



# Conflict of Interest Management Policy

July 2019

## 1. DEFINITIONS

**“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 –

- i. influence the objective performance of his/her/its obligations to that client; or
- ii. prevent a provider or representative 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 financial interest;
- an ownership interest;
- any relationship with a third party.

**“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.

**“Immaterial Financial Interest”:**

means any financial interest with a determinable monetary value, the aggregate of which does not exceed R 1000 in any calendar year from the same third party and in that calendar year received by:

- a. a provider who is a sole proprietor; or
- b. a representative for that representative's direct benefit;
- 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.

**“Third Party”:** means –

- a. a product supplier;
- b. another provider;
- c. an associate of a product supplier or a provider;
- d. a distribution channel; or
- 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.

**“Ownership Interest”:** means –

- a. an 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
- b. includes any dividend, profit share or similar benefit derived from that equity or ownership interest.

**“ALUWANI”:** means –

ALUWANI Capital Partners (Pty) Limited, FSP No 46196, in its capacity as a licensed Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act 37, 2002.

## **2. INTRODUCTION**

ALUWANI Capital Partners (Pty) Ltd (“ALUWANI” or “the firm”) places a high priority on its clients' interests. As conflicts of interest affecting clients could undermine the integrity and professionalism of its business, any conflict situations must be identified as early as possible. If conflict situations cannot be avoided, they must be mitigated and managed equitably and in the client's interest.

Detecting actual or potential conflicts of interest that could compromise the interests of its clients and managing and limiting the impact of conflicts of interest constitute an integral part of ALUWANI's duties and obligations and its on-going commitment to treat its clients fairly.

ALUWANI provides for measures to identify, manage and, where possible, avoid existing and potential conflicts of interest as set out in Board Notice 58 of 2010 of the Financial Advisory and Intermediary Services Act No. 37 of 2002 (“the FAIS Act”). Compliance requirements include the adoption, maintenance and implementation of a conflict of interest management policy.

ALUWANI, as a licensed financial services provider, is obliged to comply with the applicable FAIS regulatory requirements. This policy expresses the main principles envisaged by FAIS as well as the required business response.

### 3. WHAT IS A CONFLICT OF INTEREST IN ALUWANI'S CONTEXT?

A conflict of interest exists when one party's act, or omission to act, is beneficial to itself while simultaneously negatively impacting another. The negative impact can be either a monetary loss, less gain than should have occurred or the exposure to a risk that didn't exist or is increased as a result of the act, or omission to act. A conflict of interest may occur in the provision of an investment service or an advisory service. A conflict of interest may be recognised (actually identified) or potential (conceivable).

The notion of conflict of interest encompasses a range of very diverse factors such as:

- rules regarding personal account trading;
- professional ethics of employees;
- the use of sensitive or privileged information, insider trading, and professional secrecy;
- respect for clients' interests; and
- respect for professional obligations in relation to the financial market.

Conflict of interest situations that could prejudice a client may take a variety of forms, irrespective of whether the actions or the motivations of the firm or employees involved are intentional. It is worthwhile to identify specific factors which may indicate the occurrence of a conflict of interest in respect of ALUWANI:

- The firm, an associate, department or an employee will realise a financial gain or avoid a potential loss at the client's expense.
- The interests of the firm, an associate, a department or an employee may be different to that of the client's.
- The firm, an associate or an employee exercises the same professional activity as the client.
- The firm, an associate, a department or an employee will gain an advantage (financial or in kind) from a third party in the execution of the service conducted on behalf of the client.
- The firm may cast proxy votes consistent with a client's investment strategies which may conflict with the investment strategies of other clients, and consequently proxy votes may differ between clients.
- An ALUWANI employee may from time-to-time serve as a director for a public or private company.

- ALUWANI employees may own shares in companies in their personal capacity. Those shares may also be held in client portfolios.
- During the course of engagement with company management, the firm may inadvertently become 'insiders' or privy to material non-public or price sensitive information.
- The firm, in using its discretion to render financial services to clients, may choose to invest in group or associated companies.
- The existence of a financial or other incentive that favours the interests of one client over that of another.
- Other potential issues involve commission or fee sharing arrangements and broker allocation. Brokerage, paid by the client, is often bundled and includes macro and micro research, as well as trading execution services. Such services are delivered in a number of ways to ALUWANI in the ultimate service of the client. ALUWANI must ensure that these services are clearly research and execution services and don't unduly influence the firm's broker selection processes.

#### **4. POLICY PURPOSE**

The purpose of this policy is to provide a framework with regards to the avoidance and management of conflicts of interest at ALUWANI in order to:

- ensure that clients are treated fairly at all times, and with due regard to their best interests
- ensure compliance with the FAIS Act;
- avoid legal liability, penalties, fines and reputational risk arising from any conflict of interest; and
- avoid any situation in which ALUWANI has an actual or potential interest that may, while rendering a financial service to a client –
  - a) influence the objective performance of its obligations to that client; or
  - b) prevent it from rendering an unbiased and fair financial service to that client, or from acting in the best interests of that client, including, but not limited to –
    - a financial interest,
    - an ownership interest, or
    - any relationship with a third party.

#### **5. POLICY SCOPE**

This policy applies to ALUWANI Capital Partners (Pty) Limited as well as all its employees, contractors, temporary staff and executive directors. Each business unit within ALUWANI is responsible for ensuring compliance with this policy. Queries may be addressed to the Chief Operating Officer or the Compliance Officer.

This policy also applies to ALUWANI and its relationships with a third party. "Third party" refers to, inter alia, stockbrokers, institutional clients that are themselves FSPs, consultants, brokers, multi-managers and products suppliers.

## 6. AVAILABILITY

The Conflict of Interest Management Policy is available from ALUWANI on request. The policy can also be viewed and downloaded from ALUWANI's website, [www.aluwanicapital.co.za](http://www.aluwanicapital.co.za).

## 7. POLICY GOVERNANCE AND IMPLEMENTATION

The drafting and coordinating of amendments to this policy is the responsibility of the Chief Operating Officer and the Compliance Officer.

Ownership of the policy is vested in the Executive Committee of ALUWANI. The policy is approved by the Audit and Risk Committee as well as the Board of Directors of ALUWANI.

The Executive Committee of ALUWANI is responsible for the implementation of the policy.

## 8. POLICY PRINCIPLES

This Conflict of Interest Management policy highlights the following main principles envisaged by the FAIS Conflicts of Interest legislation, as well as the required business response:

Mechanisms for the Identification of Conflicts
Measures for Avoidance or Mitigation of Conflicts
Measures for Disclosure of Conflicts
Processes, Procedures and Internal Controls to facilitate Compliance
Consequences of Non-Compliance
Basis on which Representatives qualify for a Financial Interest
Policy Review
List of Associates
Names of Third Parties in which ALUWANI holds an Ownership Interest
Names of Third Parties that hold an Ownership Interest in ALUWANI

ALUWANI supports the regulatory requirements and expects each of its business areas to assess the principles that are applicable to them and to respond in accordance with this policy.

## 9. MANAGEMENT OF CONFLICTS OF INTEREST

ALUWANI will always attempt, as far as possible, to manage any identified conflict of interest by imposing actions designed to mitigate the risk of any of its clients receiving unfair treatment. These policies of mitigation will not only consider the treatment of client interests in relation to the interests of ALUWANI and its employees, but also treatment between clients.

## **Mechanisms for the Identification of Conflicts of Interest**

ALUWANI has implemented mechanisms for the identification of conflicts of interest. These include:

### **I. Internal Guidance to Employees and Training on Conflicts of Interest:**

ALUWANI expects employees to act independently in the face of an identified conflict of interest that may arise between the firm and third parties or between the firm and its clients and/or between clients. This requires that employees:

- be competent to identify conflicts that may arise in the conduct of their normal work responsibilities;
- desist from treating a client in a manner that unfairly favours or prejudices that client based on specific information held about ALUWANI or another client; and
- promptly notify the Compliance Officer where there is any uncertainty as to the existence of a perceived conflict or as to how to deal with a conflict. The Compliance Officer will give the employee the necessary guidance thereon.

### **II. Record Keeping and Employee Obligation to Report Conflicts Arising**

ALUWANI requires all employees to report identified conflicts of interest to the Compliance Officer. Employees are required to notify the Compliance Officer if they suspect a situation giving rise to a potential conflict of interest. The Compliance Officer will give due consideration to the circumstances on a case by case basis, before determining if it is in fact a conflict of interest and how best to manage it. The Compliance Officer will seek to promptly respond to the employee from whom the notification originated. Occurrences recognised by the Compliance Officer to represent conflicts of interest over and above those stated herein will immediately be reported to the Executive Committee through the Chief Operating Officer.

### **III. The Adoption of Policies and Procedures to Manage Conflicts of Interest e.g. a PA Trading Policy and a Gifts, Donations and Sponsorships Policy".**

### **IV. Employees are required to disclose the following to the firm annually:**

- Ownership or remunerated service interests held outside of ALUWANI e.g. any outside employment or other interests for which remuneration is received as well as any directorships held. The aforesaid must be disclosed and pre-approved by the employee's line manager, the Chief Executive Officer and the Compliance Officer.
- Disclosure of shares held in companies (both locally and internationally and both private and public) are required of all employees every six (6) months;
- Financial interests; and
- Disclosure of ownership and financial interests is also required at every Board of Directors meeting and investment team meetings.

The executive management of ALUWANI is responsible, together with the Compliance Officer, for determining which conflicts are likely to result in a material risk of damage or detriment to a client's interests.

Apart from ALUWANI managing conflicts of interest between itself and its clients, the firm will as soon as is reasonably possible, disclose the conflict to one or more clients in circumstances where this is merited.

**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**

- I. Chinese walls are in place for regulating the information flow between and within business areas, where required. (Chinese walls are artificial barriers to the flow of information between different functional areas within companies or groups of companies).
- II. Segregation of duties – ALUWANI has established physical and electronic information barriers which are designed to prevent the exchange and misuse of material, non-public price sensitive information obtained by investment professionals. For example, relevant securities are embargoed and are subject to Investment Compliance monitoring where ALUWANI, or any of its employees, receives inside information.
- III. ALUWANI maintains sensible segregation of duties to avoid risks inherent in trading activities based on the size and nature of the firm's activities. Where the same employees carry out more than one key function within the trading area (e.g. execution, reconciliation and settlement), additional controls are instituted that are considered adequate for the size of the firm's operations. Further, employees employed in regulatory oversight and review roles have no operational responsibilities.
- IV. Training of employees on conflicts of interest, legislation and company policies and procedures. Most of these policies and procedures form part of employees' terms and conditions of employment and can be found in the ALUWANI Employee Code of Conduct. The Employee Code of Conduct forbids conflicts of interest. The Employee Code of Conduct is subject to ALUWANI's usual monitoring and review processes.
- V. To prevent conflicts of interest arising from the use of information, and market abuse generally, personal account trading is only permitted within the policy limits and in accordance with the strictly enforced procedures outlined in the ALUWANI Personal Account Trading Policy.
- VI. The giving and receiving of a financial interest has the potential to create conflicts of interest. Employees may not solicit or provide anything of value directly or indirectly to other FSPs, or third parties, which would impair ALUWANI's duty to act in the best interests of clients. Accordingly, no financial interest in excess of R 1000 may be offered or accepted in a calendar year.



- VII. Under no circumstances may employees accept cash from or offer cash to clients, other FSPs or third parties.
- VIII. Rules and undertakings on confidentiality.
- IX. Independent oversight of relevant employees whose principle functions involve activities that might give rise to a conflict of interest.
- X. Annual employee acknowledgement of the Conflict of Interest Management Policy.
- XI. Declining to act – in cases where ALUWANI considers that it has encountered a conflict of interest (in relation to a new client, proposed mandate, client request or other circumstance) that it is unable to mitigate or manage without risk to one or more clients, Chief Operating Officer, together with the Compliance Officer, will notify the client in writing that the firm is unable to provide the requested services to a client on suitable grounds appropriate to the circumstances.
- XII. Disclosure – conflicts of interest that are identified in the future will be included within appropriate mechanisms or systems in order to manage those conflicts. Where ALUWANI considers that there are no other means of managing the conflict or where the measures in place do not sufficiently protect the client's interests, the specific conflict will be disclosed to enable the client to make an informed decision as to whether or not to continue with the firm's service in that particular situation.

### **Measures for the Disclosure of Conflicts of Interest**

In terms of FAIS, ALUWANI and a Representative must, in writing, at the earliest reasonable opportunity disclose to a client any conflict of interest in respect of that client, including –

- 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 the provider or representative may be, or become, eligible for;
- the nature of any relationship or arrangement with a Third Party that gives rise to a conflict of interest, in sufficient detail to a client to enable the client to understand the exact nature of the relationship or arrangement and the conflict of interest;
- the existence of this policy and how it may be accessed.

In addition:

- Every employee of ALUWANI is required annually to sign the firm's personal account trading policy which also calls for certain disclosures to be made. See above.
- Key Individuals and Representatives are required to sign an annual declaration stating that he/she is fit and proper to act in a FAIS role and is required to disclose whether or not he/she

is currently conflicted, or has been in a conflict situation, and what measures were taken to avoid or mitigate the conflict of interest.

- All employees are required to maintain a register recording his/her ownership interests and financial interests. Pre-approval is required from an employee's line manager and from the Compliance Officer to ensure that a financial interest received or offered complies with ALUWANI's rules and that the correct procedures have been followed.
- All Representatives must disclose a conflict of interest to the client.

Where appropriate and/or possible, ALUWANI will disclose conflicts and mitigation measures in the investment management agreements that it enters into with clients. In other instances, the conflict will be disclosed to the client in writing via a separate communication.

### **Processes, Procedures and Internal Controls to Facilitate Compliance with the Policy**

All employees of ALUWANI will be provided with regular (at least annual) awareness training in respect of both the regulatory requirements and the provisions of this policy. Employees are required to acknowledge that they have read and undertake to adhere to the policy. In addition, they are required to provide a declaration confirming that they have complied with the policy on an annual basis.

The Compliance Officer will monitor compliance with this policy on an ongoing basis. Any instances of non-compliance which are identified will be reported to the Executive Committee, through the Chief Operating Officer, and will be tabled at each meeting of the Audit and Risk Committee. Material transgressions will also be escalated to the Board of Directors of ALUWANI.

### **Consequences of Non-Compliance with the Policy**

A full investigation into allegations of non-compliance with the policy will be conducted by the firm, taking into account applicable labour laws and procedures.

Non-compliance with this policy and the procedures described in it may be considered to be misconduct and employees may be subject to disciplinary action that could lead to dismissal.

Furthermore, after proper investigation into any alleged misconduct, Key Individuals and Representatives may be disbarred if found guilty of misconduct. Non-compliance will be reported to the Commissioner at the Financial Sector Conduct Authority and to clients.

### **Basis on which Representatives Qualify for a Financial Interest**

Employees of ALUWANI receive remuneration in the form of a monthly salary and also participate in the firm's short term and long term staff incentive schemes. None of the employees of ALUWANI earn any commission from third parties on any products or services sold.

## Policy Review

This policy will be reviewed on, at least, an annual basis by the Audit and Risk Committee. The Chief Operating Officer and the Compliance officer will be responsible for making and implementing any changes or updates to the policy.

## List of Associates

FSPs and their representatives may not avoid, limit or circumvent or attempt to avoid, limit or circumvent compliance with Board Notice 58 of 2010 through an associate or an arrangement involving an associate.

Entity	% Shareholding
Aluwani Fund Managers (Pty) Ltd (Botswana)	49%
Aluwani Fund Managers (Pty) Ltd (Eswatini)	49%

## Names of Third Parties in which ALUWANI holds an Ownership Interest

ALUWANI Capital Partners (Pty) Ltd does not hold shares or have a financial interest in any Third Party.

## Names of Third Parties that hold an Ownership Interest in ALUWANI

Entity	% Shareholding
MMI Strategic Investments (Pty) Ltd	40%
Main Street 1413 (Pty) Ltd <ul style="list-style-type: none"> <li>• Jabu Moleketi</li> <li>• Pazomanzi (Pty) Ltd</li> <li>• WGW Capital (Pty) Ltd</li> </ul>	20%
ALUWANI Management Partners (Pty) Ltd <ul style="list-style-type: none"> <li>• Sibusiso Mabuza</li> <li>• Conrad Wood</li> <li>• Bafana Mathidi</li> <li>• Mishnah Seth</li> <li>• Lonwabo Dambuza</li> </ul>	40%

## Record Keeping and Reporting

ALUWANI will maintain a comprehensive register of conflicts that arise, including an indication of the specific measures taken to avoid or mitigate the conflict.

The Compliance Officer is responsible for reporting on the conflict of interest management policy as required by the Regulator from time-to-time. The report will refer to the implementation, monitoring and compliance with, and the accessibility of, this policy.

## 10. REFERENCES

The following Board Notice issued by the Financial Sector Conduct Authority under FAIS is relevant to this policy

Board Number	Notice Title
58 of 2010	Financial Advisory and Intermediary Services Act, 2002: Amendment of the General Code of Conduct for Authorised Financial Services Providers and Representatives

The policy should be read in conjunction with the following related internal policies dealing with specific areas of conflict:

Policy Title
ALUWANI Employees Code of Conduct
ALUWANI Treating Customers Fairly (TCF) Policy
Personal Account Trading Policy and Procedures
Gifts, Sponsorships and Donations Policy
Market Abuse and Insider Trading Policy
Order Execution and Trade Allocation Policy
Proxy Voting Policy

## 11. ACKNOWLEDGMENT

I acknowledge that I have received a copy of the ALUWANI Conflicts of Interest Management Policy, and I do commit to read and follow the policy.

I am also aware that ALUWANI, at any time, may on reasonable notice, change, add to, or delete from the provisions of the policy.

\_\_\_\_\_  
**Employee's Printed Name**

\_\_\_\_\_  
**Position**

\_\_\_\_\_  
**Employee's Signature**

\_\_\_\_\_  
**Date**