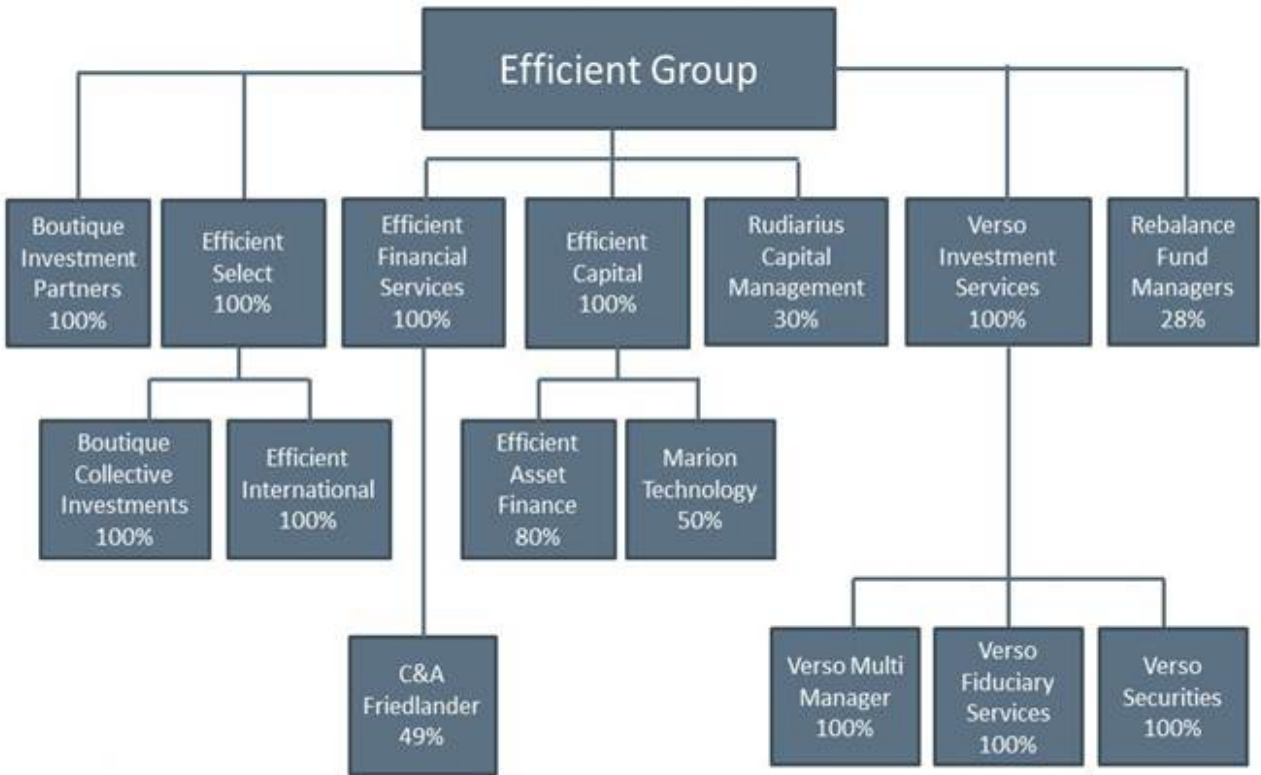


Ownership interest	Disclosed in conflict of interest register, Annexure B of this Policy and Ownership interest register.	Financial interest allowed: Provision of discount mandates to brokers who manage their books well
Training that is not restricted to a selected group of providers and FAIS representatives on products and legalities thereof; general financial and industry information; specialised technological systems (of a third party) necessary for rendering a financial service.	No need to disclose.	Financial interest allowed: Commission in accordance with any relevant legislation / regulations
		<p>Financial interest allowed: Any financial interest with a determinable monetary value <u>not exceeding R1000.00</u> per representative/key individual in any given year.</p> <p>Financial interest allowed: Financial interest for which the provider or representative has paid fair value or remuneration reasonably commensurate to the financial interest.</p>
Financial interest disallowed	Disclosure	Financial interest allowed: Ownership interest
Any financial interest with a determinable monetary value <u>exceeding R1000.00</u> per FAIS representative/key individual in any given year. This could be made up of 1 gift or of several gifts from one product supplier in one calendar year (as recorded in internal gift register).	Must be recorded in conflict of interest register. Gift may not be accepted prior to procedures duly followed in accordance with this Policy. Refusal to accept gift, if applicable, must be recorded.	<p>Financial interest allowed: Training that is not restricted to a selected group of providers and FAIS representatives on products and legalities thereof; general financial and industry information; specialised technological systems (of a third party) necessary for rendering a financial service.</p> <p>Financial interest allowed: Promotional items</p>



ANNEXURE B

Group Structure of Efficient Group (Legal) **EFFICIENT GROUP**





ANNEXURE C

BIP Conflict of Interest Questionnaire

KEY INDIVIDUALS AND REPRESENTATIVES OF FSP LICENCE NUMBER 45 011

BIP (“FSP”) requires each key individual and representative of the business to:

- Annually review the FSP’s Conflicts of Interest policy (the “Policy”);
- Disclose any possible personal, familial or business relationship that reasonably could give rise to a conflict of interest or the appearance of a conflict of interest in this **Conflict of Interest Questionnaire**; and
- Acknowledge by his or her signature that he or she is acting in accordance with the letter and spirit of such Policy on the Pledge of Personal Commitment.

Please respond to the following questions to the best of your knowledge:

1 .Please list all corporations, partnerships, associations or other organizations of which you are an officer, director, trustee, partner, or employee, and describe your affiliation with such entity.

2. In terms of the FAIS Code of Conduct you must disclose to clients the existence of any personal interest in a relevant service, or of any circumstances which gives rise to actual or potential conflicts of interest in relation to such service, and take all reasonable steps to ensure the fair treatment of the client. Please list any such conflicts- or potential conflicts of interest which you are aware of or which you perceive may possibly exist.

3. Please list any proposed business dealings between product suppliers and yourself (other than through BIP in the normal course of business), your family members and/or family entities. Describe each such relationship listed and the actual and potential financial benefits as you can best estimate them.



4. Are you aware of any other relationships, arrangements, transactions or matters, whether between yourself and third parties or between the company and third parties, which could create a conflict of interest or the appearance of a conflict? If so, please provide details.

I have read the Conflicts of Interest Policy and accordingly hereby confirm that I currently comply with, and agree to remain in compliance with, the Policy.



Signed at _____ on this _____ day of _____ 20____

NAME: _____

