

## CONFLICT OF INTEREST MANAGEMENT POLICY

### 1. INTRODUCTION

- 1.1 The General Code of Conduct for Financial Services Providers (“**the General Code of Conduct**”), issued under the Financial Advisory and Intermediary Services Act, 37 of 2002 (“**the FAIS Act**”), requires authorised Financial Services Providers to have a conflict of interest management policy in place to ensure that conflicts of interest are managed appropriately in the business.
- 1.2 Protea Capital Management is committed to comply with the standards and prescriptions set by the Financial Sector Conduct Authority of South Africa and accordingly, its board of directors has adopted this policy to ensure compliance with the provisions of the FAIS Act.
- 1.3 This policy provides for the identification, avoidance and management of conflicts of interest in compliance with the provisions of the FAIS Act.
- 1.4 This policy applies to Protea Capital Management, its Representatives, employees and key individuals.

### 2. DEFINITIONS

#### 2.1 “Associate” -

##### 2.2.1 In relation to a natural person, means -

- a) a person who is recognised in law or the tenets of religion as the spouse, life partner or civil union partner of that person;

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- b) a child of that person, including a stepchild, adopted child and a child born out of wedlock;
- c) a parent or stepparent of that person;
- d) 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, or meeting the daily care needs, of the first mentioned person;
- e) a person who is the spouse, life partner or civil union partner of a person referred to in subparagraphs (a) to (d) above;
- f) a person who is in a commercial partnership with that person.

### 2.2.2 In relation to a juristic person -

- a) which is a company, means any subsidiary or holding company of that company, any other subsidiary company of that holding company and any other company of which that holding company is a subsidiary;
- b) which is a close corporation registered under the Close Corporations Act, 69 of 1984 (“**the Close Corporations Act**”), means any member thereof as defined in section 1 of the Close Corporations Act;
- c) which is not a company or a close corporation, means another juristic person which would have been a subsidiary or holding company of the first mentioned juristic person -
  - (i) had such first mentioned juristic person been a company; or
  - (ii) in the case where that other juristic person, too, is not a company, had both the first mentioned juristic person and the other juristic person been a company;
- d) means any person in accordance with whose directions or instructions the board of directors or, in the case where such juristic person is not a company, the governing body of such juristic person is accustomed to act.

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2.2.3 In relation to any person -

- a) means any juristic person of which the board of directors or, in the case where such juristic person is not a company, the governing body is accustomed to act in accordance with the directions or instructions of the person first-mentioned in this sub-paragraph;
- b) includes any trust controlled or administered by that person.

2.3 **“Client”** means a ‘client’ as defined in terms of the FAIS Act, and includes a specific person or group of persons, excluding the general public, who is or may become the subject to whom a Financial Service is rendered intentionally, or is the successor in title of such person or the beneficiary of such service.

2.4 **“Compliance Officer”** means the compliance officer appointed by Protea Capital Management from time to time, as required in terms of the FAIS Act.

2.5 **“Conflict of Interest”** means any situation in which Protea Capital Management, its Representatives, employees or key individuals have an actual or potential interest that may, in rendering a Financial Service to a Client:

2.5.1 influence the objective performance of his, her or its obligations to that Client; or

2.5.2 prevent Protea Capital Management, its Representatives, employees or key individuals 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 -

- a) a Financial Interest;

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- b) an Ownership Interest;
- c) any relationship with a third party.

2.6 **“Financial Interest”** means any cash, cash equivalent, sponsorships, accommodation, hospitality, domestic or foreign travel, discounts, vouchers or gift items, services, advantages, benefits, other incentives or valuable considerations, travel and accommodation relating to any type of training, but excludes training that is not exclusively available to a selected group of Financial Services Providers or Representatives relating to: a) general financial or industry information; b) products or legal matters related to those products; and c) specialised technological services of a third party which is necessary for the provision of Financial Services.

2.7 **“Financial Service”** means ‘financial service’ as defined in the FAIS Act and includes any service contemplated in the definition of a ‘Financial Services Provider’ below.

2.8 **“Financial Services Provider”** means any person, other than a Representative, who as a regular feature of the business of such person: a) furnishes advice; b) furnishes advice and renders an intermediary service; c) or renders an intermediary service.

2.9 **“Immaterial Financial Interest”** means the maximum amount of benefits that a Financial Services Provider, Representative, employee or key individual may receive from any specific product supplier or other third party, currently being R1000 (one thousand Rand) per year.

2.10 **“Ownership Interest”** means 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 includes any dividend, profit share or similar benefit derived from that equity or ownership interest.

2.11 **“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

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a person rendering clerical, technical, administrative, legal, accounting or other service in a subsidiary or subordinate capacity, which service: a) does not require judgement on the part of the latter person; or b) does not lead a Client to any specific transaction in respect of a financial product in response to general enquiries.

### 3. GENERAL PRINCIPLES

- 3.1 Potential Conflicts of Interest are inherent in any business. Protea Capital Management aims to avoid or, where this is not possible mitigate, any conflicts of interest in compliance with the provisions of the FAIS Act.
- 3.2 It is the responsibility of senior management of Protea Capital Management, assisted by the Compliance Officer, to implement this policy and to develop appropriate processes, procedures and internal controls for the effective management of conflicts of interest. This policy shall be reviewed on an annual basis.
- 3.3 Senior management of Protea Capital Management, in conjunction with the Compliance Officer, shall continually monitor compliance with this policy.
- 3.4 Protea Capital Management must maintain, on an ongoing basis, a conflicts of interest register. The Compliance Officer must include a report on Protea Capital Management's conflict of interest management policy in compliance reports submitted to the Financial Sector Conduct Authority in terms of the FAIS Act. This report must address the implementation, monitoring, compliance with and accessibility of the conflict of interest management policy.
- 3.5 Protea Capital Management will ensure that all of its Representatives, employees and key individuals have been provided with a copy of this conflict of interest management policy and have been made aware of their obligation to report any actual or potential Conflict of Interest to the Compliance Officer in terms of paragraph 5 below. In this regard, all Representatives,

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employees and key individuals of Protea Capital Management are required, on an annual basis, to complete a conflict of interest declaration, attached hereto as Annexure A.

### 4. IDENTIFICATION OF CONFLICTS OF INTEREST

4.1 A Conflict of Interest is a situation in which the interests of Protea Capital Management, its Representatives, employees and/or key individuals, in conducting its business activities, and the interests of its Clients, are directly or indirectly in competition, and which could significantly prejudice the Clients' interests.

4.2 A Conflict of Interest exists if a Representative, employee or key individual is in a position to make or influence a decision about whether or how to proceed with a proposed transaction, where such Representative, employee or key individual has an affiliation with any other party to the transaction.

4.3 In determining whether an actual or potential Conflict of Interest exists, the Representative, employee or key individual must consider whether the conflict may influence the objective performance of its obligations or prevent it from rendering an unbiased and fair service to the Client.

4.4 When determining whether an actual or potential Conflict of Interest exists, Protea Capital Management, its Representatives, employees and key individuals must take into account whether it:

4.4.1 is likely to make a financial gain, or avoid a financial loss, at the expense of the Client;

4.4.2 has an interest in the outcome of a service provided to the Client or a transaction carried out on behalf of a Client, which differs from the interests of the Client;

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- 4.4.3 has a financial or other incentive to favour the interests of another Client, group of Clients or any other third party over the interests of the Client;
- 4.4.4 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; or
- 4.4.5 is involved in the same professional activity as the Client.

## 5. DISCLOSURE

- 5.1 It is the responsibility of each Representative, employee and key individual to notify the Compliance Officer, in writing, of any actual, perceived or potential Conflict of Interest. Should any Representative, employee or key individual be uncertain as to whether they are in a conflicted situation, then he/she should contact the Compliance Officer immediately.
- 5.2 Moreover, Representatives, employees and key individuals are obliged to notify the Compliance Officer, in writing, of any Financial Interests received which is in excess of the Immaterial Financial Interest limit or any financial or other interest it has, directly or indirectly, through any business, investment or Associate, which may result in a Conflict of Interest.
- 5.3 Representatives, employees and key individuals must consider whether they need to disclose personal involvement with persons or organisations or business interests that might influence their judgement, deliberation or actions or which might be perceived by a Client as doing so.
- 5.4 Representatives, key individuals and employees shall not be required to report any activities ordinarily commensurate with its business practices, e.g. business lunches that have no influence in inducing further business but are rather of a customary business practice nature.

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### 6. PROCEDURES FOR ADDRESSING CONFLICTS OF INTEREST

- 6.1 On receipt of notification referred to in paragraph 5 above, the Compliance Officer, in consultation with senior management of Protea Capital Management, shall investigate any actual or potential Conflict of Interest and determine whether such conflict constitutes a Conflict of Interest as contemplated in the FAIS Act or any other applicable legislation. If so, the Compliance Officer and senior management will further determine whether such Conflict of Interest is avoidable or unavoidable.
- 6.2 If a Conflict of Interest is identified as being avoidable, then Protea Capital Management will adopt the necessary internal procedures to ensure that the activity that gives rise to the conflict is avoided.
- 6.3 If a Conflict of Interest is identified as being unavoidable, the Compliance Officer, in conjunction with senior management of Protea Capital Management, will establish a strategy to mitigate the risk of such Conflict of Interest.
- 6.4 In the event that a material Conflict of Interest cannot be avoided or managed through the above process, Protea Capital Management will disclose such Conflict of Interest to the impacted Client, together with the mitigation strategy employed, to allow Clients to make an informed decision on whether to continue using the services of Protea Capital Management in the situation concerned.
- 6.5 What constitutes an appropriate response to a given Conflict of Interest will always depend on the circumstances and facts of the case.



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### 7. ACCEPTABLE FINANCIAL INTERESTS

7.1 In terms of section 3A(1) of the General Code of Conduct, Protea Capital Management and its Representatives may only receive or offer the following Financial Interests from or to a third party:

7.1.1 Commission or fees authorised under the Long-term Insurance Act, 52 of 1998, the Short-term Insurance Act, 53 of 1998 and/or the Medical Schemes Act, 131 of 1998, provided that any such fees received shall be reasonably commensurate to the service being rendered;

7.1.2 Fees for the rendering of a Financial Service in respect of which commission or fees referred to in 7.1.1 above are not paid, provided that such fees are specifically agreed to by a Client in writing and may be stopped at the discretion of the Client;

7.1.3 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;

7.1.4 An Immaterial Financial Interest; or

7.1.5 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 Protea Capital Management or any of its Representatives at the time of receipt thereof.

### 8. AVOIDANCE OF CONFLICTS OF INTEREST

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8.1 In order to avoid conflicts of interest, Protea Capital Management 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 Protea Capital Management to the exclusion of the quality of service rendered to Clients;

8.1.2 giving preference to a specific product supplier, where a Representative 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 a Representative may recommend more than one product of that product supplier to a Client.

## 9. VIOLATIONS OF THE CONFLICT OF INTEREST MANAGEMENT POLICY

9.1 Should a Representative, employee or key individual fail to comply with the provisions of this policy, such failure will be regarded as an offence and will be fully investigated. Depending on the severity, such offence may result in disciplinary proceedings.

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Date written: July 2018

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Annexure A

### PROTEA CAPITAL MANAGEMENT PROPRIETARY LIMITED - ANNUAL CONFLICT OF INTEREST DECLARATION

This conflict of interest declaration must be completed by all representatives, key individuals and employees of Protea Capital Management on an annual basis.

Before completing this declaration, please read Protea Capital Management's conflict of interest management policy. Any queries relating to actual, potential or perceived conflicts of interests may be directed to Protea Capital Management's compliance officer.

Should any of the information provided in this declaration change in future, please make sure to advise Protea Capital Management's compliance officer immediately.

#### EMPLOYEE INFORMATION

Name:
Position:
Phone No.:
E-mail address:

1. Do any of your "associates" (for the definition of "associates" please refer to pages 1 and 2 of Protea Capital Management's conflict of interest management policy) do business with, or is likely to do business with Protea Capital Management, for which you will have the opportunity to influence decisions? If yes, please describe the relationship with your "associate" below and provide details as to its nature and extent:

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2. Do you have a financial interest or have you received a financial interest during the past year, including any cash, cash equivalent, sponsorships, accommodation, hospitality, domestic or foreign travel, discounts, vouchers or gift items, services, advantages, benefits, other incentives or valuable considerations, travel and accommodation relating to any type of training (excluding training that is not exclusively available to a selected group of financial services providers or representatives relating to: a) general financial or industry information; b) products or legal matters related to those products; and c) specialised technological services of a third party which is necessary for the provision of financial services)? If yes, please provide details regarding the nature, parties and the extent of the financial interest:

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3. Are you involved in any other activity, in conducting your business activities, that could result in a financial, personal or professional benefit for you or any of your “associates” (for the definition of “associates” please refer to pages 1 and 2 of Protea Capital Management’s conflict of interest management policy)? If yes, please provide details:

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4. Are you involved in any other activity, financial or otherwise, that could have the appearance of compromising your decisions, judgment, fiduciary duty or general duty in terms of the FAIS Act?

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Please sign below to certify that: (1) you have read the conflict of interest management policy; (2) you are aware of and understand the terms of the conflict of interest management policy, including your obligation to disclose any actual or potential conflict of interest; (3) you have fully and to the best of your ability completed this declaration; and (4) you will inform the compliance officer promptly if your responses to the above questions change.

<b>SIGNATURE:</b>	
<b>FULL LEGAL NAME:</b>	
<b>DATE:</b>	

**A COPY OF THIS DECLARATION MUST BE PROVIDED TO PROTEA CAPITAL MANAGEMENT’S COMPLIANCE OFFICER.**