

# CEDAR HEALTHCARE (PTY) LTD

## CONFLICT OF INTEREST POLICY

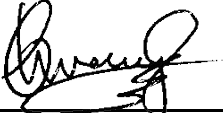
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## 1) INTRODUCTION

The General Code of Conduct for Authorised Financial Services Providers and Representatives (“General Code”) in terms of section 15 of the Financial Advisory and Intermediary Services Act 37 of 2002 (“FAIS”) requires of FSP’s to implement a Conflicts of Interest Policy, to make it available to Clients and to ensure controls are in place to avoid and/or manage all Conflicts of Interests.

## 2) PURPOSE

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.

Cedar Healthcare 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 Cedar Healthcare’s 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 Cedar Healthcare’s 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) TERMINOLOGY, DEFINITIONS AND ABBREVIATIONS

Item	Description
Conflict of Interest	<p>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:</p> <ul style="list-style-type: none"> <li>• influence the objective performance of his, her or its obligations to that client;</li> <li>• 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: <ul style="list-style-type: none"> <li>- a financial interest;</li> <li>- an ownership interest;</li> <li>- any relationship with a third party.</li> </ul> </li> </ul>
Financial Interest	<p>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:</p> <ul style="list-style-type: none"> <li>• an ownership interest;</li> <li>• training, that is not exclusively available to a selected group of providers or representatives, on: <ul style="list-style-type: none"> <li>- products and legal matters relating to those products;</li> <li>- general financial and industry information;</li> <li>- specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training</li> </ul> </li> <li>• a recognised qualifying enterprise development contribution to a qualifying beneficiary by a provider that is a measured entity.</li> </ul>
Immaterial Financial Interest	<p>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:</p> <ul style="list-style-type: none"> <li>• a provider who is a sole proprietor; or</li> <li>• a representative for that representative's direct benefit;</li> <li>• a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.</li> </ul>

Ownership Interest	<p>Ownership Interest means:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• includes any dividend, profit share or similar benefit derived from that equity or ownership interest.</li> </ul>
Third Party	<p>Third Party means:</p> <ul style="list-style-type: none"> <li>• a product supplier;</li> <li>• another provider;</li> <li>• an associate of a product supplier or a provider;</li> <li>• a distribution channel;</li> <li>• 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.</li> </ul>
Associate	<p>Associate means</p> <ul style="list-style-type: none"> <li>• in relation to a natural person: <ul style="list-style-type: none"> <li>- 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>- a child of that person, including a stepchild, adopted child and a child born out of wedlock</li> <li>- a parent or stepparent of that person</li> <li>- 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>- a person who is a spouse, life partner or civil union partner of a person referred to above</li> <li>- a person who is in a commercial partnership with that person</li> </ul> </li> <li>• in relation to a juristic person: <ul style="list-style-type: none"> <li>- 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>- which is a close corporation registered under the Close Corporations Act, means any member thereof as defined in section 1 of that Act</li> <li>- 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:</li> </ul> </li> </ul>

	<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 person been a company</li> <li>- 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.</li> <li>• in relation to any person: <ul style="list-style-type: none"> <li>- 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</li> <li>- includes any trust controlled or administered by that person</li> </ul> </li> </ul>
Distribution Chanel	<p>Distribution Channel means:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> <li>• 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</li> </ul>

#### 4) IDENTIFYING A CONFLICT OF INTEREST

##### 4.1 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 Cedar Healthcare.

Throughout the process of rendering a financial service to a client, Cedar Healthcare’s representatives 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.

#### **4.2 Further Guidance on Identifying the 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.

Subject to section 3A(1)(c) of the General Code of Conduct, Cedar Healthcare 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.

Cedar Healthcare will not offer any financial interest to its representatives for:

- giving preference to the quantity of business secured for the FSP 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.

### 4.3 Internal Controls to Identify Conflicts of Interests

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

- The governing body of Cedar Healthcare conducts annual reviews on all contracts held with third parties in order to assess whether the contractual relationship in any way influences the FSP's objective performance towards its clients;
- The governing body of Cedar Healthcare conducts annual reviews on all contracts held with third parties in order to assess whether the contractual relationship in any way influences the FSP's ability to render fair and unbiased financial services towards its clients;
- The governing body of Cedar Healthcare conducts annual reviews on all contracts held with third parties in order to assess whether the contractual relationship in any way influences the FSP's ability to act in the best interest of the client;
- The governing body of Cedar Healthcare conducts annual reviews on all relationships where an ownership interest exists between the FSP and a third party. The purpose of the review is to assess whether the relationship in any way influences the FSP's objective performance towards its clients;
- The governing body of Cedar Healthcare conducts annual reviews on all relationships where an ownership interest exists between the FSP and a third party. The purpose of the review is to assess whether the relationship in any way influences the FSP'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 the FSP and the appointed Compliance Officer to identify actual or potential conflicts of interest;
- Cedar Healthcare maintains a Gift Register. All gifts received from a third party with an estimated value of R500 or more will be recorded in the FSP's Gift Register. The Gift Register is kept in the FSP's Compliance Manual;
- All relevant personnel (Key Individuals and Representatives) are required to immediately disclose in writing to the Board of Directors and the Compliance Officer, any actual or potential conflicts of interest as soon as they become aware of such situation.

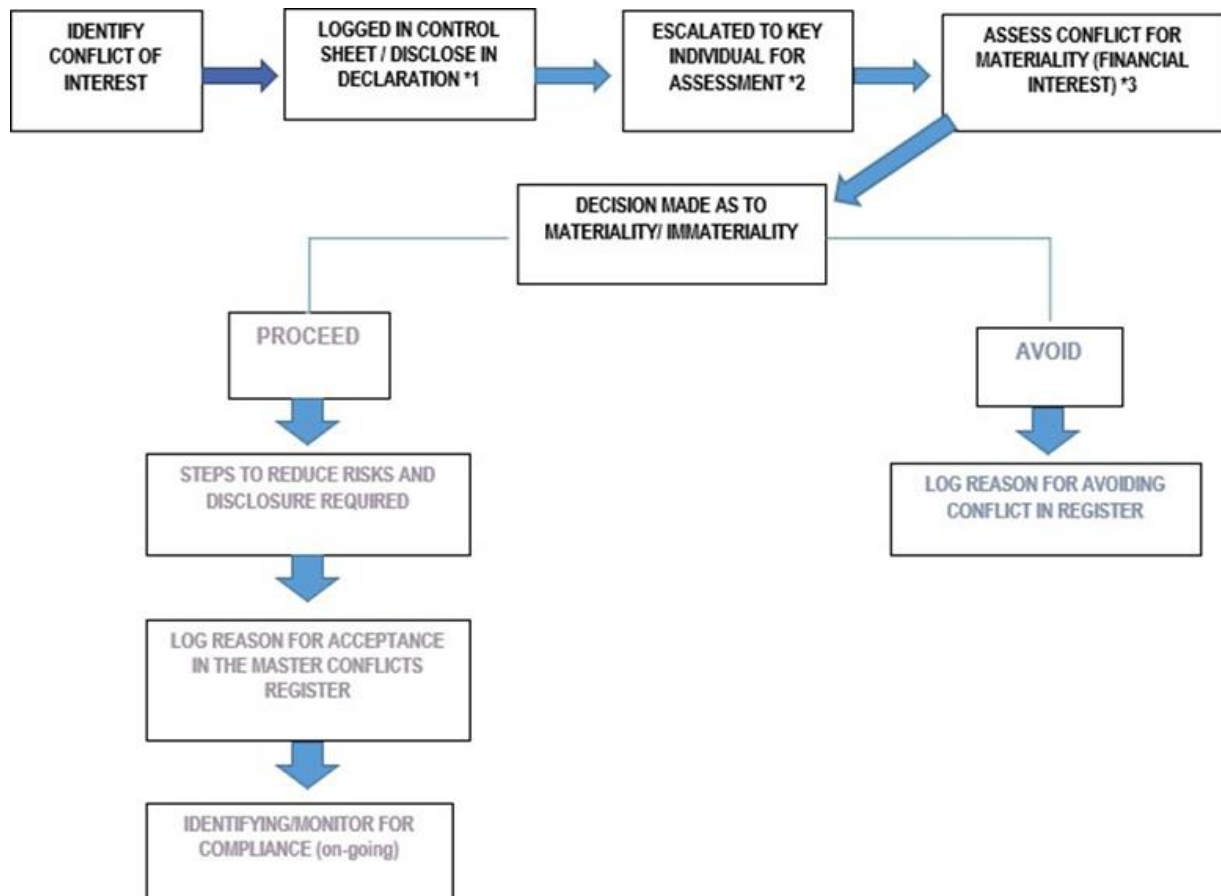


## 5) GUIDE TO CONFLICTS OF INTEREST PROCEDURE

- (a) Log the date and contents of the Conflict of Interest (real, existing or potential);
- (b) Conflicts of Interest can be communicated via email/disclosed in annual declarations but must be addressed in writing to the Key Individual/Internal Compliance Contact Person (“Conflicts officer”). All correspondence relating to conflicts must be placed in the FSP’s conflicts file and noted in the relevant register (material or immaterial);
- (c) The Key Individual/Internal Compliance Contact Person (“Conflicts officer”) to liaise with the Compliance Officer (if required) to evaluate the conflict and to decide which mechanism to be used to manage the conflict (control, avoid or disclose). All material Conflicts of Interests should be brought to the attention of to the Board and the Compliance Officer.

### Note:

*If the conflict can't be resolved immediately then implement the required controls. The ongoing status of the conflict is to be recorded in the register. If the conflict requires further clarity and investigation by any other party, insert comments as appropriate in the appropriate register.*



## 6) AVOIDING AND MITIGATING CONFLICTS 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 Cedar Healthcare will convene and evaluate the actual or potential conflict of interest in an open and honest manner;
- All information that's led up to and resulting in, or causing the actual or potential conflict of interest will be disclosed to Cedar Healthcare's governing body and the FSP's compliance officer;
- The governing body of Cedar Healthcare will apply its mind and determine by way of majority vote whether the FSP is in a position to avoid the actual or potential conflict of interest;
- During the evaluation process, the governing body of Cedar Healthcare will consider the following possible outcomes prior to a finding in favour of unavailability:
  - The possible negative impact it will have on Cedar Healthcare'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 Cedar Healthcare 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 Cedar Healthcare's Compliance Manual;
  - Similar circumstances that has led up to the actual or potential conflict of interest will be avoided in the future

- Where the governing body of Cedar Healthcare has determined that the actual or potential conflict of interest is unavoidable, the following processes will be followed:
  - The governing body of the FSP and the FSP'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 considered to be unavoidable will be recorded in Cedar Healthcare'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 conflict 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; and
  - Cedar Healthcare and/or the FSP's compliance officer shall report on the status of the actual or potential conflict of interest in the FSP's compliance report to be submitted to the Financial Services Board.

## **7) 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. Cedar Healthcare 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.

Cedar Healthcare has adopted the following disclosure measures:

- The FSP 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 the FSP or representative may be or become eligible for; and
- The disclosure shall include a reference to the FSP's Conflict of Interest Management Policy and how it may be accessed.

## **8) COMPLIANCE MEASURES**

The measures implemented towards ensuring Cedar Healthcare's continued compliance with the Conflict of Interest Management Policy rests with the governing body of Cedar Healthcare. The FSP's appointed Compliance Officer will monitor the FSP's continued compliance with the policy on an ongoing basis.

Cedar Healthcare has adopted the following internal controls and processes:

- The governing body of the FSP shall ensure that the Conflict of Interest Management Policy is kept in the FSP's Compliance Manual;
- The governing body of the FSP shall ensure that all relevant personnel read the Conflict of Interest Management Policy and understand their duties in respect thereof;
- The governing body of the FSP 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 the FSP shall ensure that all Conflict of Interest declarations are signed by relevant personnel on a quarterly (3 monthly) basis;
- Where an employee or representative have any concerns whether or not 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 the FSP's Compliance Officer;
- The governing body of the FSP shall ensure that a list of all the FSP'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 the FSP shall ensure that a list of all the parties in which the FSP 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 the FSP shall ensure that a list of all third parties that holds an ownership interest in the FSP is annexed to the Conflict of Interest Management Policy and that a review of the list shall be conducted annually;
- The governing body of the FSP 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 the FSP's Gift Register;
- The governing body of the FSP 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 the FSP 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; and
- The governing body of the FSP shall ensure that the Conflict of Interest Management Policy is reviewed on at least an annual basis.

## **9) ROLES AND RESPONSIBILITIES**

The following key areas are important to ensure that Conflicts of Interest are properly addressed in the business of Cedar Healthcare:

### **9.1 Board**

The Board is ultimately responsible to ensure compliance with FAIS as one of the key pieces of legislation applicable to its business. Conflicts of interest will become a standing agenda item for Board and Management meetings. Procedures will be drafted and adopted to form part of the compliance documentation so as to ensure that Conflicts of Interests are properly addressed within the business.

### **9.2 Key Individual**

The Key Individual is responsible for the internal oversight function to implement appropriate processes and procedures for the effective risk management of conflicts of interest and other risks arising within the FSP. The Key Individual is responsible for the implementation of the conflicts management policies, procedures and controls to enable the FSP to manage conflicts effectively. The Key Individual is also responsible for identifying, recording and managing conflicts of interest

within the business and will be responsible for the training of all staff in respect of conflicts of interests, including examples or possible conflicts of interest that may emerge. He/she must keep adequate records of the management process, from the identification through to the effective resolution of the conflict.

### **9.3 Persons / Employees / Parties (whichever is applicable)**

All Employees of the FSP are obliged to report actual, perceived or potential conflicts of interests (see procedures above) to the Executive Management and failure will be seen in a serious light where suitable action will be taken against such Employee.

## **10) IMPORTANT PRINCIPLES WHEN DEALING WITH CONFLICTS OF INTERESTS**

Cedar Healthcare expects all Employees to maintain the highest standards in carrying out their business activities, adhering to legislative requirements and policies on business conduct. It further expects its employees to act professionally, honestly and ethically in all their dealings with clients, colleagues.

The following principles will be applied when dealing with Conflicts of Interest in the business of Cedar Healthcare:

- Conflicts of Interest should always be avoided, wherever possible;
- If not possible to avoid, then to implement mitigation controls to reduce the risks and to ensure proper disclosure to Clients. Cedar Healthcare will not tolerate non-disclosure by Key Persons and Employees;
- This Conflicts of Interest Policy will be enforced within Cedar Healthcare to ensure that all Employees are aware of the FAIS Conflicts of Interest requirements and the policy, controls and procedures put in place by the FSP as to deal effectively with conflicts of interests within the business;
- Conflicts of Interest Controls will be implemented as to manage conflicts of interests and to ensure compliance with the FAIS Conflict of Interest requirements with the ultimate aim as to treat Clients fairly;
- The Key Individual will act as the person primarily responsible for identifying, recording and managing conflicts of interest within the business (“Conflicts Officer”) and will be responsible to advise or train people in respect of Conflicts of Interests and Conflicts of Interest that may emerge;
- The Conflicts of Interest procedures and their efficacy in operations will be regularly reviewed by the FSP;
- Conflicts of Interests must become a standing agenda item at Board and Executive Management meetings. Procedures should be drafted and adopted to form part of

the compliance documentation to ensure that Conflicts of Interest are properly addressed within the business.

## **11) 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, Cedar Healthcare will proceed to investigate and take any appropriate steps it deems necessary to limit any financial prejudice that may be suffered by the FSP, its clients or any other third party.

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