

# **CONFLICT OF INTEREST MANAGEMENT POLICY**



**PROTEA CAPITAL MANAGEMENT**

**FSP NUMBER 49769**

## 1. INTRODUCTION

- 1.1. This document embodies the Conflict of Interest Management Policy for Protea Capital Management (Pty) Ltd.
- 1.2. "Conflict of interest" ("COI") means any situation in which Protea Capital Management or its representatives has an actual or potential interest that may, in rendering a financial service to a client influence the objective performance of his, her or its obligations to that client; or prevent Protea Capital Management or its representatives 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 –
  - 1.2.1. a financial interest;
  - 1.2.2. an ownership interest;
  - 1.2.3. any relationship with a third party ("third party" means (a) a product supplier, (b) another provider, (c) an associate or 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 paragraph (a) to (d) above provides a financial interest to a provider or its representative)
- 1.3. The primary objectives of this Policy are –
  - 1.3.1. To provide guidance on the behaviours expected in accordance with Protea Capital Management's standards;
  - 1.3.2. To promote transparency and to avoid business-related COI;
  - 1.3.3. To ensure fairness in the interests of employees and Protea Capital Management
  - 1.3.4. To document the process for the identification, mitigation, disclosure, approval and review of activities that may amount to actual, potential or perceived COI;
  - 1.3.5. To provide a mechanism for the objective review of personal outside interests.
- 1.4. Protea Capital Management is committed to ensuring that all business is conducted in accordance with good business practice. To this end Protea Capital Management conducts business in an ethical and equitable manner, and in a way that safeguards the interests of all stakeholders to minimize and manage all real or potential conflict of interest (COI). Protea Capital Management and its representative must therefore avoid (or mitigate where avoidance is not possible) any COI between Protea Capital Management and a client or its representative and a client.

## **2. FINANCIAL INTEREST**

- 2.1. Protea Capital Management or its representatives may only receive or offer financial interest from or to a third party as determined by the Commissioner of the Financial Sector Conduct Authority (“the Commissioner”) from time to time, and as set out in Annexure A hereto.
- 2.2. “Financial interest” means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic and foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, other than –
  - 2.2.1. an ownership interest;
  - 2.2.2. training, that is not exclusively available to a selected group of providers or representatives on products and legal matters relating to those products; general financial and industry information; specialized technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training.
- 2.3. Any financial interest received by an employee of Protea Capital Management must within 10 days of that receipt be recorded in the gift registry of Protea Capital Management, attached hereto as Annexure B.
- 2.4. Protea Capital Management may not offer any financial interest to its representatives–
  - 2.4.1. That is determined with reference to the quantity of business secured for the provider without also giving due regard to the delivery of fair outcomes for clients; or
  - 2.4.2. For giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; or
  - 2.4.3. For giving preference to a specific product of a product supplier, where a representative may recommend more than one product supplier to a client.
- 2.5. For purposes of paragraph 2.4, Protea Capital Management (Pty) Ltd must be able to demonstrate that the determination of and entitlement to the financial interest takes into account measurable indicators relating to the –
  - 2.5.1. Achievement of minimum service level standards in respect of clients;
  - 2.5.2. Quality of the representative's compliance with this Act;

as agreed between Protea Capital Management (Pty) Ltd and the representative, and that sufficient weight is attached to such indicators to materially mitigate the risk of the representative giving preference to the quantity of business secured for the provider over the fair treatment of clients.

### **3. MECHANISMS FOR IDENTIFYING COI**

- 3.1. 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.
- 3.2. 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.
- 3.3. 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.
- 3.4. 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:
  - 3.4.1. is likely to make a financial gain, or avoid a financial loss, at the expense of the Client;
  - 3.4.2. 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;
  - 3.4.3. 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;
  - 3.4.4. 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
  - 3.4.5. is involved in the same professional activity as the Client.

### **4. RESOLVING COI**

- 4.1. The first and most important line of defence against COI or commitment must be by the key individuals and representatives themselves.
  - 4.1.1. 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.

- 4.1.2. 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.
- 4.1.3. 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.
- 4.1.4. 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.
- 4.1.5. What constitutes an appropriate response to a given Conflict of Interest will always depend on the circumstances and facts of the case.

## **5. POTENTIAL COI THAT COULD AFFECT PROTEA CAPITAL MANAGEMENT (PTY) LTD**

- 5.1. The following are potential COI that could affect Protea Capital Management –
  - 5.1.1. Directorships or other employment;
  - 5.1.2. interests in business enterprises or professional practices;
  - 5.1.3. share ownership;
  - 5.1.4. beneficial interests in trusts;
  - 5.1.5. Personal Account Trading;
  - 5.1.6. professional associations or relationships with other organizations;
  - 5.1.7. personal associations with other groups or organizations, or family relationships;
  - 5.1.8. Front running;
  - 5.1.9. Rebates;

5.1.10. Kickbacks; and

5.1.11. Commission

## **6. MEASURES TO AVOID COI**

6.1. In order to avoid conflict of interest, Protea Capital Management does not permit the practice of offering any Financial Interest to Representatives for:

6.1.1. giving preference to the quantity of business secured for Protea Capital Management to the exclusion of the quality of service rendered to Clients;

6.1.2. giving preference to a specific product supplier, where a Representative may recommend more than one product supplier to the Client; or

6.1.3. 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.

## **7. DISCLOSURE OF COI**

7.1. At the earliest reasonable opportunity, preferably at the point of establishment of a business relationship and in terms of an agreed investment management agreement or mandate, Protea Capital Management and its representative must, in writing, disclose to a client any COI in respect of that client including –

7.1.1. Measures taken to avoid or mitigate the conflict;

7.1.2. Any ownership interest or financial interest that the provider or representative may be or become eligible for;

7.1.3. The nature of the relationship or arrangements with a third party that gives rise to a COI in sufficient detail to enable the client to understand the exact nature of the COI

7.2. At the earliest reasonable opportunity, Protea Capital Management and its representative must, in writing, inform a client of the Conflict of Interest Management Policy and how it may be accessed.

7.3. Notification of an actual or potential COI should be made to the person with responsibility for the issue or area in question, such as the relevant management team, supervisor, head of the department or key individual.

7.4. In accordance with an employee's obligation to act in the best interest of his or her employer, it is not permissible for employees to engage in conduct that would amount to a COI with Protea Capital Management.

7.5. Staff that fail to disclose a potential or actual COI in accordance with this policy may be liable to disciplinary procedures as governed by relevant industrial awards or agreements.

**8. PROCESSES, PROCEDURES AND INTERNAL CONTROLS TO FACILITATE COMPLIANCE WITH THE POLICY**

8.1. Every staff member must have a copy of the Conflicts of Interest Management Policy.

8.2. If a potential COI arises, the transaction must first be discussed with management before entering the transaction.

8.3. Define the type of financial interest to which a representative may be entitled, and how Protea Capital Management will ensure compliance with paragraphs 2.4 and 2.5

**9. CONSEQUENCES OF NON-COMPLIANCE WITH THE POLICY BY THE PROVIDER'S EMPLOYEES AND REPRESENTATIVES**

9.1. Non-compliance with this policy and the procedures described in it may amount to misconduct and employees may be subject to internal disciplinary action that may lead to dismissal.

**10. LIST OF ALL PROTEA CAPITAL MANAGEMENT (PTY) LTD ASSOCIATES**

10.1. Protea Asset Management (Pty) Ltd

**11. NAMES OF ANY THIRD PARTIES IN WHICH THE PROVIDER HOLDS AN OWNERSHIP INTEREST AND THE EXTENT THEREOF**

11.1. N/A

**12. NAMES OF ANY THIRD PARTIES THAT HOLD AN OWNERSHIP IN THE PROVIDER AND THE EXTENT THEREOF**

12.1. Protea Asset Management (Pty) Ltd owns 100% of Protea Capital Management (Pty) Ltd

## ANNEXURE A - FINANCIAL INTEREST

1. Protea Capital Management or its representatives may only receive or offer the financial interests referred to herein if-
  - 1.1. Those financial interests are reasonably commensurate with the service being rendered, taking into account the nature of the service being rendered and the resources, skills and competencies reasonably required to perform it;
  - 1.2. The payment of those financial interests does not result in the provider or representative being remunerated more than once for the performance of a similar service;
  - 1.3. Any actual or potential COIs between the interests of the client and the interests of the person receiving the financial interests are effectively mitigated; and
  - 1.4. The payment of those financial interest does not impede the delivery of fair outcomes to the client.
2. Protea Capital Management or its representatives may only receive or offer financial interest from or to a third party as follows
  - 2.1. Commission authorised under the Long-term Insurance Act or Short-term Insurance Act;
  - 2.2. Commission authorised under the Medical Schemes Act;
  - 2.3. Fees authorised under the Long-term Insurance Act, the Short-term Insurance Act or the Medical Schemes Act;
  - 2.4. Fees for the rendering of a financial service in respect of which commission or fees referred to in paragraph (1.1), (1.2) or (1.3) is not paid, if
    - 2.4.1. The amount, frequency, payment method and recipient of those fees and details of the services that are to be provided by Protea Capital Management or its representative in exchange for the fees are specifically agreed to by a client in writing; and
    - 2.4.2. those fees may be stopped at the discretion of that client.
  - 2.5. Fees or remuneration for the rendering of a service to a third party.
  - 2.6. Subject to any other law, an immaterial financial interest\*; and

2.7. A financial interest, not referred to under sub-paragraph (1.1) to (1.6), 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 its representative at the time of receipt thereof.

2.8. For purposes of this document -

2.8.1. "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 –

2.8.1.1. a provider who is a sole proprietor; or

2.8.1.2. a representative for that representative's direct benefit;

2.8.1.3. a provider, who for its benefit or that of some or all its representatives, aggregates the immaterial financial interest paid to its representatives.

This policy was last reviewed on: **1 October 2021**

ANNEXURE B - GIFTS REGISTRY

NAME OF KEY INDIVIDUAL / REPRESENTATIVE	DATE ON WHICH GIFT WAS RECEIVED	SOURCE OF GIFT	TYPE OF GIFT	VALUE OF GIFT