



**59 16th Road
Halfway House
MIDRAND**

FSP Number 19664
Conflict of Interest Management Policy

By: Group Compliance

1. DOCUMENT STATUS

| | |
|--------------------------|---|
| Version | 1 |
| Document Owner | FAIS Compliance Officer |
| Document Status | Interim as approved by Chief Risk Officer |
| Document Location | Group Compliance |
| Author | Mothibe Ramothibe |
| Confidentiality | Company Confidential and may not be distributed |

2. Version History

| Date | Version & Status | Summary of Changes |
|--------------|-----------------------------|--|
| January 2016 | 1 Interim | Interim Final of the ABL Conflicts of Interest Management policy presented for approval to Group Risk and Capital Management Committee |

3. Approval

| Date | Version | Reviewers / Approval Forum | Actions / Approvals |
|----------------|----------------|-----------------------------------|---|
| 8 January 2016 | 1 | Piet Swanepoel | Approved by Chief Risk Officer Piet Swanepoel on the 8 th of January 2016, with Final Version to be approved by the Curator. |

Contents

| | | |
|------------|--|----------|
| 1. | Purpose | 4 |
| 2. | Application | 4 |
| 3. | Code Definitions | 4 |
| 4. | Manner in which conflict situations arise | 5 |
| 5. | Assessment of potential conflict situations | 6 |
| 6. | Process to be followed | 6 |
| 7. | Mitigation Process | 7 |
| 8. | Disclosure requirements | 7 |
| 9. | Adherence to the policy | 8 |
| 10. | Commission payable by Product Supplier to FSP | 8 |

1. Purpose

This policy deals with conflicts of interest within African Bank Limited, our employees and our clients. The aim of the policy is to make sure that we avoid or mitigate any conflict of interest situations that could negatively affect our clients.

2. Application

This policy applies to all employees, which are deemed to include:

1. Directors
2. Executives
3. Managers
4. Permanent employees
5. Contract and/or temporary employees

A conflict of interest arises when an actual or potential interest may influence you from acting fairly, independently and objectively towards our clients.

All African Bank's employees must follow this policy, which is required by the General Code of Conduct to the Financial Advisory and Intermediary Services Act (FAIS). This policy is one part of our comprehensive framework aimed at ensuring that we follow all laws that apply to our industry.

3. Code Definitions

African Bank has adopted the following definitions as set out in the General Code of Conduct (as amended by Board Notice 58 of 2010), as issued under The Financial Advisory & Intermediary Services Act, Act No 37 of 2002, and as applying to its policy and procedures.

Conflict of interest

"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 either:*

- ❖ *influence the objective performance of his, her or its obligations to that client;*
or
- ❖ *prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the best interests of that client, including, but not limited to a financial interest an ownership interest or any relationship with a third party"*

"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) specialised 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 R 1 000 in any calendar year from the same third party”*;

Third party

A **“third” party** means *“a product supplier, another provider, an associate of a product supplier or a provider, a distribution channel and any other person who in terms of an agreement provides a financial interest to a provider or its representatives”*;

Associate

“associate” is defined, in the case of a company, as *“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”*

Ownership interest means:

1. 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. includes any dividend, profit share or similar benefit derived from that equity or ownership interest.

4. Manner in which conflict situations arise

Potential conflict of interest situations can arise from the company’s business activities with:

1. insurers with whom there is a business/ownership relationship
2. financial service providers (FSPs) with whom there is a business/ownership relationship
3. distribution channels with whom there is a business/ownership relationship
4. persons with whom there is a business/ownership relationship
5. service providers with whom there is a business/ownership relationship

[Any of the above parties in which African Bank or its holding companies has an ownership interest are deemed Associates of African Bank. These associates along with relevant details are listed in an annexure to this policy. (Note: Companies in the group which do not have an operational relationship with African Bank are excluded)].

6. African Bank, or other group company, employees as a result of employment contracts, investments and remuneration policies
7. any other relevant relationship that may exist within the company or other group companies

5. Assessment of potential conflict situations

African Bank assesses whether there are conflict situations within its business through:

1. documenting the existing relationships and arrangements that are in place that are conflict or potential conflict situations,
2. assessing, before the commencement of any new transaction and when taking on a new business partner, whether or not this will create a conflict or potential conflict. If conflict exists, then a decision is taken as to whether this conflict is to be avoided or mitigated and the decision recorded accordingly.

These documented situations are reviewed regularly by the company's Management in conjunction with its Compliance Officer as part of the ongoing monitoring process and forms the basis of an on-going reporting strategy to/for the company's board of directors and should the need arise, to the Financial Services Board (which is the ultimate authority governing the financial services sector). Any potential conflicts identified are considered along with existing situations and processes to determine whether further avoidance, mitigation or additional disclosures are appropriate.

6. Process to be followed

The process commences with the identification and documentation of relationships as follows:

1. Associate relationships when this is based on common shareholding or management control and where there is any subsidiary or holding company relationship. Companies in the wider African Bank group which do not have an operational relationship with African Bank are excluded.
2. Third party relationships which African Bank or its employees may have with:
 - 2.1 Product suppliers (insurers), which includes any of their associates.
 - 2.2 Other FSPs, including any of their associates.

2.3 Product distribution channels.

2.4 Suppliers outside the insurance environment, such as IT suppliers and security companies.

3. For each of the above relationships, ownership interests, financial interest paid from or to the identified parties and immaterial financial interest paid from or to the identified parties are regularly assessed.

4. Staff remuneration policies are considered.

7. Mitigation Process

The process outlined above allows African Bank to assess its relationships, including those of its staff, and to fully document the process and conclusions. Once the situation has been assessed, the options available include;

1. Firstly, avoidance, which means to not enter into or to distance the company from the circumstance or situation that creates the conflict, *or*
2. Secondly mitigate, which means to acknowledge the conflict situation, but put in place measures that endeavor to reduce the impact of the conflict, *and*
3. Thirdly to disclose to the affected parties the details of the situations that are identified and the measures taken, if any, to reduce the conflict.

Any solution established could be a combination of all the above options. The approach is to firstly avoid where possible, mitigate others and disclose the position where the company has decided to continue the action or transaction.

Where disclosure of conflicts (including potential conflicts) involves clients, the standard approach to adopt is formal disclosure "at the earliest reasonable opportunity". Such opportunity is deemed to be when clients are provided with the initial advice/quote, which is undertaken by the broker.

8. Disclosure requirements

African Bank is obliged to make certain disclosures to the clients which it services. These obligatory disclosures include:

1. The conflicts or potential conflicts which may exist,
2. The measures taken to avoid or mitigate these conflicts
3. Ownership interests including shareholding, dividends, and similar payments.

4. Financial interests that may become due or paid to African Bank, such as vouchers, benefits, travel, hospitality, accommodation, sponsorships and other incentives.
5. Details of the relationships and/or arrangements that exist that create the conflict or potential conflict.
6. Making available copies of this Conflict of Interest Management Policy.

A list is attached of associates and 3rd parties, along with any ownership interest by African Bank and/or staff.

9. Adherence to the policy

Achieving adherence to this policy on Conflict of Interest is achieved by:

1. Including the adherence to and breaches of the policy as an agenda item on management meetings.
2. Making this policy readily available to all clients and other interested parties.
3. Providing a copy to all staff and associates and 3rd parties who are required to acknowledge receipt thereof.
4. Providing regular awareness training to all staff.
5. Including compliance with this policy as an integral part of African Bank's code of employment and non-compliance as a likely disciplinary procedure.
6. Requiring all staff to complete, at least annually, a Conflict of Interest Questionnaire.
7. Requiring all staff to sign a formal declaration relating to the understanding and adherence to this policy.
8. Requiring management to include in its compliance program a regular review of African Bank's ethical policies and standards. This includes an obligation on management and/or the compliance officer to report non-compliance to the authorities if appropriate corrective action is not taken.

10. Commission payable by Product Supplier to FSP

African Bank as Financial Services Provider receives a fee equal to 22.5% of the gross premium for the sale of credit life policies from Guardrisk Life Limited.

African Bank in turn does not provide its employees with any financial incentive or commission regarding the offering of the financial products.

African Bank also receives a binder fee of R32 (Incl. VAT) for determining premiums under each credit life policy sold (once-off).