

StellCap

Conflict of Interest Management Policy

Table of Contents

Conflict of Interest Management Policy	3
Annexure A: Definitions	5
Annexure B: Mechanisms for the Identification of Conflicts of Interest	7
Annexure C: Measures for Avoidance and / or Mitigation	8
Annexure D: Disclosure of Conflicts	10
Annexure E: Processes and Procedures for Compliance Facilitation	11
Annexure F: Consequences of Non-Compliance by Staff	12
Annexure G: How we are Remunerated	13
Annexure H: Associates and Ownership Interests	14

Conflict of Interest Management Policy

Scope of this Policy

In terms of the General Code of Conduct, a Conflict of Interest Management Policy must be maintained and provide mechanisms for the identification of conflicts of interest.

Stellcap (Pty) Ltd and its representatives must avoid, and where this is not possible, mitigate any conflict of interest between Stellcap and a client or our representatives and a client.

In order to adhere to this requirement, Stellcap must ensure that adequate procedures are in place for the management of conflicts of interests that may arise wholly or partially, in relation to the provision of any financial services to clients by Stellcap, or any of our representatives.

Our Conflict of Interest Management Policy will attempt to provide adequate procedures for the management of any identified conflicts and must contain the following procedures and information:

- Mechanisms for the identification of conflicts of interest
- Measures for the avoidance of conflicts of interest, and where avoidance is not possible, the reasons therefore and the measures for the mitigation of such conflicts of interest
- Measures for the disclosure of conflicts of interest
- The processes, procedures and internal controls to facilitate compliance with our policy
- Consequences of non-compliance with the policy by Stellcap's employees and representatives
- The basis on which Stellcap or its representatives will qualify for a financial interest
- Details of Stellcap's associates
- Details of all parties in which Stellcap holds an ownership interest
- Details of all third parties that hold an ownership interest in Stellcap

What is a Conflict of Interest

A conflict of interest, means any situation in which a Financial Services Provider or a representative of that provider has an actual or potential interest that may, in rendering a financial service to a client:

a) influence the **objective** performance of his, her or its obligations to that client; or

b) prevent a provider or representative from rendering an **unbiased** and fair financial service to that client, or from acting in the interest of that client, including but not limited to –

   i) a financial interest;

   ii) an ownership interest;

   iii) any relationship with a third party

Our understanding of objective performance, unbiased and fair financial services are derived from the general meaning of the words. It is generally accepted that the word "objective" refers to a situation where an individual's personal feelings or opinions are completely removed from the equation. The "objective performance" of an FSP's obligations therefore implies a situation where financial services are rendered without the influence of unrelated feelings or opinions. If an unrelated feeling or opinion of an individual, influences the performance of such said individual's obligations, it cannot be said to be an objective performance of that individual's obligation.

The word "bias" indicates an inclination or prejudice in favour of a particular person or viewpoint. Similarly, the word "fair" indicates a situation of just circumstances or treating people equally. Unbiased financial services therefore imply financial services that do not lend itself to a particular preference towards a person or viewpoint, if an accompanying, reasonable justification for such preference cannot be found. "Fair" financial services on the other hand imply a situation where the same conclusion or outcome is consistently reached given the same exact set of circumstances.

A Financial Services Provider may not offer any financial interest to a representative of that provider for:

- Giving preference to the quantity of business secured for the provider to the exclusion of the quality of the service rendered to clients
- Giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client
- 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

ANNEXURE A

Definitions

In this document unless the context clearly indicates otherwise:

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:

c) influence the objective performance of his, her or its obligations to that client; or

d) prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the interest of that client, including but not limited to –

iv) a financial interest;

v) an ownership interest;

vi) 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 accommodations associated with that training

Ownership interest means

a) 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

b) includes any dividend, profit share or similar benefit derived from that equity or ownership interest

Third party: means:

a) a product supplier;

b) another provider;

c) an associate of 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 paragraphs (a) to (d) above provides a financial interest to a provider or its representatives

Associate means

a) **In relation to a natural person, means:**

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

ii) a child of that person, including a stepchild, adopted child and a child born out of wedlock;

iii) a parent or stepparent of that person;

iv) 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 of or meeting the daily care needs of the first mentioned person

v) a person who is the spouse, life partner or civil union partner of a person referred to in (ii), (iii) and (iv)

vi) a person who is in a commercial partnership with that person

b) **In relation to a juristic person:**

i) which is a company, means 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

ii) which is a closed corporation registered under the Close Corporations Act, means any member thereof as defined in section 1 of that Act

iii) Which is not a company or a closed corporation, means another juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person:

- had such first-mentioned juristic person been a company; or
- in the case where that other person, too, is not a company, had both the first-mentioned juristic person and that other juristic person been a company

iv) means any person in accordance with whose directions or instructions the board of directors of or, in the case where such juristic person is not a company, the governing body of such juristic person is accustomed to act

c) **In relation to any person:**

i) means any juristic person of which the board of directors or, in the case where such juristic person is not a company, of which the governing body is accustomed to act in accordance with the directions or instructions of the person first-mentioned in this paragraph

ii) includes any trust controlled or administered by that person

Distribution channel means

a) any arrangement between a product supplier or any of its associates and one or more providers or any of its associates in terms of which arrangement any support or service is provided to the provider or providers in rendering a financial service to a client

b) any arrangement between two or more providers or any of their associates, which arrangement facilitates, supports or enhances a relationship between the provider or providers and a product supplier any arrangement between two or more product suppliers or any of their associates, which arrangement facilitates, supports or enhances a relationship between a provider or providers and a product supplier.

ANNEXURE B

Mechanisms for the Identification of Conflicts of Interest

- Stellcap conducts annual reviews on all contracts held with 3rd parties and re-examines whether this relationship influences the its objective, unbiased and fair performance towards its clients. These contracts are also reviewed to determine whether the relationship influences Stellcap's ability to act in the interest of our clients
- Declarations are made by all Key Individuals and Representatives confirming that no conflicts, actual or potential have arisen for the reporting period
- Details of all Stellcap's associates are maintained and reported on in the Conflict of Interest Management Policy, which is available to clients
- Details of all parties in which Stellcap holds an ownership interest are reported on in the Conflict of Interest Management Policy
- Details of all third parties that holds an ownership interest in Stellcap are reported on in the Conflict of Interest Management Policy
- All gifts received from and provided to 3 rd parties, with an estimated value of R50 or more, are recorded in our gift registers
- All employees must disclose in writing to Stellcap on an on-going basis, any conflicts of interest that they may become aware of
- All records associated with the identification of an actual or potential conflict of interests are reported on to the appropriate person (internally and externally)

When rendering financial services to our clients a Representative and his or her Key Individual must apply their minds to answering the following questions:

- "Is there any situation that exists that influences the objective performance of my obligations to my client"?
- "Is there any situation that exists that prevents me from rendering an unbiased and fair financial service to my client"?
- "Is there any situation that exists that prevents me from acting in the interest of my client"?
  - If the answer to any one of these questions is "no" – No further action would be required
  - If the answer to any one of these questions is "yes"

  The following two questions must also be answered:
  - "Is the situation caused by an actual or potential relationship with a 3rd party"?
  - "Is the situation caused by an actual or potential financial or ownership interest"?
  - "Is the situation caused by an association relationship"?
  - If the answer to any one of these questions is "yes" – An actual or potential conflict of interest has been identified and must be investigated without delay

Due to the intangible nature of an actual or potential conflict of interest, any such manifestation will only be identified once the subjective realisation of its presence has been acknowledged by an individual. The legal duty to avoid whenever possible an actual or potential conflict of interest is therefore, to a large extent, dependent on whether a particular individual believe or perceive a conflict of interest to begin with. It is for this reason that Key Individuals must apply honest and sage judgement whenever confronted with a situation that may give rise to an actual or potential conflict of interest.

ANNEXURE C

Measures for Avoidance and / or Mitigation

The following avoidance procedures will be consulted. Our policy will always attempt to avoid conflicts and management policy must provide measures for the avoidance of conflicts of interest, and where avoidance is not possible, the reasons therefore and the measures for the mitigation of such conflicts of interest.

Once an actual or potential conflict of interest has been identified the following measures will be followed in order to determine whether the conflict of interest is avoidable:

- We will review the actual or potential conflict of interest in an open and honest manner
- All information surrounding the actual or potential conflict of interest must be disclosed to all interested parties and specifically the client
- All information surrounding the actual or potential conflict of interest must be disclosed to our Compliance Officer
- The following consequences must be considered during the review process:
  - The consequences of both avoidance and unavoidability as well as the subsequent negative impact it will have on clients
  - The consequences of both avoidance and unavoidability as well as the subsequent negative impact it will have on the integrity of the financial services industry
  - The consequences of both avoidance and unavoidability as well as the subsequent negative impact it will have on our business
- If the identified conflict is as a result of an association, Stellcap will need to determine if this association should be continued. If the association is unavoidable, we need to establish how the terms of the relationship can be amended to eliminate the identified conflict. If avoidance and amendment are not possible, clear and open disclosure of this association must be made to all affected clients.

If it has been determined that the actual or potential conflict of interest is avoidable, the following processes must be adhered to:

- The removal of the underlying cause of the actual or potential conflict of interest must be considered
- The actual or potential conflict of interest must be removed as soon as reasonably possible
- Any negative impact on clients owing to the removal of the actual or potential conflict of interest must be kept to a minimum
- The reason(s) why the actual or potential conflict of interest was determined to be avoidable must be recorded
- Similar situations that give rise to actual or potential conflicts of interests must be avoided in the future

If it has determined that the actual or potential conflict of interest is unavoidable, the following mitigation processes must be adhered to:

- All appropriate courses of action must be reviewed as a mitigation process given the unavoidability of the particular set of circumstances
- The reason(s) why the actual or potential conflict of interest is considered to be unavoidable must be recorded
- The compliance officer must be made aware of the outcome of the finding.

The mitigation process will include the adoption of the following measures:

- The actual or potential conflict of interest must remain only for as long as it is absolutely necessary given the unavoidability of the actual or potential conflict of interest
- Alternative arrangements to a proposed transaction, contract or arrangement that is the subject of the conflict of interest must be investigated on a continuous basis.
- All representatives must be made aware of the actual or potential conflict of interest, and the reasons for its unavoidability
- Full disclosure of the actual or potential conflict of interest must be made to the client at the earliest reasonable opportunity

Full disclosure of the actual or potential conflict of interest must be made to the Financial Service Board during the submission of the annual compliance report.

ANNEXURE D

Disclosure of Conflicts

In situations where avoidance of conflicts are not possible, we will make appropriate disclosures to third parties including clients, as part of our management of conflicts of interest procedure. It is acknowledged that while disclosure alone will often not be enough, disclosure must be treated as an integral part of managing conflicts of interest. We are committed to adequately informing our clients about any conflicts of interest that may affect the provision of financial services to them. Our client must be afforded the opportunity to decide for him/herself whether the conflict of interest is significant and to what extent he/she will rely on the advice or intermediary service.

On the discovery and identification of a conflict of interest, and the subsequent determination of its unavoidability, the following disclosure processes will be implemented:

- Full disclosure of the actual or potential conflict must be made to the client at the earliest reasonable opportunity
- The disclosure must be made before or when the financial service is provided, but in any case at a time that allows the client a reasonable time to assess its effect and to make an informed decision as to whether to continue with the financial services
- The disclosure must be formulated in such a way as to be considered prominent, specific and meaningful to the client
- The disclosure must indicate the nature of the relationship or arrangement with a 3rd party that gives rise to the conflict of interest
- The disclosure must indicate whether the conflict of interest is based on a financial and/or ownership interest
- The disclosure must indicate any ownership interest held with a product supplier
- Where the disclosure is provided orally, the disclosure must be confirmed in writing within 30 days
- The written disclosure must be communicated by hardcopy, telefax or any appropriate electronic medium
- The reasons for the conflict of interest's unavoidability must be made available to the client on request
- The conflict of interest management policy must be made available to the client on request
- The FSP's gift register must be made available to the client on request
- Full disclosure of the actual or potential conflict of interest must be made to all the Key Individuals and the compliance offer
- Full disclosure of the actual or potential conflict of interest must be made to all representatives

ANNEXURE E

Processes and Procedures for Compliance Facilitation

Internal Controls and Processes include the following:

- This Conflicts of Interest Management Policy must be reviewed and updated as and when conflicts are identified
- All staff will be informed of any identified conflicts and the response to each
- An annual review of all conducted on all contracts held with 3rd parties
- All Representatives and Key Individuals will certify that reported and new (unreported) conflicts have been disclosed
- A gifts received and provided register will be maintained
- All records associated with the identification of actual or potentials conflicts of interest will be kept as well as the processes implemented to ensure future compliance
- Any identified conflicts will be properly disclosed and communicated to clients

ANNEXURE F

Consequences of Non-Compliance by Staff

Any non-disclosure or failure to disclose any conflict of interest, will be seen is a serious light and may result in disciplinary action being taken against the individual.

If there is reason to believe that an employee, Key Individual or a Representative has failed to disclose actual or possible conflicts of interest, the individual shall be afforded the opportunity to explain the alleged failure to disclose. If after hearing the response of the individual and making such further enquiries as may be warranted in the circumstances, and where management determines that the employee or representative has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

ANNEXURE G

How we are Remunerated

As a Financial Services Provider or representative, we are only entitled to receive or offer the following financial interests:

- Commissions as authorised under the Long-term Insurance Act, Short-term Insurance Act and the Medical Schemes Act
- Fees as authorised under the Long-term Insurance Act, Short-term Insurance Act and the Medical Schemes Act if those fees are reasonably commensurate to a service being rendered
- Fees for the rendering of financial services in respect of which the abovementioned commissions and fees are not paid, provided that the client agreed to such fees in writing and the fee may be stopped at any time at the discretion of the client
- 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
- An immaterial financial interest – a financial interest with a determinable monetary value, the aggregate of which does not exceed R1000 in any calendar year from the same third party
- 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 that provider or representative at the time of receipt thereof

We receive the following remuneration from product suppliers:

- Profit share agreements on margin spread taken on clients
- Agreements held with ABSA and Investec
- All margins are disclosed to clients
- A 0.50% fee is charged to all clients who hold Investec CCM accounts

ANNEXURE H

Associates and Ownership Interests

Stellcap has no associations or ownership interests in any third party and no third party has any ownership interests in Stellcap.

Stellcap has the following associations:

The following third parties have an ownership interest in Stellcap: Andile Group holdings (pty) Ltd

Stellcap has the following ownership interests in other third parties:

None