

# Nedgroup Investments

## Conflict of interest management policy



### 1. Introduction

Nedgroup Investments is committed to high ethical standards and we promise to conduct our business honestly, scrupulously and with integrity. Our core values are to act with integrity and respect, to be people-centred and accountable, and to push beyond boundaries. These values guide and direct the way we do our business. We know that business depends on trust. We do all we can to earn it and nothing to impair it.

We try to protect and enhance Nedgroup Investments' name and reputation and we do not act in ways that would discredit it. We know that Nedgroup Investments' reputation is one of our most important assets and we therefore not only seek to comply with all relevant legislative obligations, but set higher standards when it comes to protecting our reputation.

A conflict of interest prejudices or can be seen to prejudice an individual's objectivity and ability to act in the best interests of our business or our clients.

### 2. Objective

This policy sets out the standards determined by Nedgroup Investments in respect to avoiding or, where this is not possible, mitigating potential and actual conflicts of interest.

It is aligned to the South African legislation and has been adopted by the Board of Directors.

### 3. Definitions

- 3.1 The definitions used in the Financial Advisory and Intermediary Services Act 37 of 2002 ("FAIS") and the General Code of Conduct ("the Code") are brought forward into this policy as defined.
- 3.2 "NIA" means Nedgroup Investment Advisors (Pty) Limited – an authorised financial services provider as envisaged in FAIS – under license number FSP 1652.

### 4. Scope, oversight and accountability

#### 4.1 Scope

This policy applies to the following **legal entities** in Nedgroup Investments: **NIA**

This policy applies to the following individuals ("**affected individuals**") in Nedgroup Investments:

- 4.1.1 Executive management of Nedgroup Investments, whether acting individually or collectively;
- 4.1.2 NIA key individuals as envisaged in FAIS;
- 4.1.3 NIA representatives as envisaged in FAIS; and
- 4.1.4 any person or collective of persons that can influence the activities of NIA.

#### 4.2 Oversight

This policy is subject to monitoring and oversight by the Nedgroup Investments risk and compliance function.

#### 4.3 Accountability

##### **Affected individuals**

Affected individuals are accountable for reading, understanding and complying with the standards and processes contained in this policy. Affected individuals are encouraged to bring any situations where conflicts of interest exist and which are not covered by this policy to the attention of the risk and compliance function.

Key individuals, in particular, are responsible to monitor client engagements performed by representatives and to identify non compliance and enforce compliance to this policy.

## Executive Management

Executive management is accountable for resolving any agreed breaches of this policy and for maintaining business structures and functions that enhance Nedgroup Investments' reputation.

Executive management must ensure that the processes and controls in their functional areas are designed to avoid and manage conflicts of interest.

## Risk and Compliance

Risk and compliance is accountable for ensuring that this policy is aligned with legislation and Nedbank policies and standards as it may change from time to time, for monitoring processes and controls to ensure compliance with this policy and for reporting any breaches of this policy in accordance with the Nedgroup Investments Enterprise Risk Management Framework.

In particular, this function shall:

- 4.3.1 ensure that all affected individuals are provided appropriate training and educational material at least annually on the contents of this policy.
- 4.3.2 ensure that this policy is published on the Nedgroup Investments website to make it accessible to the public.
- 4.3.3 monitor compliance with this policy monthly by extracting reports off the Nedgroup Investments entertainment register and Nedbank gifts register to check declarations by affected individuals and shall cross reference these reports to verbal confirmation from the affected individuals concerned that immaterial financial interests offered to or received from third parties do not exceed the prescribed annual amount.
- 4.3.4 report annually to executive management and quarterly to the Nedgroup Investments risk committee on the implementation and monitoring of compliance contraventions to this policy.
- 4.3.5 include the reports referred to above in the annual compliance reports sent to the Financial Services Board.

## 5. Policy principles

- 5.1 In rendering a financial service, the client's interests must come before those of NIA and /or its affected individuals.
- 5.2 Where the interests of NIA and/or its affected individuals come before or prejudice the client's interests, then a conflict of interest arises.
- 5.3 A conflict of interest must be dealt with in terms of this policy.

## 6. Management of conflict of interest

- 6.1 NIA and its affected individuals must identify and avoid conflicts of interest.
- 6.2 Where it is not possible to avoid a conflict of interest, a financial service may still be rendered to a client provided that the following requirements are met:
  - 6.2.1 the managing director and risk and compliance function of Nedgroup Investments have been informed of the conflict and they have signed off thereto;
  - 6.2.2 the client is informed in writing immediately before a transaction is concluded, or if not possible, soon thereafter, of the conflict of interest in sufficient detail to enable the client to understand the exact nature of the conflict of interest;
  - 6.2.3 the client is informed of the existence of this policy and how the client can access it free of charge;
  - 6.2.4 the client is informed in writing of the measures NIA or affected individuals will take in terms of this policy to mitigate the conflict; and
  - 6.2.5 the client is advised of his, her or its legal options.

### Permissible financial interests

- 6.3 NIA or affected individuals shall be entitled to receive NIA commission authorised under the Long-term Insurance Act 52 of 1998 or the Short-term Insurance Act 53 of 1998.
- 6.4 NIA or affected individuals shall be entitled to receive (or offer) fees authorised under the Long-term Insurance Act, the Short-term Insurance Act or the Medical Schemes Act 131 of 1998, if those fees are reasonably commensurate to a service being rendered.
- 6.5 NIA or affected individuals shall be entitled to receive (or offer) fees for the rendering of a financial service in respect of which commission or fees referred to in 6.3 and 6.4 above are not paid, if those fees are specifically agreed to by a client in writing, and may be stopped at the discretion of that client.
- 6.6 NIA or affected individuals shall be entitled to receive (or offer) fees or remuneration for the rendering of a service to (or by) a third party, which fees or remuneration are reasonably commensurate to the service being rendered.
- 6.7 NIA or affected individuals shall be entitled to receive (or offer), subject to any other legislation and the provisions of this policy, an immaterial financial interest (see further below).

- 6.8 NIA or affected individuals shall be entitled to receive (or offer) a financial interest, not referred to above, for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by (or to) NIA or affected individuals at the time of receipt thereof.
- 6.9 The risk and compliance function shall monitor compliance with these provisions in quarterly FAIS monitoring procedures and, in conjunction with the financial officer of Nedgroup Investments, consider and certify to the FSB in the annual FAIS compliance report that the income of NIA for the calendar year was derived from fees and commissions earned in terms of the provisions of this clause. Should this not be the case, the managing director of Nedgroup Investments must be informed and the matter reported to the Nedgroup Investments risk committee.

#### **Impermissible financial interests**

- 6.10 NIA shall not offer any financial interest to its affected individuals for giving preference to the quantity of business secured for it to the exclusion of the quality of the service rendered to clients.
- 6.11 NIA shall not offer any financial interest to its affected individuals for giving preference to a specific product supplier, where the affected individual may recommend more than one product supplier to a client.
- 6.12 NIA shall not offer any financial interest to its affected individuals for giving preference to a specific product of a product supplier, where an affected individual may recommend more than one product of that product supplier to a client.
- 6.13 The managing director of Nedgroup Investments shall sign an annual declaration confirming that NIA does not offer impermissible financial interests as envisaged in this clause and the risk and compliance function must report on this as provided for in 6.9 above.

#### **Immaterial financial interests**

- 6.14 Notwithstanding the provisions of this policy, NIA and any affected individual can receive a financial interest not included above with a determinable monetary value, the aggregate of which does not exceed R1000 in any calendar year from (or to) the same third party in the calendar year received by:
- 6.14.1 an affected individual for that affected individual's direct benefit;
- 6.14.2 NIA, who for its benefit or that of some or all of its affected individuals, aggregates the immaterial financial interest paid to its affected individuals.
- 6.15 NIA may utilise the immaterial financial interest allowance for marketing purposes. This means that NIA may entertain or provide gifts to third parties with an annual aggregate value of R1000 or less per affected individual.
- 6.16 The affected individual must declare every such immaterial interest offered or received by him or her. Immaterial Interests offered to third parties must be declared on the Nedgroup Investments entertainment register maintained by the financial officer and immaterial financial interest received from third parties must be declared on the Nedbank gifts register. The affected individual bears the responsibility to ensure that the limits set in this policy are not exceeded in any calendar year.
- 6.17 The risk and compliance function must monitor compliance by checking the Nedgroup Investments entertainment register and Nedbank gifts register, eliminating gifts from clients and checking those remaining to ensure that they do not exceed the R1000 limit for immaterial financial interests.
- 6.18 The risk and compliance function must report on this as provided for in 6.9 above.

#### **Training offered by or to third parties**

- 6.19 Notwithstanding the provisions of this policy, affected individuals may attend (or provide) training organised by (or for) any product suppliers or third parties, provided that the training:
- 6.19.1 is not exclusively available to NIA (or the third parties) or its affected individuals;
- 6.19.2 is on the products of the product supplier and legal matters relating to those products;
- 6.19.3 is on general financial and industry information;
- 6.19.4 is on specialised technology systems of NIA (or a third party) necessary for the rendering of a financial service;
- 6.19.5 a clear agenda or programme of the training is supplied to attendees at least a week before the training; and
- 6.19.6 does not include travel and accommodation associated with that training.
- 6.20 The risk and compliance function shall monitor compliance with these provisions in quarterly FAIS Code monitoring procedures and report accordingly to the FSB in the annual FAIS compliance report. The report shall include a declaration from the risk and compliance function that the training was not available exclusively to NIA's employees, that is was on the matters referred to above, and that the organisers of the training did not pay for travel and accommodation to attend the training.
- 6.21 Any affected individual who is invited to attend training by a third party must notify the risk and compliance function that must satisfy itself that the training complies with the provisions of this policy.

## 7. List of associates

7.1 This policy must include a list of all the associates and ownership interests of NIA – refer to NIA organogram attached.

## 8. Breaches and enforcement

- 8.1 Every affected individual is required to know, understand and comply with the standards outlined in this policy, the Nedbank Code of Business Ethics and Nedbank Code of Conduct. Anyone who violates the policy and/or the Nedbank Code of Conduct will be subject to Nedbank's Disciplinary policy and Procedure as well as the Nedbank Grievance policy and procedure.
- 8.2 Non-compliance with this policy and the Nedbank Code of Conduct and the procedures described in it may be considered to be misconduct and affected individuals may be subject to disciplinary action that could lead to dismissal.

## 9. Publication

9.1 Nedgroup Investments must publish this policy on the Nedgroup Investments public website.

### Organogram of companies comprising nedgroup investments

