



## **This Document constitutes the Conflict of Interest Management Policy of Celagenix Financial Services (Pty) Ltd.**

### **1. Introduction**

In terms of the Financial Advisory and Intermediary Services Act, 2002, Celagenix Financial Services (“the FSP”) is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage Conflict of Interest (“COI”). Section 3A(2)(a) of the FAIS General Code of Conduct (“GCOC”) stipulates that every financial services provider, other than a representative, must adopt, maintain and implement a Conflict of Interest Management Policy that complies with the provisions of the Act.

### **2. Purpose**

The purpose of this policy is to comply with these obligations and provide for mechanisms to identify, mitigate and manage the conflicts of interest to which the FSP is a party. In addition, to ensure alignment between the values of the organisation and the conduct of its people by safeguarding clients’ interests and ensuring the fair treatment of clients.

The FSP is committed to ensuring that all business is conducted in accordance with good business practice. To this end, the FSP conducts business in an ethical and equitable manner and in a way that safeguards the interests of all stakeholders to minimise and manage all real and potential conflicts of interests. Like any financial services provider, the FSP is potentially exposed to conflicts of interest in relation to various activities. However, the protection of our clients’ interests is our primary concern and so our policy sets out how—

- we will identify circumstances which may give rise to actual or potential conflicts of interest entailing a material risk of damage to our clients’ interests;
- we have established appropriate structures and systems to manage those conflicts; and
- we will maintain systems in an effort to prevent damage to our clients’ interests through identified conflicts of interest.

To achieve the objectives set out above, this policy sets out the rules, principles and standards of the FSPs COI management procedures, by documenting them in a clear and understandable format.

### **3. Scope of Application**

This policy is applicable to the FSP, all providers of the FSP, key individuals, representatives, associates and administrative personnel. The FSP is committed to ensuring compliance with this policy, ensuring that the processes denoted herein are monitored on an ongoing basis.

Any non-compliance with this policy will be viewed in a severe light. Non-compliance will be subject to disciplinary procedures in terms of FAIS and employment conditions and can ultimately result in debarment or dismissal, as applicable.

Avoidance, limitation or circumvention of this policy via an associate will be deemed non-compliance.

## Understanding Conflict of Interest

### a) When is it a Conflict of Interest?

A COI means any situation in which the FSP or one of our representatives has an actual or potential interest that may, in rendering a financial service to our clients—

- influence the objective performance of obligations to that client; or
- prevents us from rendering an unbiased and fair financial service, or
- prevents us from acting in the interests of that client.

An “actual or potential interest” includes but is not limited to:

- A **financial interest**, which includes any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, valuable consideration, other incentive or valuable consideration which exceeds R1,000 per calendar year.<sup>1</sup>
- An **ownership interest** which means any equity or proprietary interest and any dividend, profit share or similar benefit derived from that equity or ownership interest.
- Any **relationship with a third party**, meaning any relationship with a product supplier, other FSPs, an associate of a product supplier or an associate of the FSP. A third party also includes any other person who, in terms of an agreement or arrangement, provides a financial interest to the FSP or its representatives.
- An **immaterial financial interest**, which is any financial interest with a determinable monetary value, the aggregate of which does not exceed R 1,000 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; or
  - a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.

### b) What type of interest may we Give and Receive?<sup>2</sup>

The FSP and our representatives may only offer and receive specific financial interests from a third party<sup>3</sup>, which includes the following:

- Commission as authorised under the Long-term Insurance Act (52 of 1998), the Short-term Insurance Act (53 of 1998) and the Medical Schemes Act (131 of 1998).
- Fees as authorised under the Long-term Insurance Act (52 of 1998), the Short-term Insurance Act (53 of 1998) and the Medical Schemes Act (131 of 1998).
- “Other fees” specifically agreed to by the client and which can be stopped by the client at their discretion but only if agreed in writing with the client, including details of the amount, frequency, payment method and recipient of those fees, as well as the details of services to be provided in exchange for the fees.
- Fees or remuneration for services that were rendered to a third party.
- An immaterial financial interest.
- Any other financial interest not mentioned above for which a consideration, fair value or remuneration that is reasonably commensurate is paid by that provider or representative, at the time of receiving that financial interest.

### c) On what basis may we Give and Receive Financial Interests?

The financial interest referred to in points 2, 3, and 4 above may only be offered or received by the FSP or its representatives, if:

- The financial interests are proportionate (reasonably commensurate) to the service being rendered, considering the nature of the service, the resources, skills and competencies that are reasonably required to perform it.

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<sup>1</sup> Financial Interest excludes an ownership interest and Training, that is not exclusively available to a selected group of providers or representatives where that training is related to products and legal matters relating to (1) those products, (2) General financial and industry information, (3) Specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training and (4) qualifying enterprise development contribution to a qualifying beneficiary entity.

<sup>2</sup> It is important to note that where the same legal entity is a product supplier and FSP, this section does not apply to the representatives of that entity. That entity is subject to the requirements set out in sections 4.4 of this report (FAIS GCOC S3A(1)(b) and 3A(1)(bA) in respect of its representatives.

<sup>3</sup> FAIS GCOC S3A. FAIS GCOC S1 “third party” means a product supplier, another provider, associate of a product supplier or a provider, a distribution channel and any person who in terms of an agreement or arrangement with a person referred to previously provides a financial interest to a provider or its representatives.

- The payment of those financial interests does not result in the FSP or representative being remunerated more than once for performing the same service.
- Any actual or potential conflicts between the interests of clients and the interests of the person receiving those financial interests are effectively mitigated, and
- The payment of those financial interests does not impede the delivery of fair outcomes to clients.

#### d) Financial Interests for Representatives of the FSP

The FSP may not offer any financial interest to a representative of that FSP—

- for 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;
- for giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client;
- that is determined with reference to the quantity of business, without also giving due regard to the delivery of fair outcomes for clients.

In relation to delivery of fair outcomes for clients, the FSP must demonstrate that a determination of a representative's entitlement to a financial interest considers measurable indicators relating to the—

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

The measurable indicators are agreed in writing between the FSP and its representative and sufficient weight (significance) is attached to these indicators to materially mitigate the risk of the representative(s) giving preference to the quantity of business secured for the FSP over the fair treatment of clients.

The FSP does not offer a sign-on bonus<sup>4</sup> to any person, other than a new entrant<sup>5</sup>, as an incentive to become a provider authorised or appointed to give advice.

The way in which the FSP remunerates its representatives and complies with these requirements, is set out in section 5 of this policy.

## 4. Processes and Internal Controls to manage Conflict of Interest

### 4.1 Identification of Conflict of Interest

To adequately manage COI, the FSP must identify all relevant conflicts timeously. In determining whether there is or may be a COI to which the policy applies, the FSP considers whether there is a material risk of unfair treatment or bias for the client, taking into account whether the FSP or its representative, associate or employee—

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- has a financial or other incentive to favour the interest of another client, group of clients or any other third party over the interests of the client;
- 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 monies, goods or services, other than the legislated commission or reasonable fee for that service.

Our policy defines possible conflict of interest or examples of conflict of interest as, inter alia,-

- between the FSP and the client.
- between our clients if we are acting for different clients and the different interests conflict materially.
- where associates, product suppliers, distribution channels or any other third party is involved in the rendering of a financial service to a client.
- storing confidential information of clients which, if we would disclose or use it, may affect the advice or services provided to clients.

<sup>4</sup> This requirement is only applicable to CAT I providers that are authorised to give advice. Refer to the definitions section of this policy.

<sup>5</sup> A person who has never been authorised as a financial services provider or appointed as a representative by any financial services provider.

All employees, including internal compliance officers and management, are responsible for identifying specific instances of conflict and are required to notify the Key Individual of any conflicts they become aware of. The Key Individual will assess the implications of the conflict and how the conflict should be managed, acting impartially to avoid a material risk of harming clients' interests.

#### **4.2 Measures for avoidance and mitigation of Conflict of Interest**

To ensure that the FSP can identify, avoid and mitigate COI situations, the FSP creates awareness and knowledge of applicable stipulations, through training and educational material. Where a COI situation cannot be avoided, these instances are recorded on the FSP's conflict of interest register.

The FSP ensures the understanding and adoption of the FSP's conflict of interest policy and management measures by all employees, representatives and associates through training on the COI policy.

The Key Individual will assess each conflict, including whether the conflict is actual or perceived, what the value of the conflict or exposure is, and the potential reputational risk. Compliance and management then agree on the controls that need to be put in place to manage the conflict. Once a conflict of interest has been identified it needs to be appropriately and adequately managed and disclosed, in line with the below steps.

#### **4.3 Measures for mandatory disclosure of Conflict of Interest**

Where there is no other way of managing a conflict, or where the measures in place do not sufficiently protect clients' interests, the conflict must be disclosed to allow clients to make an informed decision on whether to continue using our service in the situation concerned.

In all cases, where appropriate and where determinable, the monetary value of non-cash inducements will be disclosed to clients. The Key Individual will ensure transparency and manage conflicts of interest. The client must be informed about the Conflict of Interest Policy and where they may access the policy.

#### **4.4 Ongoing monitoring of Conflict of Interest Management**

The Key Individual or staff member in charge of supervision and monitoring of this policy will regularly monitor and assess all related matters. The FSP will conduct *ad hoc* checks on business transactions to ensure the policy has been complied with.

The Compliance Officer will include monitoring of the Conflict of Interest policy as part of his/her general monitoring duties and will report thereon in the annual compliance report.

This policy shall be reviewed annually and updated if applicable. The compliance function is outsourced to an external Compliance company with no shareholding in this FSP. The Compliance practice functions objectively and sufficiently independent of the FSP and monitors the processes, procedures and policies that the FSP has adopted to avoid conflicts of interest.

#### **4.5 Training and Staff**

Comprehensive training on Conflict of Interest is provided to all employees and representatives of the FSP as part of specific and/or general training on the FAIS Act and GCOC.

Training will be incorporated as part of all new appointees' induction. Ongoing and refresher training on the FSP's Conflict of Interest management processes and policy is provided on an annual basis.

#### **4.6 Registers**

With regard to existing third-party relationships, being the product suppliers listed in our Contact Stage Disclosure letter, we confirm that there are no circumstances which could lead to a potential conflict of interest. Should any conflicts arise with regard to any of these, prior to entering into any business transaction with you, we undertake to disclose these in the registers below.

All gifts, financial interest, immaterial financial interest, and any other COI situations as outlined in this policy, must be recorded in the FSP's COI register, attached as Annexure A.

## 5. Remuneration Policy

This section of the Policy specifies the type and basis on which a representative of the FSP will qualify for a financial interest that the FSP offers, and motivates how that financial interest complies with the requirements of this policy.

The Remuneration Policy is informed by the following principles, which are aligned with the concept of Total Remuneration for staff. Total Remuneration includes the components of:

- Commission, and/or
- Asset-based fees, and/or
- Guaranteed pay and benefits, and/or
- Performance-variable pay (short-term incentives), with an appropriate 'pay mix' designed to achieve a balanced focus on achievable organisational goals and personal objectives in each case.

The two guiding principles are as follows:

- Guaranteed remuneration packages are aligned with our performance-oriented philosophy;
- Short-term incentives reward high-performing employees for their performance contribution to the group, divisional cluster, and division in which they work. Key team / individual performance metrics are based on a scorecard of economic, social and environmental targets.

At this stage there are no additional fees. Should this change, the policy will be amended.

Representatives will not receive additional or more than the usual remuneration for placing business with a specific provider. This will be monitored closely to ensure that there are no dishonesty and that clients are offered the best solution in terms of their needs.

Representatives will receive commission on the products provided to clients and will be remunerated accordingly. The FSP does not currently earn more than 30% of its commission from one product provider.

The FSP carries out regular inspections on all commissions, remuneration, fees and financial interest proposed or received in order to avoid non-compliance. This includes but is not limited to:

- Analysis of Management Information to identify trends and outliers;
- TCF client feedback program results assessments/review;
- Complaint trends analysis.

### Policy Adoption and Version Control

Date	Version	Detail of change or amendment	Person	Signature
10 May 2021	2.1.1	Reviewed and updated	Martin Louw	
16 September 2021	2.1.2	Reviewed and updated, Remuneration Policy changes	Martin Louw	

*Policy owner: Martin Louw*

**ANNEXURE A: Conflict of Interest Register**

We take pride therein that our advice is objective and free of external influence, but wish to disclose to you, our valued client, that we have received the following financial interests and wish to disclose the value and the reason for receiving the financial interests.

Type	Date Received	From	To	Reason	Value	Approved?	Approver	Signature
None								

**ANNEXURE B: List of third parties in which Celagenix® Financial Services holds an ownership interest**

No.	Product Supplier	Nature of Ownership Interest	Extent of Ownership Interest	Relevant Associates	Agreements / Arrangements where a financial interest is provided to a provider or its representative
None					

**ANNEXURE C: List of third parties that hold an ownership interest in Celagenix® Financial Services**

No.	Product Supplier	Nature of Ownership Interest	Extent of Ownership Interest	Relevant Associates	Agreements / Arrangements where a financial interest is provided to a provider or its representative
1.	Celagenix Holdings (Pty) Ltd.	Shareholding	100%	N/A	Directors of the FSP are also part of the Board of Directors of Celagenix® Holdings, and as such, are entitled to compensation by virtue of the office that they hold. Director's compensation is regulated in terms of the Remuneration Policy of Celagenix® Holdings and the FSP, as well as the Directors' respective employment agreements with both entities. The Directors are not incentivised over and above what is allowed in terms of said agreements.

**“Associate”**

(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 subparagraphs (ii) to (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 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;
- iii. 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.
- 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.

**“COI”** means Conflict of Interest.

**“Conflict of interest”** means any situation in which a person has an actual or potential interest that may, in rendering a financial service to a client –

- a) influence the objective performance of their obligations towards such client; or
- b) 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 –
  - i. a financial interest;
  - ii. an ownership interest;
  - iii. any relationship with a third party.

**“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.
- c) 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.

**“Employee”**, for the purpose of this Policy, will include –

- a) All directors and full-time employees of any associate of the FSP;
- b) All temporary contracted employees;
- c) All employed representatives including independent financial advisors and tied agents.

**“Exco”** means the FSP’s Executive Committee.

**“FAIS”** means the Financial Advisory and Intermediary Services Act, No. 37 of 2002.

**“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 (Act no 61 of 1973).

**“Financial Interest”** means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic / 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 accommodation associated with that training.

**“Financial Service”** means any service contemplated in paragraph (a), (b) or (c) of the definition of ‘financial services provider’, including any category of such services.

**“FSC”** means the Financial Sector Code published in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act, (Act 53 of 2003), as amended from time to time

**“FSCA”** means the Financial Sector Conduct Authority.

**“Financial Services Provider”** means any person, other than a representative, who as a regular feature of the business of such person –

- a) furnishes advice; or
- b) furnishes advice and renders any intermediary service; or
- c) renders an intermediary service.

**“FSP”** means a Financial Services Provider.

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

**“Measured Entity”** has the meaning assigned to it in the FSC insofar it relates to a qualifying enterprise development contribution.

**“New Entrant”** means a person who has never been authorised as a financial services provider or appointed as a representative by any financial services provider.

**“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 an 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.

**“Provider”** means an authorised FSP registered as such with the FSCA.

**“Qualifying Beneficiary Entity”** has the meaning contemplated in the FSC insofar as it relates to a qualifying enterprise development contribution.

**“Qualifying Enterprise Development Contribution”** has the meaning assigned to it in the FSC

**“Representative”** means any person, including a person employed or mandated by such first-mentioned person, who renders a financial service to a client for or on behalf of a financial services provider, in terms of conditions of employment or any other mandate, but excludes a person rendering clerical, technical, administrative, legal, accounting or other service in a subsidiary or subordinate capacity, which service –

- a) does not require judgment on the part of the latter person; or
- b) does not lead a client to any specific transaction in respect of a financial product in response to general enquiries.

**“Sign-on Bonus”** means any financial interest offered or received directly or indirectly, upfront or deferred, and with or without conditions, as an incentive to become a provider; and a financial interest referred to the definition of a new entrance includes but is not limited to –

- a) Compensation for the –
  - i. potential or actual loss of any benefit including any form of income, or
  - ii. cost associated with the establishment of a provider’s business or operations, including the sourcing of business, relating to the rendering of financial services; thereof; or
- b) A loan, advance, credit facility or any other similar arrangement.

**“The Code of Ethics and Professional Conduct”** means the Celagenix® Group’s Code of Ethics and Professional Conduct (“CelaCode”).

**“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.