

CONFLICT OF INTEREST MANAGEMENT POLICY



Contents

1. Introduction and purpose 1

2. Definitions 1

3. Managing the risks around conflicts of interest..... 3

4. Processes and procedures to ensure compliance 5

5. Accessibility of policy 5

6. Training and awareness..... 5

7. Consequences of non-compliance 6

ANNEXURE A..... 7

ANNEXURE B..... 8

ANNEXURE C 9

1. Introduction and purpose

The purpose of this policy is to provide a framework within which to address areas where actual or potential conflicts of interests may arise, and to align with the principles of Treating Customers Fairly (TCF) and the resultant responsibilities that are placed on Denker Capital (Denker / the entity). It aims to establish broad principles and guidance, and it prescribes processes that are essential to ensuring compliance with other related policies, such as Denker's Code of Ethical Conduct and Gratification policy. This policy furthermore specifically addresses the requirements of the Financial Advisory and Intermediary Services Act as well as TCF Outcomes.

Actual or perceived conflicts of interest that are not properly managed can have a significant reputational and financial impact on Denker, as well as its relationships with clients and other stakeholders. This policy aims to promote transparency and fairness in the interest of clients, employees, and Denker.

This policy provides for the management of conflicts of interests, that entails:

- 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;
- Processes, procedures and internal controls to facilitate compliance with the policy; and
- Consequences of non-compliance.

2. Definitions

2.1. "Associate"

2.1.1. in relation to a natural person, means –

- 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 the spouse, life partner or civil union partner of a person referred to in subparagraphs (ii) to (iv);
- a person who is in a commercial partnership with that person.

2.1.2. 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, 1984 (Act No. 69 of 1984), means any member thereof as defined in section 1 of that Act;
- which is not a company or a close corporation as referred to in subparagraphs (i) or (ii), 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 juristic person, too, is not a company, had both the first-mentioned juristic person and that other juristic person been a company;
- 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.

2.1.3. 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;

- ii. includes any trust controlled or administered by that person.
- 2.2. **“Conflict of interest”** or **“COI”** means any situation in which a person has an actual or potential interest that may, in rendering a financial service to a client -
- i. influence the objective performance of their obligations towards such client; or
 - ii. prevent a person 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;
 - b. an ownership interest;
 - c. any relationship with a third party.
- 2.3. **“CEO”** means Chief Executive Officer of Denker.
- 2.4. **“Employee/s”**, for the purpose of this policy, will include:
- i. All directors and full-time employees of any associate of Denker;
 - ii. All temporary contracted employees of any associate of Denker;
 - iii. All employed or contracted representatives including independent financial advisors and tied agents of any associate of Denker.
- 2.5. **“FAIS” / “Act”** means the Financial Advisory and Intermediary Services Act, No. 37 of 2002.
- 2.6. **“Fair value”** means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction (as set out in the reporting standards adopted in terms of the Companies Act, No. 71 of 2008).
- 2.7. **“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 –
- i. an ownership interest;
 - ii. training, that is not exclusively available to a selected group of providers or representatives, on –
 - a. products and legal matters relating to those products;
 - b. general financial and industry information;
 - c. specialised technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training.
- 2.8. **“FSP”** means a Financial Services Provider.
- 2.9. **“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 –
- i. a provider who is a sole proprietor;
 - ii. a representative for that representative’s direct benefit; or
 - iii. a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.
- 2.10. **“Ownership interest”** means –
- i. 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
 - ii. includes any dividend, profit share or benefit derived from that equity or ownership interest.
- 2.11. **“Provider/s”** means an authorised FSP registered as such with the Financial Services Board.
- 2.12. **“Sanlam”** means the Sanlam Group collectively together with its associates as defined in 2.1 above, and includes references to Sanlam Limited, Sanlam Investments and any other entity, legal or operational, reflected as a subsidiary or a Sanlam business in the organizational chart of the Sanlam Group as updated from time to time.

2.13. **“Sanlam Investments Compliance Officer”** means the compliance officer appointed by Denker to fulfil this function.

2.14. **“Third party”** means –

- i. a product supplier;
- ii. another provider;
- iii. an associate of a product supplier or a provider;
- iv. a distribution channel; or
- v. any person who in terms of an agreement or arrangement with a person referred to in paragraphs (i) to (iv) above provides a financial interest to a provider or its representatives.

Refer to Annexure A which lists the names of third parties in which Denker holds an ownership interest, with the nature and extent of the ownership interest.

Refer to Annexure B which lists the names of any third parties that holds an ownership interest in Denker, with the nature and extent of the ownership interest.

3. Managing the risks around conflicts of interest

3.1 Identifying conflicts of interest

In determining whether a conflict is involved, there is no alternative for sound judgement based on the particular facts involved in each case.

No person (including Denker) may avoid, limit or circumvent, or attempt to avoid, limit or circumvent compliance with the Conflict of interest management policy via an Associate or an arrangement involving an Associate.

If Employees are of the view that their own conduct has caused this policy to be breached, they should inform their manager at the earliest available opportunity after they have become aware of the breach. Management should report this breach to the Finance Manager for further investigation.

When Employees reasonably suspect that a co-worker or contractor is in breach of this policy, they should report it as soon as possible and in the strictest of confidence, to their line manager and the Finance Manager for further investigation.

Every manager must, on an ongoing basis, identify any actual or potential COI which may arise within his or her area of responsibility. These must be reported to the Finance Manager and, if need be, the Sanlam Investments Compliance Officer.

Documented guidelines on providing “immaterial financial interest” have been compiled and are set out in Annexure C. These guidelines will assist managers to identify reportable COI.

Denker and its Employees may only receive or offer the following financial interest from or to a third party:

- i. Commission authorised in terms of the Long-term Insurance Act (No. 52 of 1998), the Short-term Insurance Act (No. 53 of 1998) or the Medical Schemes Act (No. 131 of 1998);
- ii. Fees authorised in terms of 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;
- iii. Fees for the rendering of a financial service in respect of which commission or fees referred to in paragraph (i) or (ii) above is not paid, if –
 - a. the amount, frequency, payment method and recipient of those fees and details of the services that are to be provided by the provider or its representatives in exchange for the fees are specifically agreed to by a client in writing; and
 - b. those fees may be stopped at the discretion of the client.
- iv. Fees or remuneration for the rendering of a service to a third party;
- v. Subject to other legislation, an immaterial financial interest;
- vi. A financial interest not referred to in paragraphs (i) to (v) 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 its representatives at the time of receipt thereof.

- vii. Services that are essential in enabling the provider to prepare, submit and/or finalise Denker transaction documentation may be offered unless it would influence the provider in the objective performance of its functions or in the rendering of an unbiased service.
- viii. Services that are not essential in enabling the provider to do business with Denker, but which offers the provider value in terms of enhancing or supplementing the provider's interaction with clients may be provided if there is clear proof of benefiting the client and it does not create a conflict of interest.
(Also refer to the decision framework in Annexure C)
- ix. Services that do not form part of those described in (vii) or (viii) above may be made available at a fair market value.
- x. A Category I provider that is authorised or appointed to give advice may not receive a sign-on bonus from any person.
- xi. No person may offer or provide a sign-on bonus to any person, other than a new entrant, as an incentive to become a Category I provider that is authorised or appointed to give advice.

Denker shall only provide bona fide training to providers on:

- i. Products or 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.

Denker may provide reasonable costs directly related to the training provided, such as venue costs, speaker fees and meals. The reasonable costs associated with providing meals and refreshments should not be regarded as part of immaterial financial interests, and need not be recorded.

3.2 Avoiding conflicts of interest

Once an actual, potential or perceived conflict of interest has been identified, steps need to be taken to avoid such a conflict. Should such avoidance not be possible, steps need to be taken to mitigate such an actual, potential or perceived conflict of interest and must be disclosed to all impacted parties.

Denker shall not offer any financial interest to its representatives for:

- i. Giving preference to the quantity of business secured to the exclusion of the quality of the service rendered to clients; or
- ii. Giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; or
- iii. 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.

Denker or its representatives may only receive or offer the financial interests referred to in subsections ii, iii and iv in 3.1 above if:

- those financial interests are reasonably commensurate with the service being rendered, considering 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 the provider 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.

3.3 Disclosing conflicts of interest

Denker and its representatives must at the earliest reasonable opportunity disclose to a client any conflict of interest in respect of that client (and all other impacted parties), as well as to the Sanlam Investments Compliance officer.

The disclosure must be made in writing to the client and contain the following information which includes, but is not limited to:

- The measures taken, in accordance with this policy, to avoid or mitigate the conflict;
- Any ownership interest or financial interest, other than an immaterial financial interest, that Denker or its employees may become eligible for;

- The nature of any relationship or arrangement with a third party that gives rise to a conflict of interest. Sufficient detail in terms of the nature and extent of the relationship that creates or gives rise to the conflict should be disclosed to the client. Such disclosure should enable the client to make a reasonable assessment as to whether to proceed with a transaction;
- Inform the client of the existence of a Denker COI Management Policy and how this document may be accessed.

4. Processes and procedures to ensure compliance

Denker, a licensed FSP and a business entity, adopts this policy as the standard according to which it shall conduct its business in relation to the identification, avoidance and management of conflicts of interest.

The Finance Manager, in cooperation with the Sanlam Investments Compliance Officer, is responsible for managing (and updating) the Denker COI Management Policy and will provide guidance to management thereon (including the pre-clearance of business processes that may potentially cause a conflict of interest).

The onus is on Employees subject to this policy to avoid creating conflicts of interest, and if this is unavoidable, to take effective steps to mitigate such a COI and ensure that proper disclosure is made in respect thereof.

All Employees are responsible for identifying specific instances of conflict of interest and are required to notify the Finance Manager of any conflicts they become aware of. The Sanlam Investments Compliance Officer and Finance Manager will escalate the conflict of interest to the CEO of Denker with a recommendation of how the conflict should be managed (if it cannot be avoided).

Documented guidelines to management on providing immaterial financial interests have been compiled and are set out in Annexure C. These guidelines may be adapted from time-to-time to address specific business needs.

The Finance Manager, assisted by the Sanlam Investments Compliance Officer, maintains a COI register, which is used to determine whether conflicts already identified are still valid, whether the mitigation strategies in place operate effectively, and whether there are any new or potential conflicts.

The Finance Manager shares the contents of the register with the CEO and Management Committee monthly, highlighting the steps that was taken to mitigate the COI.

The disciplinary procedures of Denker provide for the review of any breach of this policy by Employees and the determination of appropriate disciplinary actions.

5. Accessibility of policy

This policy is available to all Denker Employees on the local server and on the Denker website (<https://www.denkercapital.com/>) to ensure that it is easily accessible for inspection by Employees, clients and third parties at all reasonable times. A hard copy of the policy will be provided upon request from the Finance Manager.

6. Training and awareness

All Denker Employees, contractors and temporary workers receives appropriate training and awareness on this policy annually.

This policy is also highlighted and provided to all new Employees during their induction.

7. Consequences of non-compliance

Employees' failure to provide disclosures will be seen as a transgression of Denker's Code of Ethical Conduct and will be dealt with in terms of the entity's disciplinary code.

Certain transgressions of this policy may result in civil or criminal prosecution, as set out in Denker's Financial Crime Combating Policy.

FAIS provides for penalties in the event that a person is found guilty of contravening the Act, or of non-compliance with the provisions of the Act. The penalty for non-compliance of specific provisions of the Act, is an amount of up to R1 million or a period of imprisonment for up to 10 years.

The Registrar of FAIS is empowered to refer instances of non-compliance to an Enforcement Committee that may impose administrative penalties on offenders.

FAIS also gives the Registrar the powers to revoke the license of a provider.

ANNEXURE A:

LIST OF THIRD PARTIES IN WHICH DENKER HOLDS AN OWNERSHIP INTEREST

Denker does not hold an ownership interest in any third parties (including product providers and distribution channels).

ANNEXURE B:

LIST OF THIRD PARTIES THAT HOLD AN OWNERSHIP INTEREST IN DENKER

- Sanlam Investment Holdings (Pty) Ltd holds 49.9% of Denker's issued share capital
- Denker Capital Employee Trust holds 15.3% of Denker's issued share capital

ANNEXURE C:

GUIDELINES TO EVALUATE THE PROVISION OF “IMMATERIAL FINANCIAL INTERESTS”

1. Legislative requirements

In terms of the FAIS General Code of Conduct, the following requirements are set for managing conflicts of interests that may be created between a provider and his / her client:

1.1. Principle based requirement

The following principle applies:

“A provider or a representative must avoid, and where this is not possible mitigate, any conflict of interest between the provider and a client or the representative and a client.”

1.2. Rule based requirement

A provider is not allowed to offer service providers (and they are not allowed to receive) any financial interest other than:

- i. Statutory commission and fees;
- ii. Fees applicable to the investment industry as agreed to by the client;
- iii. Fees for rendering a service to a third party (this provides for outsourcing arrangements, e.g., back-office services rendered in the collective investments environment);
- iv. Immaterial financial interest. The focus is on the immateriality of the financial interest that is given, but is subject to an overall maximum amount of R1 000 per service provider per annum; and
- v. Financial interest for which the service provider pays a fair value.

2. General intention of the regulations

The general intention of the regulations is to eradicate the opulence that business courtesies have been known to create. Normal business courtesies (as indicated by the examples used in this document) are still acceptable provided they fall within the limitations set out below.

3. Application of “immaterial financial interest” concept

In terms of the definition of “immaterial financial interest”, the amount of R1 000 would apply to a “provider who is a sole proprietor”, (i.e., a key individual who is also a representative), a representative of a provider who stands to benefit, and a provider who may benefit, or all or some of its representatives.

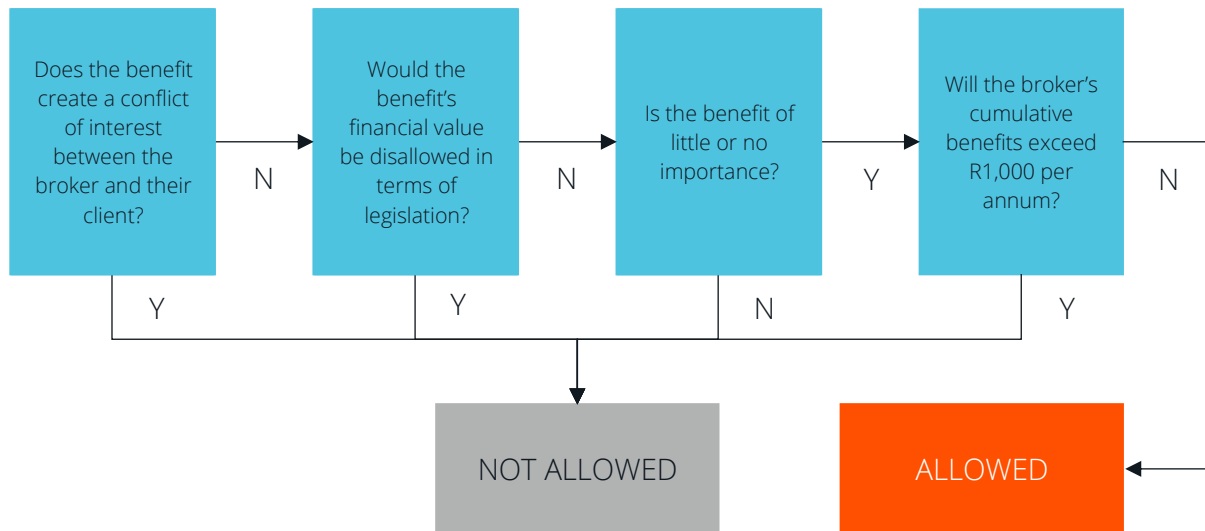
The limitation of the R1 000 amount is applicable to providers, their key individuals and representatives.

This can be illustrated by way of an example:

A provider may have 100 representatives. The limitation on providing “immaterial financial interests” is limited to a R1 000 per individual (a provider may not aggregate the R1000 per representative to the benefit of another provider) (100 X R1 000 for the provider).

4. Framework for decision making

The following decision-tree is suggested as a guide to assist in deciding whether a specific benefit is allowable:



5. Examples

5.1. Extending invitations to key individuals and representatives

An invitation to a key individual or representative of another provider to participate in or attend a sporting or cultural event is acceptable and is not viewed as creating an unallowable conflict of interest. The limitation is however that this may only include reasonable expenses to be paid for by the provider. Reasonable expenses would be linked to the specific circumstances of an event, but always limited to an overall maximum amount of R1 000 per calendar year. As such an invitation falls within the definition of an allowable financial interest, but would need to be recorded and will be subject to the R1 000 p.a. immaterial financial interest limit.

5.2. Hosting events for service providers

Hosting expensive social events, such as golf days or hunting trips, for service providers is regarded as creating an unallowable conflict of interest.

5.3. Inviting key individuals and representatives to conduct due diligence visits

Inviting key individuals and representatives from a provider (and their managers) to interact with Denker office staff is not regarded as an unallowable conflict of interest. The limitation would however be that no travel or accommodation costs may be paid for on behalf of the provider. Normal business courtesies (linked to reasonable expenses) would be allowable, but would be subject to the overall maximum of R1000 per annum.

5.4. Providing service providers with marketing material to conduct promotional projects

Providing service providers with a complimentary supply of Denker-specific branded material to conduct their own promotional activities, is regarded as creating an unallowable conflict of interest.

Providing marketing material to service providers at the normal distribution price is acceptable.

(Bear in mind that providing free promotional material for their own promotional activities and including this as an “immaterial financial interest” is not allowed.)

5.5. Providing service providers with a Denker diary (or other date-linked items)

Providing a service provider with a diary is not regarded as creating an unallowable conflict of interest. The cost of such a diary should however be included in the calculation of “immaterial financial interest” (in relation to such a service provider).

5.6. Hosting seminars on behalf of a service provider

A provider (who is also a product provider) may invite its clients to a function where its products are explained. At such a function the provider is the host and sends out invitations to its clients (and prospective clients).

Service providers may request the product provider to send invitations to their clients, but the guest list remains the sole responsibility of the product provider. The provider (product provider) may provide reasonable refreshments to its clients (and prospective clients) at such functions.

5.7. Personal gifts of nominal value

Providing a supporting service provider with a gift of a nominal value at special occasions e.g., at the end of the year, at birthdays, anniversaries, is allowed provided that the cost of such gift be included in the calculation of “immaterial financial interest”.