

Policy Name: FAIS Conflict of Interest Management Policy

Type: Compliance

Policy Owner: Key Individual

Approved By: Board of Directors

Approval Date: 3 Nov 2015

Review Date: March 2016

1 Policy statement

- 1.1 The business of the Company is built on trust and integrity as perceived by our stakeholders, especially our Clients, shareholders and regulators.
- 1.2 An important element of trust and integrity is ensuring that the Company conducts its business in accordance with the values and Code of Ethics that the Company has adopted, in compliance with applicable laws, rules and standards.
- 1.3 This Policy sets out the management of Conflicts of Interest as prescribed by the Code and addresses the following:
 - 1.3.1 Mechanisms used to identify Conflicts of Interest.
 - 1.3.2 Measures for avoidance and mitigation of Conflicts of Interest.
 - 1.3.3 Processes and procedures to ensure compliance with this Policy.
 - 1.3.4 Consequences of non-compliance with this Policy.
 - 1.3.5 Details of the types of Financial Interests that Representative may receive.
 - 1.3.6 Basis on which any Financial Interest is received.

2 Applicability

This Policy applies to all Staff within the Company, regardless of location or business unit.

3 Policy

3.1 Overview

The Company supports consumer protection and all measures to improve the integrity of the South African financial services industry and have taken all reasonable steps to ensure that we comply with consumer protection legislation. FAIS is integral in protecting consumers and regulates market conduct within the financial services industry.

3.2 Definitions

Words beginning with a capital letter have been defined in section 6.

3.3 Compliance

3.3.1 The FSB is a South African regulatory body that oversees compliance with FAIS. As an FSP, we comply with the requirements prescribed by the FSB.

3.3.2 The Company's compliance function is established as part of its risk management framework. The annual compliance plan includes monitoring of compliance with this Policy by the compliance officer. Non-compliance must be reported in line with the normal governance reporting mechanisms.

3.4 Conflicts of interest

3.4.1 A Conflict of Interest may occur when rendering a financial service to an existing or potential customer. Such conflict may occur when the FSP or a Representative does not act objectively or does not render an unbiased or fair service to an existing or potential customer or does not act in a customer's best interests. A key conflict can occur when the FSP or any employee receives a financial or ownership interest from a Third Party.

3.4.2 In terms of the Code, an FSP must take all necessary steps to eliminate any practices and/or services that may create a conflict between their own interests and the interests of customers.

3.4.3 Gift Policies set out Immaterial Financial Interests. The Gift Policies require business areas to keep a register through which all employees must report gifts offered or received. The Business and FAIS Compliance Officers have access to the register to facilitate compliance with the requirements of this Policy.

3.4.4 A Conflict of Interest situation must be avoided. Where it is not possible to avoid any act, action or reward that may create a Conflict of Interest, appropriate steps must be taken to mitigate the impact and must be appropriately disclosed to an existing or potential customer at the earliest reasonable opportunity.

3.5 Identifying Conflicts of Interest

3.5.1 To identify a Conflict of Interest, the following must be applied by the FSP:

3.5.1.1 Analysis of all distribution models of the FSP.

3.5.1.2 Analysis of Third Party relationships.

3.5.1.3 The types of Financial Interests received and/or offered.

3.5.1.4 Remuneration models for Representatives must be signed off by the management of the applicable distribution channel and the relevant business area.

3.5.1.5 Appropriate rules must be put in place around the receipt or offering of Immaterial Financial Interests in keeping with Gift Policies.

3.5.1.6 Regularly reviewing all disclosures in terms of FAIS to ensure appropriate identification and disclosure of Conflicts of Interest.

3.6 Managing Conflicts of Interest

Non-compliance with this Policy must be escalated to the relevant FAIS Compliance Officer and business unit head, together with a recommendation as to the measures to be taken to mitigate the non-compliance.

3.7 Contractual relationship

Our contractual relationship with our Key Individuals and Representatives prevents them from placing business with product suppliers outside of their mandate.

3.8 Processes and procedures for compliance

3.8.1 The following internal procedures must be followed:

3.8.1.1 All staff are required to read and familiarise themselves with the Code as well as this Policy, and to ensure that they fully understand the provisions of both documents and their application.

- 3.8.1.2 Specific training and educational material on how Conflicts of Interest may arise and how it can be avoided must be provided to staff on an ongoing basis.

3.9 Financial Interests

- 3.9.1 An FSP may only receive or offer the following Financial Interests from or to a Third Party:

- 3.9.1.1 Regulated commission or fees under the STIA.
- 3.9.1.2 Fees under the STIA if these fees are reasonably in line with the service being rendered.
- 3.9.1.3 Any other fees for rendering a financial service for which no commission or fees are payable if such fees are specifically agreed to by a customer in writing and may be stopped at the customer's discretion.
- 3.9.1.4 Fees or remuneration for rendering a service to a Third Party if such fees are reasonably in line with the service being rendered.
- 3.9.1.5 Subject to any law, an Immaterial Financial Interest.
- 3.9.1.6 A Financial Interest for which a consideration, fair value or remuneration that is reasonably in line with the value of the Financial Interest is paid by an FSP or any employee at the time of its receipt.

- 3.9.2 An FSP must not offer any Financial Interest to Representative for:

- 3.9.2.1 favouring quantity of business over quality of service;
- 3.9.2.2 favouring a specific product of a product supplier, where required to recommend more than one supplier to a customer; and/or
- 3.9.2.3 giving preference to a specific product over other products of a product supplier.

4 Roles and responsibilities

4.1 Governance structures

A FSP must have governance structures in place that require management to ensure compliance with this Policy.

4.2 Line Management

Line Management is responsible and accountable for the implementation of the requirements of this Policy.

4.3 FAIS Compliance Officers

FAIS Compliance Officers provide ongoing compliance services and monitor compliance with FAIS and related legislation.

4.4 Representatives

4.4.1 Representatives are mandated to give advice and/or provide an intermediary service to an existing or potential customer. Some Representatives are remunerated by salary and others are paid a combination of commission and other benefits , such as:

4.4.1.1 certain non-cash awards if specific business objectives are met; and/or

4.4.1.2 certain reimbursed allowances.

4.4.2 Before benefits are paid, an FSP may take the following quantity and quality of business measure into account:

- 4.4.2.1 The size of the Representative's book of business, measured by premiums and assets under management.
- 4.4.2.2 The growth of the Representative's book of business, measured by the amount of business the Representative has introduced successfully during the year.
- 4.4.2.3 Persistence of the Representative's book of business, measured by short- and long-term lapse rates.
- 4.4.2.4 The quality of the Representative's advice to an existing or potential customer.
- 4.4.2.5 The quality of the Representative's advice, measured by the customer's level of satisfaction which is determined by a customer evaluation call.

5 Disciplinary action

- 5.1 Non-compliance with this Policy may result in staff being subject to internal disciplinary procedures. This may result in the debarment of FAIS Affected Staff and/or dismissal of a staff member.
- 5.2 An FSP may also be held liable for compensation for failure to comply with this Policy
- 5.3 Avoidance, limitation or circumvention of this Policy through whatever means will also be seen as non-compliance.

6 Definitions

6.1 FSP

Authorised financial services provider

6.2 Code

General Code of Conduct for Authorised FSPs and Representatives, published under FAIS.

6.3 **Conflict of Interest**

A conflict of interest means any situation where an FSP or staff member has an interest that may arise in

- rendering a financial service to an existing or potential customer,
- allocating orders to a specific contractor or
- promoting to rent out certain owners' properties before another property

which influences the objective performance of their obligations to an existing or potential customer or where it prevents the FSP or employee from rendering an unbiased and fair service to an existing or potential customer. This includes receiving a wide range of financial and non-financial benefit, ownership interests and any relationship with a Third Party.

6.4 **FAIS**

The Financial Advisory and Intermediary Services Act, 37 of 2002.

6.5 **FAIS Affected Staff**

FAIS Affected Staff include employees of an FSP, Representatives (as well as Representatives under supervision) and Key Individuals.

6.6 **FAIS Compliance Officer**

A compliance officer appointed by an FSP in terms of section 17 of FAIS.

6.7 **Financial Interest**

A financial interest includes cash, cash equivalent, vouchers, gifts, services, advantages, benefits, discounts, domestic or foreign travel, hospitality, accommodation, sponsorships, other incentives or valuable consideration other than:

6.7.1 an ownership interest which is an equity or proprietary interest acquired for fair value and includes dividends, profit share and similar benefits; and/or

6.7.2 training by a product supplier on products, general industry information and technical systems that are not exclusively available to a selected company of providers or Representatives except for travel and accommodation associated with that training.

6.8 **FSB**

Financial Services Board

6.9 **Company, we, our, us**

National Real Estate (Pty) Ltd.

6.10 **Gift Policies**

No employee may receive more than R1 000 in any calendar year from the same Third Party in that calendar year.

6.11 **Immaterial Financial Interest**

An immaterial financial interest means any financial interest with a determinable monetary value, the aggregate of which is not more than R1 000 in any calendar year from the same Third Party in that calendar year

6.12 **Key individual**

A key individual in relation to an FSP means any natural person responsible for managing or overseeing, either alone or together with other responsible persons, the activities of the body, trust or partnership relating to the rendering of any financial service.

6.13 **Representative**

A representative means any person who renders a financial service to a customer for or on behalf of an FSP in terms of conditions of employment or any other mandate.

6.14 **STIA**

Short-Term Insurance Act, 53 of 1998.

6.15 Third Party

A third party includes a product supplier, contractor, another provider, a distribution channel; an associate of the product supplier and provider and any person who in terms of an agreement or arrangement with a person referred to above who provides a Financial Interest to a provider or its employees.

8 Policy administration**Contact Person:**

Name	Roelof Dednam
Title	Key Individual
Email	roelof@nationalre.co.za
Telephone	+27 51 405 9990 (ext. 9804)

Key Words	FAIS Act / FAIS Conflict of Interest / Compliance Conflict of Interest Management
-----------	--