

# Prescient

## PRESCIENT CONFLICT OF INTEREST MANAGEMENT POLICY

(with reference to the FAIS general code of conduct)

MARCH 2022

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# PRESCIENT CONFLICT OF INTEREST MANAGEMENT POLICY

Version	Final 2.0 2021
Applicable to	Prescient Investment Management (Pty) Ltd (FSP 612) Prescient Fund Services (Pty) Ltd (FSP 43191) Prescient Securities (Pty) Ltd (FSP 44074) *Prescient Analytics (Pty) Ltd *Think Direct (Pty) Ltd Prescient Profile (Pty) Ltd Prescient Investment Management (Retail) (Pty) Ltd Prescient Management Company (RF) (Pty) Ltd *Prescient Investment Management China Limited <i>*(Juristic representative)</i>
Owner	Prescient Holdings (Pty) Ltd Board of Directors
Policy Creator	FAIS Compliance Officer
Policy Manager	Head of Legal and FAIS Compliance Officer
Review and Approval Body	Prescient Holdings Audit & Risk Committee Prescient Management Company (RF) (Pty) Ltd Audit and Risk Committee
Available for External Distribution	Yes

## 1. DOCUMENT PURPOSE

### PURPOSE AND APPLICATION

A conflict of interest occurs when an entity or individual's interests could compromise their judgement, decisions, or actions in the workplace. Even if these conflicts are not acted on, it may appear that a conflict of interest has influenced decisions made. Transparency around the process of dealing with both actual and perceived conflicts of interest is therefore of utmost importance.

In the South African financial services industry in which we operate, the Financial Advisory Intermediary Services (FAIS) General Code of Conduct requires every Financial Services Provider (provider) to adopt, implement and maintain a Conflict-of-Interest Management Policy.

In terms of the FAIS 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 the representative and a client.

The objective of this policy is therefore to provide a framework within which to address and identify areas where conflicts may arise and to define how conflicts of interest are to be identified, managed, avoided, mitigated, and disclosed where applicable.

While a specific requirement of FAIS, this policy applies to all employees and directors of Prescient and provides guidance to all employees to avoid, and where this is not possible, mitigate any conflict of interest between Prescient and a client or the employee and a client or Prescient and the employee.

Please note that there is a separate Prescient Procurement Policy which will cover any conflicts of interest between Prescient and the employee with respect to suppliers.

The Conflict of Interest Management Policy contains the following provisions:

1. Mechanisms for the identification of conflicts of interest.
2. 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.
3. Measures for the disclosure of conflicts of interest.
4. The processes, procedures and internal controls to facilitate compliance with the policy.
5. Consequences of non-compliance with the policy by employees and representatives.

## OWNERSHIP

This Conflict of Interest Management Policy is drafted by the FAIS Compliance Officer and reviewed by the Head of Governance, Risk and Compliance and Head of Legal. The Policy is approved by the members of the Prescient Holdings (Pty) Ltd Audit and Risk Committee and Prescient Management Company (RF) (Pty) Ltd and recommended for approval to the board of directors of Prescient Holdings (Pty) Ltd. Policies are implemented by the relevant Prescient entities and monitored by the compliance function. The Conflict of Interest Management Policy is thereafter maintained by the FAIS Compliance Officer and Head of Governance, Risk and Compliance.

## 2. DEFINITIONS

TERM	DEFINITION
Conflict of interest	<p>Any situation in which a provider, representative or employee has an actual or potential interest that may, in rendering a service to a client:</p> <ol style="list-style-type: none"> <li>a) influence the objective performance of his, her or its obligations to that client; or</li> <li>b) prevent a provider, representative or employee from rendering an unbiased and fair service to that client, or from acting in the interest of that client, including but not limited to               <ol style="list-style-type: none"> <li>i) a financial interest.</li> <li>ii) an ownership interest.</li> <li>iii) any relationship with a third party.</li> </ol> </li> </ol>
Financial interest	<p>Any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive, or valuable consideration, other than –</p> <ol style="list-style-type: none"> <li>a) an ownership interest.</li> <li>b) training, that is not exclusively available to a selected group of providers or representatives, on –               <ol style="list-style-type: none"> <li>i) products and legal matters relating to those products;</li> <li>ii) general financial and industry information; technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodations associated with that training.</li> </ol> </li> </ol>
Ownership interest	<p>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.</p>
Third party	<ol style="list-style-type: none"> <li>a) a product supplier;</li> <li>b) another provider;</li> <li>c) an associate of a product supplier or a provider;</li> <li>d) a distribution channel;</li> </ol>

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.

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Associate	<p>a) in relation to a natural person,</p> <ul style="list-style-type: none"><li>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;</li><li>ii) a child of that person, including a stepchild, adopted child and a child born out of wedlock;</li><li>iii) a parent or stepparent of that person;</li><li>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;</li><li>v) a person who is the spouse, life partner or civil union partner of a person referred to in (ii), (iii) and (iv)</li><li>vi) a person who is in a commercial partnership with that person.</li></ul> <p>b) in relation to a juristic person,</p> <ul style="list-style-type: none"><li>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.</li><li>ii) which is a closed corporation registered under the Close Corporations Act, means any member thereof as defined in section 1 of that Act.</li><li>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:<ul style="list-style-type: none"><li>- had such first-mentioned juristic person been a company; or</li><li>- 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.</li></ul></li><li>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 Operational Risk Committee of such juristic person is accustomed to act.</li></ul> <p>c) in relation to any person,</p> <ul style="list-style-type: none"><li>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 Operational Risk Committee is accustomed to act in accordance with the directions or instructions of the person first-mentioned in this paragraph.</li><li>ii) includes any trust controlled or administered by that person</li></ul>
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Distribution channel	<p>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.</p> <p>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.</p> <p>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.</p>
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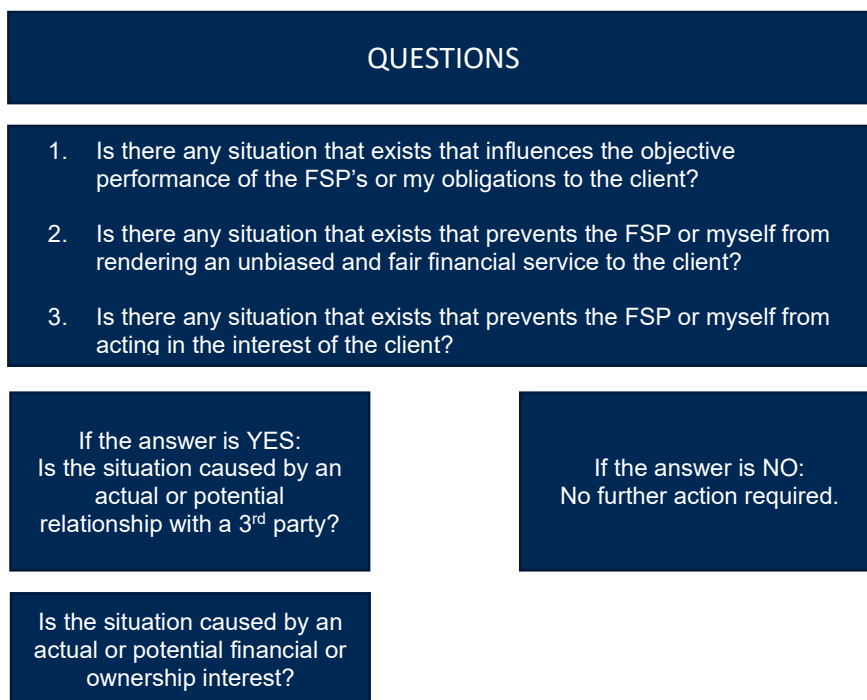
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### 3. IDENTIFICATION OF CONFLICT OF INTEREST OBJECTIVES

The occurrence or existence of an actual or potential conflict of interest may well, due to its intangible nature, be identified only once a 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 dependant on whether an individual believes that there is a conflict of interest to begin with. It is for this reason that we need to arrive at the conclusion only once a reflective and honest internal dialogue on the subject matter has been adopted.

#### 3.1 KEY INDIVIDUALS AND REPRESENTATIVES

Throughout the process of rendering a financial service to a client, a Key Individual or Representative must apply his or her mind to answering the following questions:



If the answer to any one of these questions is "YES" - An actual or potential conflict of interest has been identified.

Note that a conflict of interest is not limited to a financial or ownership interest.

#### 3.2 EMPLOYEES

1. Is there a situation that exists that benefits the employee but also affects the employer?
2. Will the employee have a personal gain which is not in the best interest of the employer?

If the answer is "Yes", then there is a conflict of interest.

If the answer is "No", then there is no conflict of interest.

### 3.3 FINANCIAL INTEREST

A provider or its representatives may only receive or offer the following financial interest from or to a third party:

- **Commissions** as authorised under the Insurance Act, No.18 of 2017, Long-term Insurance Act, No.52 of 1998, Short-term Insurance Act, No.53 of 1998, and the Medical Schemes Act, No.131 of 1998.
- **Fees** as authorised under the Insurance Act, No.18 of 2017, Long-term Insurance Act, No.52 of 1998, Short-term Insurance Act, No.53 of 1998 and the Medical Schemes Act, No.131 of 1998 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 which may be stopped 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** (i.e. 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 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.)
- **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.

A 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.

### 3.4 MECHANISMS FOR IDENTIFICATION

The mechanisms implemented to identify actual or potential conflicts of interests for the provider are:

- The Compliance Officer conducts quarterly sample reviews on all agreements held with 3rd parties and re-examines whether this relationship influences the provider's objective performance towards its clients.
- The Compliance Officer conducts quarterly sample reviews on all agreements held with 3rd parties and re-examines whether this relationship influences the provider's ability to render fair and unbiased financial services towards its clients.
- The Compliance Officer conducts quarterly sample reviews on all agreements held with 3rd parties and re-examines whether this relationship influences the provider's ability to act in the interest of the client.
- The Compliance Officer conducts quarterly sample reviews on all relationships held with 3rd parties, where an ownership interest is present, and re-examines whether this relationship influences the provider's objective performance towards clients.
- The Compliance Officer conducts quarterly sample reviews on all relationships held with 3rd parties where an ownership interest is present and re-examine whether this relationship influences the provider's ability to render fair and unbiased financial services towards its clients.

- All gifts received from 3rd parties are required to be reported to the Compliance Officer as per the Gift Policy, and are recorded in the provider's gift register which is kept on the provider's compliance file.
- All employees must disclose in writing to the Compliance Officer on an on-going basis, any conflicts of interest that they may become aware of. An annual declaration process is facilitated by the Compliance Officer, whereby all employees are required to disclose any personal conflicts of interest that may exist.
- All records associated with the identification of an actual or potential conflict of interests is kept on the compliance file which is available for inspection purposes.
- Directors of each Prescient entity are required to disclose any conflicts of interest on a bi-annual basis.
- Declarations are signed by off by the Audit and Risk Committee confirming the presence or absence of any actual or potential conflicts of interest annually.
- A list of all the associates is attached as an annexure hereto and is updated annually.

## 4. AVOIDANCE AND MITIGATION

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:

- The Compliance Officer will report to the Head of Governance, Risk and Compliance, who will convene with the Audit and Risk Committee, and review the actual or potential conflict of interest in an open and honest forum.
- All information surrounding the actual or potential conflict of interest must be disclosed to all affected parties.

The following consequences must be considered during the review process:

- The consequences of both avoidance and unavailability as well as the subsequent negative impact it will have on clients.
- The consequences of both avoidance and unavailability as well as the subsequent negative impact it will have on the integrity of the financial services industry.
- The consequences of both avoidance and unavailability as well as the subsequent negative impact it will have on the provider.
- The Compliance Officer must consider whether the provider can obtain a more advantageous transaction, agreement or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.
- If a more advantageous transaction, agreement or other arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the Audit and Risk Committee shall determine by a majority vote whether the transaction, agreement or arrangement is in the best interest of the provider and any affected client/s and accordingly decide whether to enter into the transaction, agreement or arrangement in conformity with such determination.

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

- The Audit and Risk Committee must approve, by a majority vote, the removal of the underlying cause of the actual or potential conflict of interest.
- The underlying cause of 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.
- All determinations and interventions as it pertains to the avoidance of the conflict of interest must be documented and kept on the compliance file.
- Similar conflicts of interests must be avoided in the future.



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

- The Audit and Risk Committee will convene and review an appropriate 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 and kept on the compliance file.
- The Compliance Officer must be made aware of the conflict's unavoidability as well as the reasons for such said unavoidability.

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.
- The rendering of financial services must at all times be conducted as to the best interest of the client (in as far as this is possible, given the unavoidability of the actual or potential conflict of interest).
- 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.

## 5. DISCLOSURE

The provider must make appropriate disclosures to third parties including clients, as part of its arrangement to manage 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. The provider is therefore committed to ensure that clients are adequately informed about any conflicts of interest that may affect the provision of financial services to them.

It is furthermore acknowledged that, whilst a clearly identified conflict of interest will not necessarily cause the provision of financial advice to a client to be significantly compromised, it should nonetheless be disclosed to the client. The client must be afforded the opportunity to decide whether the conflict of interest is significant and to what extent they 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 on behalf of the provider:

- Full disclosure of the actual or potential conflict of interest must be made to all the Key Individuals of the provider and where such information is provided orally, the provider must confirm such information in writing within 30 days.
- Full disclosure of the actual or potential conflict of interest must be made to all representatives of the provider.
- Full disclosure of the actual or potential conflict of interest must be made to the Compliance Officer.

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

- Full disclosure of the actual or potential 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.
- The disclosure must be formulated in such a way as to be considered prominent, specific, and meaningful to the client.

- The disclosure must be made in such a way as to allow the client to make an informed decision as to whether to continue with the financial services.
- 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 in accordance with section 4(1)(d) of the General Code of Conduct.
- Where the disclosure is provided orally, the disclosure must be confirmed in writing within 30 days of such said disclosure.
- The written disclosure must be communicated by hardcopy, or any appropriate electronic medium that is accurately and readily reducible to written or printed form.
- The written confirmation of the disclosure must be provided by means of standard forms or format, in a clear and readable print size, spacing and format.
- 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.

## 6. FACILITATION OF COMPLIANCE WITH THE POLICY

The processes associated with the implementation and continued compliance with the conflict of interest management policy must be performed by the appointed Compliance Officer.

Internal controls and processes include the following and all shall be reported to the Audit and Risk Committee:

- The Compliance Officer will ensure that the policy is made available on the website.
- The Compliance Officer will ensure that all declarations confirming the presence or absence of any actual or potential conflict of interests are signed on an annual basis.
- The Compliance Officer will ensure that a list of all the provider's associates is available on request.
- The Compliance Officer will ensure that a list of all the parties in which the provider holds an ownership interest is available on request.
- The Compliance Officer will ensure that all gifts received from 3rd parties are recorded in the provider's gift register.
- The Compliance Officer will ensure that all records associated with the identification of actual or potentials conflicts of interest are kept on the compliance file.
- The Compliance Officer will ensure that the proper disclosure requirements are communicated to the client.

The Conflicts of Interest Management Policy will be:

- Overseen by the Compliance Officer who carries the responsibility for the implementation, reviewing and updating of the policy's associated processes.
- Reviewed at least annually, and where necessary, updated to ensure that the arrangements remain adequate to identify, assess, evaluate and successfully control conflicts of interest.

## 7. CONSEQUENCES OF NON-COMPLIANCE

If there is reason to believe that an employee or a representative has failed to disclose actual or possible conflicts of interest, the Compliance Officer shall afford that person the opportunity to explain the alleged failure to disclose.

If after hearing the response of the employee or representative and making such further enquiries as may be warranted in the circumstances, and where the Compliance Officer 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.

## 8. REFERENCES

This policy references the following policies:

- The Prescient Treating Customers Fairly Policy;
- The Prescient Personal Account Trading Policy, detailing that client interests should always be placed above the interests of the business; and
- The PIM Asset Manager Code, detailing that client interests should be placed above that of the asset manager, with specific reference to:
  - Investment selection
  - Transactions
  - Monitoring
  - Custody

The following legislation forms part of South Africa's legal framework:

- Financial Advisory and Intermediary Services Act, No 37 of 2002
- Collective Investment Schemes Control Act, No 45 of 2002

The following legislation forms part of China's legal framework:

- Interim Measures for the Supervision and Administration of Privately Offered Investment Funds, Order of the China Securities Regulatory Commission (No. 105)

## 9. REVIEW AND APPROVAL

The following persons have reviewed and approved this Policy.

Review	Date	Review/ approval by
Review	10 March 2021	FAIS Compliance Officer
Review	21 October 2021	Prescient China Compliance Officer
Review	10 March 2021	Head of Governance, Risk and Compliance
Review	30 April 2021	Head of Legal
Approval	4 March 2022	CEOs of Accountable Institutions
Approval	31 March 2022	Prescient Holdings (Pty) Ltd & Prescient Management Company (RF) (Pty) Ltd Audit and Risk Committee
Approval	31 March 2022	Prescient Holdings (Pty) Ltd Board of Directors

## **ANNEXURE A**

### **ASSOCIATES OF THE COMPANY**

Available on request

## **ANNEXURE B**

### **OWNERSHIP INTEREST HELD IN/BY THIRD PARTIES**

Available on request

