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rewardsco

Conflict of Interest Management Policy



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1. DEFINITIONS

1.1 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:

- 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 interest of that client, including but not limited to:
 - a financial interest;
 - an ownership interest;
 - any relationship with a third party.

1.2 Financial Interest

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:

- an ownership interest;
- 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;
 - specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training.
- a recognised qualifying enterprise development contribution to a qualifying beneficiary by a provider that is a measured entity.

1.3 Immaterial Financial Interest

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:

- a provider who is a sole proprietor; or
- a representative for that representative's direct benefit;
- a provider, who for its benefit or that of some or all its representatives, aggregates the immaterial financial interest paid to its representatives.



1.4 Ownership Interest

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.

1.5 Third Party

Third Party means:

- a product supplier;
- another provider;
- an associate of a product supplier or a provider;
- a distribution channel;
- any person who in terms of an agreement or arrangement with a person referred to above provides a financial interest to a provider or its representatives.

1.6 Associate

Associate means:

- in relation to a natural person:
 - a person who is recognised in law or the tenets of religion as the spouse, life partner, or civil union partner of that person
 - a child of that person, including a stepchild, adopted child and a child born out of wedlock
 - a parent or stepparent of that person
 - 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
 - a person who is a spouse, life partner or civil union partner of a person referred to above
 - a person who is in a commercial partnership with that person
- in relation to a juristic person:
 - 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
 - which is a close corporation registered under the Close Corporations Act, means any member thereof as defined in section 1 of that Act
 - 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 person been a company

- means any person in accordance with whose directions or instructions the board of director of or, in the case where such juristic person is not a company, the governing body of such juristic person is accustomed to act.
- in relation to any person:
 - 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
 - includes any trust controlled or administered by that person

1.7 Distribution Channel

Distribution Channel means:

- any arrangement between a product supplier of 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
- 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

1.8 Provider

Provider means an authorised financial services provider and includes a representative.

2. PURPOSE OF A CONFLICT-OF-INTEREST MANAGEMENT POLICY

In terms of Section 3A(2) every provider, other than a representative, must adopt, maintain, and implement a conflict of interest management policy which complies with the provisions of the Financial Advisory and Intermediary Services Act, 37 of 2002.

In terms of the General Code of Conduct a provider and a representative must avoid, and where this is not possible, mitigate any conflict of interest between the provider and a client, or a representative of the provider and his, her or its clients.

Rewardsco Sales (Pty) Ltd (herein after referred to as "Rewardsco") and its representatives are committed towards acting within the best interests of our clients and to avoid all conflict of interests in relation to the provision of financial services. Where we are unable to avoid a conflict of interest, we will take all necessary precautions to ensure that any actual or potential conflict of interest is mitigated and adequately disclosed to our clients.

In order to ensure the continued demonstration of our commitment, management has adopted a Conflict of Interest Management policy to provide for the effective management



of any actual or potential conflicts of interest that may arise wholly or partially, in relation to the provision of financial services.

The purpose of the Conflict of Interest Management Policy is therefore to:

- establish internal controls and mechanisms towards the identification of conflicts of interest
- establish measures to avoid conflicts of interest, and where avoidance is not possible, to provide the reasons therefore
- establish measures to ensure that any unavoidable conflicts of interest are mitigated
- establish measures to ensure the proper disclosure of any conflicts of interest
- establish processes, procedures, and internal controls to facilitate compliance with the policy
- communicate the consequences of non-compliance with the policy

3. IDENTIFYING A CONFLICT OF INTEREST

3.1 INDIVIDUAL IDENTIFICATION

The primary responsibility for the identification of a conflict-of-interest rests with the representatives, employees, and individual members of the governing body of Rewardsco.

Throughout the process of rendering a financial service to a client, a representative must apply his or her mind 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 best interest of my client?

If the answer to all three questions is "no", then there is no conflict of interest associated with the financial service and the representative may proceed.

If the answer to any one of the three questions is "yes", the representative must proceed to answer the following additional questions:

- is the situation caused as a result of an actual or potential relationship with a third party? (see definition of "third party")
- is the situation caused by an actual or potential financial or ownership interest? (see definition of "financial interest" and "ownership interest")

If the answer to any one of these questions is "yes", an actual or potential conflict of interest will have been identified.

3.2 FURTHER GUIDANCE ON IDENTIFYING A CONFLICT OF INTEREST

The definition of a Conflict of Interest incorporates the following terminology:

-influence the "objective performance" of his, her or its obligations to that client....
-prevent a provider or representative from rendering an "unbiased and fair financial service" to that client....
-including but not limited to a "financial interest"

It is generally understood 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 or representative's obligations therefore implies a situation where financial services are rendered without any untoward influences.

The word "bias" or "biased" is understood to mean a form of prejudice towards a particular person or viewpoint, whereas the word "fair" or "fairness" indicates a situation of just circumstances or being treated on an equal footing. An unbiased financial service therefore implies a financial service that does not lend itself to a particular persuasion, where no reasonable justification for such persuasion can be found. Similarly, a fair financial service implies a situation where the same conclusion or outcome will consistently present itself given the exact same set of circumstances.

3.3 FINANCIAL INTEREST AND CONFLICT OF INTEREST MANAGEMENT POLICY

Subject to section 3A(1)(a) of the General Code of Conduct, Rewardsco and its representatives may only receive or offer the following "financial interest" from or to a "third party":

- commission authorised under the Long-term Insurance Act, Short-term Insurance Act or under the Medical Schemes Act
- fees authorised under the Long-term Insurance Act, the Short-term Insurance Act, or the Medical Schemes Act, if those fees are reasonably commensurate to a service being rendered
- fees for the rendering of a financial service in respect of which commission or fees referred to above is not paid, if those fees:
 - are specifically agreed to by a client in writing; and
 - may be stopped at the discretion of that 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 (subject to any other law)
- 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 FSP or representative at the time of receipt thereof

Rewardsco will not offer any financial interest to its representatives for:

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



- 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.

Rewardsco must be able to demonstrate that the determination of and entitlement to the financial interest takes into account measurable indicators relating to the:

- achievement of minimum service level standards in respect of clients;
- delivery of fair outcomes for clients;
- quality of the representative's compliance with the Act;

as agreed between Rewardsco 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 Rewardsco over the fair treatment of clients.

Rewardsco or its representatives may only receive or offer the financial interests referred to in subsections 3A(1)(a)(iii), (iv) and (v) of the General Code of Conduct if;

- those financial interests are reasonably commensurate with the service being rendered, taking into account the nature of the service and the resources, skills and competencies reasonably required to perform it;
- the payment of those financial interests does not result in Rewardsco, or representative being remunerated more than once for performing a similar service;
- any actual or potential conflicts between the interests of clients and the interests of the person receiving the financial interests are effectively mitigated; and
- the payment of those financial interests does not impede the delivery of fair outcomes to clients.

3.4 INTERNAL CONTROLS TO IDENTIFY CONFLICTS OF INTEREST

Rewardsco has implemented the following internal controls to identify actual or potential conflicts of interest that may arise:

- The governing body of Rewardsco conducts annual reviews on all contracts held with third parties in order to assess whether the contractual relationship in any way influences Rewardsco's objective performance towards its clients.
- The governing body of Rewardsco conducts annual reviews on all contracts held with third parties to assess whether the contractual relationship in any way influences Rewardsco's ability to render fair and unbiased financial services towards its clients.
- The governing body of Rewardsco conducts annual reviews on all contracts held with third parties to assess whether the contractual relationship in any way influences Rewardsco's ability to act in the best interest of the client.
- The governing body of Rewardsco conducts annual reviews on all relationships where an ownership interest exists between Rewardsco and a third party. The purpose of the review is to assess whether the relationship in any way influences Rewardsco's objective performance towards its clients.
- The governing body of Rewardsco conducts annual reviews on all relationships where an ownership interest exists between Rewardsco and a third party. The purpose of the review is to assess whether the relationship in any way influences Rewardsco's ability to render fair and unbiased financial services towards its clients.
- Conflict of Interest declarations are signed by all relevant personnel on an annual basis. The purpose of collecting Conflict of Interest declarations is to assist Rewardsco

and the appointed Compliance Officer to identify actual or potential conflicts of interest.

- A list of Rewardsco's associates is attached as an annexure hereto. The list is reviewed on an annual basis.
- A list of all third parties in which Rewardsco holds an ownership interest is attached as an annexure hereto. The list is reviewed on an annual basis.
- A list of all third parties that holds an ownership interest in Rewardsco is attached as an annexure hereto. The list is reviewed on an annual basis.
- Rewardsco maintains a Gift Register. All gifts received from a third party with an estimated value of R500 or more will be recorded in Rewardsco's Gift Register. The Gift Register is kept in Rewardsco's Compliance Manual.
- All relevant personnel (Key Individuals and Representatives) are required to immediately disclose in writing to the governing body of Rewardsco and Rewardsco's Compliance Officer, any actual or potential conflicts of interest as soon as they become aware of such situation.

4. AVOIDING AND MITIGATING A CONFLICT OF INTEREST

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

- The governing body of Rewardsco will convene and evaluate the actual or potential conflict of interest in an open and honest manner.
- All information that has led up to and resulting in or causing the actual or potential conflict of interest will be disclosed to Rewardsco's governing body and Rewardsco's compliance officer.
- The governing body of Rewardsco will apply its mind and determine by way of majority vote whether Rewardsco is able to avoid the actual or potential conflict of interest.
- During the evaluation process, the governing body of Rewardsco will consider the following possible outcomes prior to a finding in favour of unavailability:
 - The possible negative impact it will have on Rewardsco's clients where the actual or potential conflict of interest is deemed to be unavoidable.
 - The possible negative impact it will have on the integrity of the financial services industry where the actual or potential conflict of interest is deemed to be unavoidable.
- Where the governing body of Rewardsco has determined that the actual or potential conflict of interest is in fact avoidable, the following processes will be followed:
 - The governing body will remove the underlying cause or situation that results in the actual or potential conflict of interest as soon as reasonably possible.
 - Any immediate negative impact or prejudice towards clients pending the removal of the actual or potential conflict of interest will be kept to a minimum.
 - The reasons why the actual or potential conflict of interest was determined to be avoidable will be recorded in Rewardsco's Compliance Manual.
 - Similar circumstances that have led up to the actual or potential conflict of interest will be avoided in the future.
- Where the governing body of Rewardsco has determined that the actual or potential conflict of interest is unavoidable, the following processes will be followed:

- The governing body of Rewardsco and Rewardsco's compliance officer will convene and determine the measures that will be implemented in order to mitigate the actual or potential conflict of interest as far as reasonably possible.
- The reasons why the actual or potential conflict of interest was unavoidable will be recorded in Rewardsco's Compliance Manual
- Any measures implemented towards mitigating the actual or potential conflicts of interest will include the following arrangements:
 - The status of whether the actual or potential conflicts of interest's is still deemed to be unavoidable shall be reassessed on a continuous basis.
 - Where a previously deemed unavoidable actual or potential conflicts of interest is subsequently deemed to be avoidable, such actual or potential conflict of interest shall immediately be avoided.
 - All representatives will be notified of any actual or potential conflicts of interest as well as the reasons for its unavoidability.
 - When rendering a financial service, a representative shall be required to disclose to the client in writing that an actual or potential conflict of interest exist.
 - Rewardsco and/or Rewardsco's compliance officer shall report on the status of the actual or potential conflict of interest in Rewardsco's compliance report to be submitted to the Financial Sector Conduct Authority.

5. DISCLOSURE OF CONFLICTS OF INTEREST

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. Rewardsco is therefore committed to ensure that clients are fully informed about actual or potential conflicts of interest in relation to the provision of financial services.

Rewardsco has adopted the following disclosure measures:

- Rewardsco shall disclose to a client any conflict of interest in respect of that client
- The disclosure shall be made in writing at the earliest reasonable opportunity. The disclosure may be communicated by way of appropriate electronic media
- The disclosure shall include the nature of any relationship or arrangement with a third party that gives rise to a conflict of interest
- The disclosure shall be made in sufficient detail to enable the client to understand the exact nature of the relationship or arrangement and the conflict of interest
- The disclosure shall include the measures taken to avoid or mitigate the conflict
- The disclosure shall include any ownership interest or financial interest, other than an immaterial financial interest, that Rewardsco or representative may be or become eligible for
- The disclosure shall include a reference to Rewardsco's Conflict of Interest Management Policy and how it may be accessed

6. COMPLIANCE MEASURES

The measures implemented towards ensuring Rewardsco's continued compliance with the Conflict-of-Interest Management Policy rests with the governing body of Rewardsco.

Rewardsco's appointed Compliance Officer will monitor Rewardsco's continued compliance with the policy on an ongoing basis.

Rewardsco has adopted the following internal controls and processes:

- The governing body of Rewardsco shall ensure that the Conflict-of-Interest Management Policy is kept in Rewardsco's Compliance Manual.
- The governing body of Rewardsco shall ensure that all relevant personnel read the Conflict-of-Interest Management Policy and understand their duties in respect thereof.
- The governing body of Rewardsco shall ensure that all personnel, and where appropriate, associates are made aware of the contents of the Conflict-of-Interest Management Policy and shall provide personnel with training and educational material where deemed appropriate.
- The governing body of Rewardsco shall ensure that all Conflict-of-Interest declarations are signed by relevant personnel on an annual basis.
- Where an employee or representative have any concerns whether an actual or potential conflict of interest might arise in a particular situation, the employee or representative will be required to refer his or her concern to Rewardsco's Compliance Officer.
- The governing body of Rewardsco shall ensure that a list of all Rewardsco's associates is annexed to the Conflict-of-Interest Management Policy and that a review of the list shall be conducted annually.
- The governing body of Rewardsco shall ensure that a list of all the parties in which Rewardsco holds an ownership interest is annexed to the Conflict-of-Interest Management Policy and that a review of the list shall be conducted annually.
- The governing body of Rewardsco shall ensure that a list of all third parties that holds an ownership interest in Rewardsco is annexed to the Conflict-of-Interest Management Policy and that a review of the list shall be conducted annually.
- The governing body of Rewardsco shall continue to maintain a Gift Register and shall ensure that all gifts received from a third party with an estimated value of R500 or more are recorded in Rewardsco's Gift Register.
- The governing body of Rewardsco shall ensure that the proper disclosures are made to the client regarding actual or potential conflicts of interest.
- The Conflict-of-Interest Policy shall be regularly reviewed by the appointed Compliance Officer, and where necessary, updated to ensure that the measures contained herein remains effective.
- The governing body of Rewardsco shall publish its Conflict-of-Interest Management Policy in appropriate media and ensure that it is easily accessible for public inspection at all reasonable times.
- The governing body of Rewardsco shall ensure that the Conflict-of-Interest Management Policy is reviewed on at least an annual basis.



7. CONSEQUENCES OF NON-COMPLIANCE

Where there is reason to believe that an employee or representative has failed to disclose an actual or potential conflict of interest via the proper communication channels, Rewardsco will proceed to investigate and take any appropriate steps it deems necessary to limit any financial prejudice that may be suffered by Rewardsco, its clients or any other third party.

Where an investigation concludes that an employee or representative of Rewardsco has indeed failed to disclose an actual or potential conflict of interest, Rewardsco shall immediately take appropriate disciplinary steps and corrective actions against such employee or representative. Any failure by an employee to comply with the Conflict-of-Interest Management Policy will be considered serious form of misconduct and a dismissible offence.

8. ANNEXURE A: TYPE OF FINANCIAL INTEREST THAT REWARDSCO WILL OFFER REPRESENTATIVES

In terms of Section 3A(2)(b)(ii) of the General Code of Conduct, a Conflict-of-Interest Management Policy must include the type of financial interest that Rewardsco will offer a representative and the basis on which a representative will be entitled to such a financial interest and motivate how that financial interest complies with sections 3A(1)(bA).

The type of financial interest that Rewardsco will offer a representative is available upon request from Rewardsco Group Corporate Governance Director.

Please note that a formal request for this information will have to be submitted.

9. ANNEXURE B: LIST OF ASSOCIATES

In terms of Section 3A(2)(b)(iii) of the General Code of Conduct, a Conflict-of-Interest Management Policy must include a list of all Rewardsco's associates.

A list of Rewardsco associates is available upon request from Rewardsco Group Corporate Governance Director.

Please note that a formal request for this information will have to be submitted.

10. ANNEXURE C: OWNERSHIP INTERESTS HELD BY REWARDSCO

In terms of Section 3A(2)(b)(v) of the General Code of Conduct, a Conflict-of-Interest Management Policy must include the names of any third parties in which Rewardsco holds an ownership interest.

The ownership interests held by Rewardsco is available upon request from Rewardsco Group Corporate Governance Director.

Please note that a formal request for this information will have to be submitted.



11. ANNEXURE D: OWNERSHIP INTEREST HELD IN REWARDSCO

In terms of Section 3A(2)(b)(vii) of the General Code of Conduct, a Conflict-of-Interest Management Policy must include the names of any third parties that holds an ownership interest in the provider.

The ownership interests held in Rewardsco is available upon request from Rewardsco Group Corporate Governance Director.

Please note that a formal request for this information will have to be submitted.

12. ANNEXURE E: TYPE OF FINANCIAL INTEREST & ENTITLEMENT THERETO

In terms of Section 3A(2)(b)(ii), a Conflict-of-Interest Management Policy must specify the type of financial interest that the provider will offer a Representative and the basis on which a Representative will be entitled to such a financial interest. The Conflict of Interest Management Policy must also include a motivation regarding how the financial interest complies with sections 3A(1)(b) and 3A(1)(bA).

The financial interests offered by the provider to its Representatives and how the financial interest afforded to the Representatives complies with sections 3A(1)(b) and 3A(1)(bA) is available upon request from Rewardsco Group Corporate Governance Director.

Please note that a formal request for this information will have to be submitted.