



## CONFLICT OF INTEREST MANAGEMENT POLICY

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Responsible Business Unit	NVest Financial Holdings Group Compliance

KNOWLEDGE INTO **WEALTH**

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## POLICY STATEMENT

- Any reference to the “organisation” shall be interpreted to include the “policy owner”.
- The organisation’s Board, its employees, volunteers, contractors, suppliers and any other persons acting on behalf of the organisation are required to familiarise themselves with the policy’s requirements and undertake to comply with the stated processes and procedures.

## POLICY ADOPTION

This policy was adopted at a meeting of the Board of Directors of the Company on 18 May 2022.

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## 1. DEFINITIONS

### 1.1 Conflict of Interest

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:

- influence the objective performance of his, her or its obligations to that client; 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:

- a financial interest;
- an ownership interest;
- any relationship with a third party.

### 1.2 Financial Interest

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:

- an ownership interest;
- training, that is not exclusively available to a selected group of providers or representatives, on:
  - products and legal matters relating to those products;
  - general financial and industry information;
  - specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training.
- a recognised qualifying enterprise development contribution to a qualifying beneficiary by a provider that is a measured entity.

### 1.3 Immaterial Financial Interest

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

### 1.4 Ownership Interest

Ownership Interest means

- 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.

### 1.5 Third Party

Third Party means

- a product supplier;

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

## 1.6 Associate

Associate means

- in relation to a natural person:
  - a person who is recognised in law or the tenets of religion as the spouse, life partner, or civil union partner of that person;
  - a child of that person, including a stepchild, adopted child and a child born out of wedlock;
  - a parent or stepparent of that person;
  - a person in respect of which that person is recognised in law or appointed by a Court as the person legally responsible for managing the affairs of or meeting the daily care needs of the first mentioned person;
  - a person who is a spouse, life partner or civil union partner of a person referred to above;
  - a person who is in a commercial partnership with that person.
- in relation to a juristic person:
  - **which is a company, means any subsidiary or holding company of that company, any other subsidiary of that holding company and any other company of which that holding company is a subsidiary;** (applicable to NFB)
  - which is a close corporation registered under the Close Corporations Act, means any member thereof as defined in section 1 of that Act;
  - 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:
    - had such first-mentioned juristic person been a company, or
    - 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;
  - means any person in accordance with whose directions or instructions the board of directors or, in the case where such juristic person is not a company, the Board of such juristic person is accustomed to act.
- in relation to any person:
  - means any juristic person of which the board of directors or, in the case where such juristic person is not a company, of which the Board is accustomed to act in accordance with the directions or instructions of the person first-mentioned in this paragraph;
  - includes any trust controlled or administered by that person.

## 1.7 Distribution Channel

Distribution Channel means:

- 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;
- 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;

- 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.

## 2. PURPOSE OF A CONFLICT OF INTEREST MANAGEMENT POLICY

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.

NFB 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 our 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 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. IDENTIFYING A CONFLICT OF INTEREST

### 3.1 Individual Identification

The primary responsibility for the identification of a conflict of interest rests with NFB's Key Individuals, representatives, employees and the individual members of NFB's Board.

Throughout the process of rendering a financial service to a client, a representative 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.

### 3.2 Further Guidance On Identifying A Conflict Of Interest

The definition of a Conflict of Interest incorporates the following terminology:

- .....influences the “**objective performance**” of his, her or its obligations to that client....
- .....prevents 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 NFB or its 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, NFB 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;
- **\*fees** for the rendering of a financial service in respect of which commission or fees referred to above is not paid, if:
  - the amount, frequency, payment method and recipient of those fees and details of the services that are to be provided by the provider or its representatives in exchange for the fees are specifically agreed to by a client in writing; and
  - those fees may be stopped at the discretion of that client;
- **\*fees or remuneration** for the rendering of a service to a third party;

[\*The FSP or its representatives may only receive or offer these financial interests if –

- those financial interests are reasonably commensurate with the service being rendered, taking into account the nature of the service and the resources, skills and competencies reasonably required to perform it;
- the payment of those financial interests does not result in the FSP or representative being remunerated more than once for performing a similar service;
- any actual or potential conflicts between the interests of clients and the interests of the person receiving the financial interests are effectively mitigated; and
- the payment of those financial interests does not impede the delivery of fair outcomes to clients.]

- 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 NFB or its representative at the time of receipt thereof.

NFB may not offer any financial interest to its representatives:

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

NFB must be able to demonstrate that the determination and entitlement to the financial interest, that may not be offered to representatives as determined by quantity of business secured without also giving due regard to the delivery of fair outcomes for clients, takes into account measurable indicators relating to the-

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

as agreed between NFB and the representative, and that sufficient weight is attached to such indicators to materially mitigate the risk of the representative giving preference to the quantity of business secured for the provider over the fair treatment of clients.

### 3.3 Internal Controls To Identify Conflicts Of Interest

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

- NFB's Board of directors is required to, at each board meeting, confirm that directors are satisfied that all **contracts held with third parties** do not in any way influence NFB's:
  - objective performance towards its clients;
  - ability to render fair and unbiased financial services towards its clients;
  - ability to act in the best interest of the client.
- NFB's Board of directors is required to, at each board meeting, confirm that directors are satisfied that no **ownership interest** exists between NFB and any third party that, in any way, influences NFB's:
  - objective performance towards its clients;
  - ability to render fair and unbiased financial services towards its clients;
- Conflict of Interest declarations are signed by all relevant personnel on a quarterly basis. The purpose of collecting Conflict of Interest declarations is to assist NFB and the appointed Compliance Officer to identify actual or potential conflicts of interest;
- A list of NFB's associates is attached as an annexure hereto. The list is reviewed on an annual basis;
- A list of all third parties in which NFB holds an ownership interest is attached as an annexure hereto. The list is reviewed on an annual basis;
- A list of all third parties that holds an ownership interest in NFB is attached as an annexure hereto. The list is reviewed on an annual basis;
- NFB maintains a Gift Register in terms of NVest Financial Holdings Ltd (NVFH) Group Ethics Policy. All gifts received from a third party with an estimated value of R50 or more must be reported to NVFH Group Compliance where it is recorded in a Group Gift Register;



- All relevant personnel (Key Individuals and Representatives) are required to immediately disclose in writing to NFB's Board and NVFH Group Compliance, any actual or potential conflict of interest as soon as they become aware of such situation.

#### 4. AVOIDING AND MITIGATING A CONFLICT 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:

- NFB's Board and relevant Key Individuals 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 NVFH Group Compliance;
- NFB's Board and Key Individuals will apply its mind and determine by way of majority vote whether NFB is in a position to avoid the actual or potential conflict of interest;
- During the evaluation process, NFB's Board and relevant Key Individuals will consider the following possible outcomes prior to a finding in favour of unavailability:
  - The possible negative impact it will have on NFB'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 NFB's Board and relevant Key Individuals has determined that the actual or potential conflict of interest is in fact avoidable, the following processes will be followed:
  - NFB's Board 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 NFB's Compliance Manual;
  - Similar circumstances that has led up to the actual or potential conflict of interest will be avoided in the future;
- Where NFB's Board and relevant Key Individuals has determined that the actual or potential conflict of interest is unavoidable, the following processes will be followed:
  - NFB's Board 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 NFB's Compliance Manual;
- Any measures implemented towards mitigating the actual or potential conflict of interest will include the following arrangements:
  - The status of whether the actual or potential conflict of interest 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 conflict 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 exists;
- NFB's Compliance Officer shall report on the status of the actual or potential conflict of interest in NFB's compliance report to be submitted to the Financial Services Conduct Authority.

## 5. 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. NFB 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.

NFB has adopted the following disclosure measures:

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

## 6. COMPLIANCE MEASURES

The measures implemented towards ensuring NFB's continued compliance with the Conflict of Interest Management Policy rests with NFB's Board and Key Individuals. NVFH Group Compliance and NFB's appointed Compliance Officer will monitor NFB's continued compliance with the policy on an ongoing basis.

NFB has adopted the following internal controls and processes:

- NVFH Group Compliance shall ensure that the Conflict of Interest Management Policy is kept in NFB's Compliance Manual;
- NFB's Board and Key Individuals shall ensure that all relevant personnel read the Conflict of Interest Management Policy and understand their duties in respect thereof;
- NFB's Board and Key Individuals shall ensure that all personnel, and where appropriate, associates are made aware of the contents of the Conflict of Interest Management Policy and NVFH Group Compliance shall provide personnel with training and educational material where deemed appropriate;
- NVFH Group Compliance 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 NFB's Board, the appropriate Key Individual and/or NVFH Group Compliance;
- NFB's Board and Key Individuals shall ensure that a list of all NFB's associates is annexed to the Conflict of Interest Management Policy and that a review of the list shall be conducted annually;

- NFB's Board and Key Individuals shall ensure that a list of all the parties in which NFB holds an ownership interest is annexed to the Conflict of Interest Management Policy and that a review of the list shall be conducted annually;
- NFB's Board and Key Individuals shall ensure that a list of all third parties that holds an ownership interest in NFB is annexed to the Conflict of Interest Management Policy and that a review of the list shall be conducted annually;
- NVFH Group Compliance shall continue to maintain a Group Gift Register and shall ensure that all staff are reminded regularly to report all gifts received from a third party with an estimated value of R50 or more;
- NFB's Board and Key Individuals shall ensure that proper disclosures are made to clients regarding actual or potential conflicts of interest;
- The Conflict of Interest Policy shall be regularly reviewed by NVFH Group Compliance and the appointed Compliance Officer, and where necessary, updated to ensure that the measures contained herein remains effective;
- NFB's Board 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;
- NFB's Board shall ensure that the Conflict of Interest Management Policy is reviewed on at least an annual basis.

## 7. CONSEQUENCES OF 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, NFB will proceed to investigate and take any appropriate steps it deems necessary to limit any financial prejudice that may be suffered by NFB, its clients or any other third party.

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

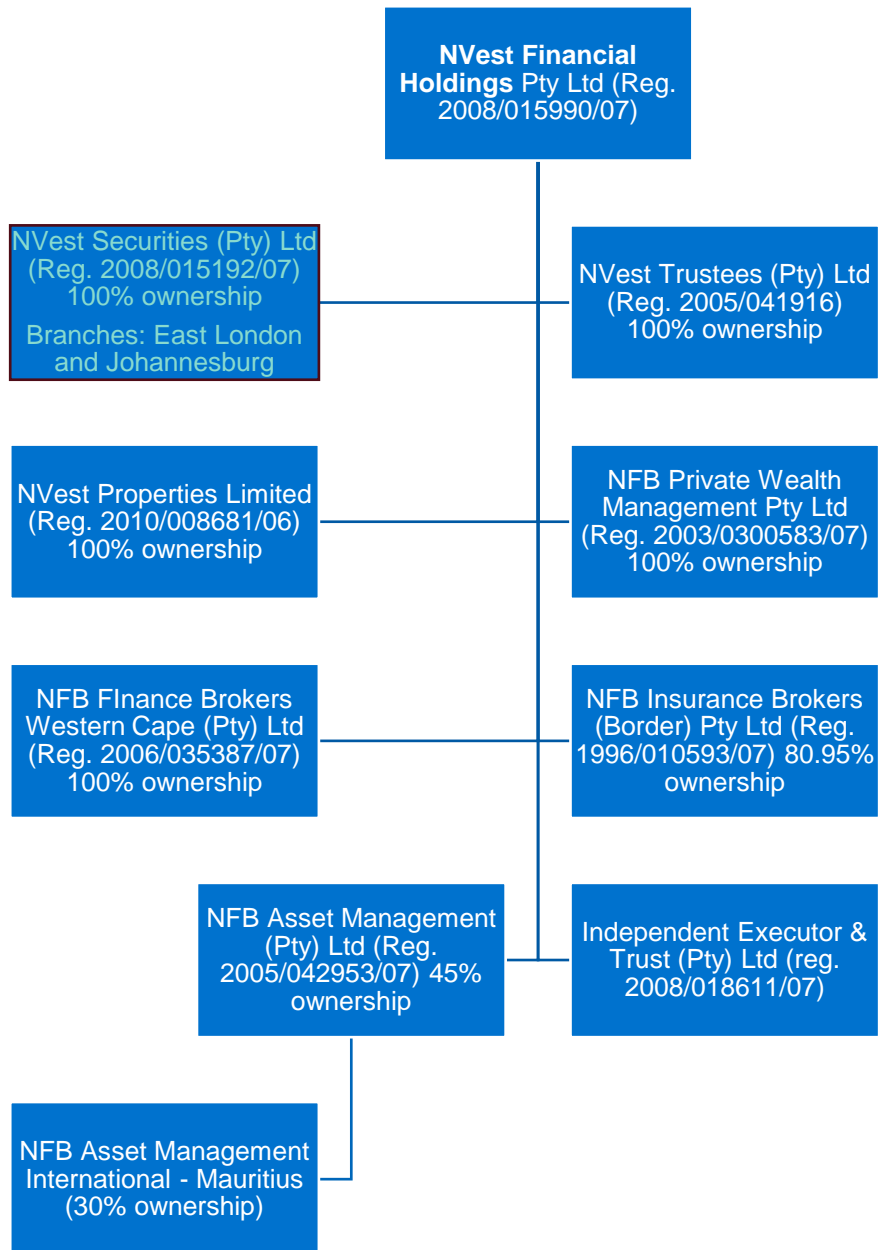
## 8. ANNEXURE A: LIST OF ASSOCIATES

In terms of Section 3A(2)(b)(iii) of the General Code of Conduct, a Conflict of Interest Management Policy must include a list of all the FSP's associates.

Associate's Name	Type of Relationship
NVest Financial Holdings (Pty) Limited	Group Holding Company
NVest Securities (Pty) Ltd	Group Company – manages equity portfolios on behalf of clients of the group (FSP 44699).
NFB Asset Management (Pty) Ltd	Group Company – manages unit trusts, white-labelled offshore funds and model portfolios; such funds being held by NFB clients (FSP 25962).
NFB Insurance Brokers (Border) (Pty) Ltd	Group Company – offers short-term insurance advice and intermediary services to clients of the group (FSP 8932)
Independent Executor and Trust (Pty) Ltd	Group Company – administers deceased estates and trusts.
NFB Finance Brokers Western Cape (Pty) Ltd	Group Company – at this stage only a cost centre.
NVest Securities Nominee Equity (Pty) Ltd	Nominee company for NVest Securities to house client securities.
NVest Securities Nominee Money (Pty) Ltd	Nominee company for NVest Securities to house client securities.
NVest Properties Ltd	Group Company – property holding company and deals in Commercial Paper.
NVest Property Services (Pty) Ltd trading as NVest Trustees	Group Company – insolvency practitioners
NFB AM International	NFBAM subsidiary based in Mauritius (30% shareholding).
Ci Holdings (Pty) Ltd	NFBAM associate (12.5% shareholding).

Refer to the NVest Group structure below for more information on the entities listed above.

# NVest Group Structure



## 9. ANNEXURE B: OWNERSHIP INTERESTS HELD BY NFB

In terms of Section 3A(2)(b)(v) of the General Code of Conduct, a Conflict of Interest Management Policy must include the names of any third parties in which the FSP holds an ownership interest.

Name of Third Party in which NFB holds an ownership interest	Nature and extent of ownership interest
None	

## 10. ANNEXURE C: OWNERSHIP INTEREST HELD IN NFB

In terms of Section 3A(2)(b)(vi) of the General Code of Conduct, a Conflict of Interest Management Policy must include the names of any third parties that holds an ownership interest in the provider.

<b>Name of Third Party that holds an ownership interest in NFB</b>	<b>Nature and extent of ownership interest</b>
NWest Financial Holdings (Pty) Ltd	100% ownership of NFB Private Wealth Management (Pty) Ltd

## 11. ANNEXURE D: TYPE OF FINANCIAL INTEREST & ENTITLEMENT THERETO

In terms of Section 3A(2)(b)(ii), a Conflict of Interest Management Policy must specify the type of financial interest that the provider will offer a Representative and the basis on which a Representative will be entitled to such a financial interest. The Conflict of Interest Management Policy must also include a motivation regarding how the financial interest complies with sections 3A(1)(b) and 3A(1)(bA).

Form of Financial Interest Section 3A(1)(a)(i) – (vii)	Basis for entitlement to Financial Interest	Compliance with Sections 3A(1)(b) and 3A(1)(bA)
Commission authorised under the Long-term Insurance Act, 1998 (Act No. 52 of 1998) or the Short-term Insurance Act, 1998 (Act No. 53 of 1998).	NFB Advisors are remunerated in line with the business remuneration policy whereby advisors receive a percentage of the regulated commission that is received by NFB for business placed by the advisor	The regulated commission received is based on business concluded which is a fair outcome to the clients regulated by the TCF principles which NFB adhere to. Should business not be in the best interests of the client then the business would not be concluded regardless of the impact of potential commission to be generated
Commission authorised under the Medical Schemes Act, 1998 (Act No. 131 of 1998).	NFB Advisors are remunerated in line with the business remuneration policy whereby advisors receive a percentage of the regulated commission that is received by NFB for business placed by the advisor	Same
Fees authorised under the Long-term Insurance Act, 1998 (Act No. 52 of 1998) or the Medical Schemes Act, 1998 (Act No. 131 of 1998).	NFB Advisors are remunerated in line with the business remuneration policy whereby advisors receive a percentage of the regulated commission that is received by NFB for business placed by the advisor	Same
Fees for the rendering of a financial service in respect of which commission or fees referred to above is not paid, if <ul style="list-style-type: none"> <li>▪ The amount, frequency, payment method and recipient of those fees and details of the services that are to be provided by the provider or its representatives in exchange for the fees are specifically agreed to by a client in writing; and</li> <li>▪ Those fees may be stopped at the discretion of that client.</li> </ul>	NFB Advisors are remunerated in line with the business remuneration policy whereby advisors receive a percentage of the regulated commission that is received by NFB for business placed by the advisor	Same
Fees or remuneration for the rendering of a service to a third party.	NFB Advisors are remunerated in line with the business remuneration policy whereby advisors receive a percentage of the regulated commission that is received by NFB for business placed by the advisor	Same
Subject to any other law, an immaterial financial interest.	Any gift which NFB Advisors receive are included in the gift register and to which NFB ensure that no gifts totalling more than R1000 are received per reportable period per advisor	
A financial interest, not referred to in the column 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.	N/A	N/A



It is not the policy of NFB to encourage any form of financial interest as incentive for giving/receiving business. Refer to the Table below for financial interests, other than those already indicated above, which may be accepted only if specific requirements are met.

Application to be made by email and all written approvals must be filed with the Gift Register.

<b>Financial Interest</b>	<b>NFB Policy on Acceptance</b>
Cash / Cash Equivalent	Prior to acceptance, this must be approved in writing by the relevant Key Individual or authorised directors
Voucher	Prior to acceptance, this must be approved in writing by the relevant Key Individual or authorised directors
Gift	Prior to acceptance of any gift over the value of R500, this must be approved in writing by the relevant Key Individual or authorised directors
Service Advantage	Prior to acceptance, this must be approved in writing by the relevant Key Individual or authorised directors - this is especially the case for "favours" from suppliers etc.
Benefit	Prior to acceptance, this must be approved in writing by the relevant Key Individual or authorised directors
Discount	Prior to acceptance, this must be approved in writing by the relevant Key Individual or authorised directors
Domestic or foreign travel / hospitality / accommodation	The FSP does not condone acceptance of this and it would require authorisation from TWO Key Individuals or duly authorised directors for acceptance
Sponsorship	Prior to acceptance, this must be approved in writing by the relevant Key Individual or authorised directors
Other incentive	Prior to acceptance, this must be approved in writing by the relevant Key Individual or authorised directors
Training	Prior to acceptance, this must be approved in writing by the relevant Key Individual or duly authorised director/s – especially if there is a monetary value attached / or is to take place away from the office – unless the training is open to all FSP's and their representatives of a particular product provider.

## 12. ANNEXURE E: UNAVOIDABLE CONFLICTS IDENTIFIED

TYPE OF UNAVOIDABLE CONFLICT OF INTEREST	RATIONALE AS TO WHY IT IS UNAVOIDABLE	STEPS TO MITIGATE AND METHOD OF DISCLOSURE
<p>Representatives of NFB Private Wealth Management provide advice and intermediary services on several local Fund of Funds, model portfolios and offshore white labeled funds. These funds are managed by <b>NFB Asset Management</b>, an associate company as identified in the list of associates.</p>	<ol style="list-style-type: none"> <li>1. The route was chosen by management as being the best way for NFB to actively and effectively manage its clients' investments on an ongoing basis given:               <ol style="list-style-type: none"> <li>a. The number of clients invested with NFB who need to have their investment portfolios managed;</li> <li>b. The geographical spread of the clients;</li> <li>c. The number of investment platforms utilized and the fact that by doing this outside of fund of funds or model portfolios, the process is impractical and clumsy; and</li> <li>d. Ensuring that fund selections are in line with a "house view" which in turn is based on a rigorous, proactive, ongoing due diligence process.</li> </ol> </li> <li>2. It is the only way to consistently ensure that clients in similar risk profiles are managed on the same basis without timing and investment constraint differences. This is in line with TCF principles aimed at achieving similar outcomes for clients with similar characteristics.</li> <li>3. The fund of funds structure ensures that discretionary management does not result in CGT implications for local Collective Investment Scheme investors.</li> <li>4. It is the only way of formally ensuring that investors have the benefit of greater transparency in the manner in which their investments are managed and the quantum of costs that are levied.</li> <li>5. It is the only way to have access to specialized, dedicated asset management expertise and investment research on an ongoing cost effective basis.</li> <li>6. It is the only way to effectively implement the predetermined investment process without the administrative constraints of LISP's (capped funds, funds not on platforms, timing of switches).</li> <li>7. It is an effective way to manage the portfolio management advice implemented by junior advisors.</li> <li>8. It is a primary way of effectively ensuring that NFB maintains control and consistency in terms of the manner in which our clients are invested and that the overall investment house-views of the company are followed.</li> </ol>	<ol style="list-style-type: none"> <li>1. Full disclosure must be given to investors with regard to:               <ol style="list-style-type: none"> <li>a. The fact that the Representative has an interest in the product,</li> <li>b. The nature of the interest and full disclosure of fees earned and</li> <li>c. The nature of the product and all relevant details relating to the product.</li> </ol> <p>This should be done in the Record of Advice supplied to a client as part of the advice-giving process.</p> </li> <li>2. Confirm a pricing policy that will ensure the following:               <ol style="list-style-type: none"> <li>a. No fee increases to NFB will take place without prior notice to clients;</li> <li>b. No performance fees will be levied on these investments;</li> <li>c. All fund manager rebates will be re-invested back into the funds and</li> <li>d. As far as possible the aggregated scale will be utilized to negotiate favorable deals with underlying managers for the benefit of the client to ensure lower than average fees payable by clients.</li> </ol> </li> <li>3. NFB must ensure that the in-house solutions are only recommended where this is in the interests of the clients.</li> </ol>

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	<p>9. This approach allows NFB to negotiate access to lower cost fund classes for the benefit of clients, by virtue of the scale of the propositions.</p>	
<p>NFB has entered into agreements whereby <b>Old Mutual International / Guernsey (OMI) and Sanlam Glacier International (SGI)</b> pay NFB service fees for services rendered by NFB on behalf of OMI and SGI (for example, marketing, sales and admin support) in amount of 1% of all initial and subsequent amounts invested by clients.</p> <p>The 1% paid by <b>OMI</b> is at their own cost with no cost impact to the client.</p> <p><b>SGI</b> pays 0.5% at their own cost and recoups 0.5% over the initial 5 year term from the client's investment.</p>	<ol style="list-style-type: none"> <li>1. NFB has conducted business with Old Mutual International and Sanlam Glacier International for many years and throughout that time has established extremely strong relationships with them which allows us to ensure that we receive very strong servicing from these institutions for our clients.</li> <li>2. It is found to be more cost effective to many product providers, in this case OMI and SGI, to outsource some of the essential services traditionally provided by life insurance and investment companies to brokers and rather paying them to perform the functions on their behalf.</li> <li>3. The income is important to the company as it allows us to still earn from the investment, without costing the client more and allows us to offer the client lower fees by reducing fees to the client to ensure that costs are minimal and do not have too great an impact on investment performance.</li> <li>4. The arrangement is consistent across OMI and SGI, who are regarded as the leading South African Offshore Product providers. This prevents any bias in allocating client funds to either of these institutions as the financial arrangement is consistent.</li> </ol>	<ol style="list-style-type: none"> <li>1. Full disclosure must be given to investors with regard to: <ol style="list-style-type: none"> <li>a. The fact that the Representative has an interest in the product,</li> <li>b. The nature of the interest and full disclosure of fees earned and confirmation that the fee is not paid by the client, but by the product provider (i.e. the client does not incur any additional costs as a result of the payment, the fees would otherwise have been paid directly to OMI and SGI) and</li> <li>c. The nature of the product and all relevant details relating to the product.</li> </ol> </li> <li>2. NFB must ensure that Representatives only recommend these solutions where this is in the best interests of the client.</li> </ol>
<p>NFB Private Wealth Management (NFB) is 100% owned by <b>NVest Financial Holdings (Pty) Limited [NVFH]</b>. NVFH owns several companies to form a group of associated companies. As a result of this relationship, NFB may outsource various functions to, refer business to, earn commissions from or make use of various products or services offered by, one or</p>	<p>A large part of the NVest Financial Holdings Group of companies has grown out of an understanding of what the needs of NFB clients are and the formation of various companies to meet these needs.</p> <p><b>NVest Securities (Pty) Limited (NVS)</b> [100% owned by NVFH]: NFB utilise the products and services of this JSE registered stock broking company for the trading, management and administration of client share portfolios, money market investments and other related securities. Unavoidable because:</p> <ol style="list-style-type: none"> <li>1. There is an enormous need and demand from NFB clients for managed direct share portfolios;</li> <li>2. The company is the only well-established stock broking company in the East London region and also has a presence in the Sandton office. NVS has</li> </ol>	<ol style="list-style-type: none"> <li>1. Disclosure of this conflict is made in the Initial Disclosures all clients receive from NFB's representatives. Service Level Agreements also refer to the various group services available to clients.</li> <li>2. NFB must ensure that Representatives only recommend these options as solutions where this is in the interest of the client and the Record of Advice should clearly demonstrate why the solution is in the best interest of the client.</li> </ol>

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<p>more of these group companies.</p>	<p>extremely strong administration and portfolio management processes in place to ensure that clients receive the best possible service and management of their investments;</p> <p>3. Owing to large volumes of investment, NFB is able to negotiate fee structures very favourable to our clients.</p> <p>4. We have been able to develop and tailor investment solutions for our clients that are not available through any other product provider.</p> <p><b>NFB Insurance Brokers Border (Pty) Limited (NFBIB)</b> [80.95% owned by NVFH]: NFB refers clients to utilise the products and services of this Financial Services Provider for Commercial and Personal Lines Short Term Insurance. Unavoidable because:</p> <p>1. The business has been a part of the Group since 1996 and complements the balance of the NFB business.</p> <p>2. Referring business within the group ensures a high level of control in terms of the service that our clients receive.</p> <p>3. The majority of other brokers offer both short term insurance as well as long term insurance, medical aid and investment advice and thus referring business would be referring clients to competition, which would not be a prudent decision.</p> <p><b>Independent Executor and Trust (Pty) Limited (IET)</b> [70% owned by NVFH]: NFB refers clients to this group company for the drafting of Wills and Administration of Deceased Estates. Unavoidable because:</p> <p>1. The business was specifically purchased into the Group owing to a long-time relationship with the existing business as a result of a need from our clients for a very strong service offering in terms of Wills and administration of deceased estates.</p> <p>2. The business forms part of the overall service offering of our group of companies.</p> <p><b>NFB Asset Management (Pty) Limited (NFBAM)</b> [45% owned by NVFH]: NFB utilizes the products and services of this Financial Services Provider which manages and administers collective investment schemes and other funds, as appropriate. NFB earn the standard trail fees as disclosed on the relevant fund fact sheets. Unavoidable because: see reasons given above in respect of the usage of white labeled funds and fund of funds.</p>	<p>3. All fees that are pre-determinable, such as those fees earned from NVest Securities, are to be disclosed to the clients in writing in the Record of Advice that clients receive as part of the advice process.</p> <p>4. Ensure that besides the referral fees payable by the associate companies to all referring agents, internal and external, no additional preferential fees are given for the referral of business within the companies.</p> <p>5. Ensure that representatives are at no point rewarded via incentives for referring within the group.</p>

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	<p>It is believed that by having associations with the above companies, the service to our clients is enhanced and it would be to the detriment of our clients were they not available.</p>	
<p>NFB has entered into agreements whereby <b>Anchor Capital</b> and <b>CREDO</b> pay NFB certain additional fees for services rendered by NFB on behalf of Anchor Capital and CREDO (for example, marketing, sales and admin support).</p> <p>Structure is as follows:</p> <p><b>ANCHOR CAPITAL</b> – Depending on whether a Discretionary or Non-discretionary Mandate is signed, NFB will earn 0.20% or 0.30% of Brokerage Rate plus half of the Management Fee equating to 0.50%.</p> <p>The service fee is paid to NFB by the institution and is at no additional cost to the client.</p> <p><b>CREDO</b> – NFB receives a 50% share of Stockbroking, Asset Management and Foreign Exchange Fees.</p>	<p>NFB utilises the products and services of these registered stock broking companies for the trading, management and administration of client share portfolios, money market investments and other related securities.</p> <p>Unavoidable because:</p> <ol style="list-style-type: none"> <li>1. There is an enormous need and demand for managed direct share portfolios from NFB clients;</li> <li>2. Both providers are well established stock broking companies with strong administration and portfolio management processes in place to ensure that clients receive the best possible service and management of their investments;</li> <li>3. Owing to large volumes of investment, NFB is able to negotiate fee structures very favourable to our clients.</li> <li>4. We have been able to develop and tailor investment solutions for our clients that are not always available through other product providers.</li> <li>5. The arrangement with these companies is exactly the same as with NVest Securities, ensuring that an alternative choice is available to clients. This in NFB's view reduces risk and conflict of interest.</li> </ol>	<ol style="list-style-type: none"> <li>1. Representatives must provide details of this conflict in the Record of Advice when applicable.</li> <li>2. NFB must ensure that Representatives only recommend these options as solutions where this is in the interests of the client and the Record of Advice should clearly demonstrate why the solution is in the best interests of the client.</li> <li>3. All fees that are pre-determinable, such as those fees earned from Anchor Capital and Credo, are to be disclosed to the clients in writing in the Record of Advice that clients receive as part of the advice process.</li> </ol>
<p>Companies formed for the purpose of pooling investor funds and used as <b>Special Purpose Vehicles</b> etc.</p>	<p>These companies are formed out of an identified need and/or opportunity available to NFB clients and only once a thorough due diligence is performed to ensure and understand potential risks, opportunities, costs etc. of each. It would be remiss of the company not to identify opportunities for our clients or better alternatives to what can be found elsewhere in the market.</p>	<ol style="list-style-type: none"> <li>1. Ensure that there are no unfair and non-market related fees offered as additional incentives to financial advisors in order to encourage the marketing of such SPV's.</li> </ol>

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<p>e.g. Berkshire Hathaway Tranches, NVest Properties and intended NVest Investment Tranche 2 Limited (US share portfolio).</p>		<ol style="list-style-type: none"> <li>2. NFB must ensure that the Representatives only recommend these options as solutions where this is in the interest of the client and the Record of Advice should clearly demonstrate why the solution is in the best interest of the client.</li> <li>3. Full disclosure must be given to investors with regard to: <ol style="list-style-type: none"> <li>a. The fact that the Representative has an interest in the product,</li> <li>b. The nature of the interest and full disclosure of fees earned and</li> <li>c. The nature of the product and all relevant details relating to the product.</li> </ol> <p>This should be done in the Record of Advice supplied to a client as part of the advice-giving process.</p> </li> <li>4. All products/SPV's/tranches to be signed off by the Board who need to be in agreement that the option is appropriate for the needs of the clients to be targeted as being appropriate and that the option is in the interests of the clients and not to their detriment.</li> </ol>
<p>An “<b>Outsource Agreement for Broker Management</b>” has been entered into between <b>Sanlam Life Insurance Ltd</b> and NFB Private Wealth Management whereby NFB performs various outsourced activities as set out by the agreement, in terms of the Long Term Insurance Act of 1998, on behalf of Sanlam</p>	<p>This is an agreement that is felt to be in the best interest of both parties concerned in order to best ensure that the necessary required functions are effectively carried out and that by having an internal person responsible for these functions, there is much greater control over the effectiveness of the level of service provided (which is very often a problem in the industry) in order to best ensure service levels are delivered to clients. In addition, there are also cost savings to Sanlam in respect of outsourcing the functions as well as a benefit to NFB.</p>	<p>In line with regulations in this regard, the broker management fee earned by NFB Private Wealth Management (Pty) Limited in terms of the agreement is not paid, whether directly or indirectly, to any NFB representative as a reward, incentive or financial interest for:</p> <ul style="list-style-type: none"> <li>- giving preference to the quantity of business secured for NFB to the exclusion of the quality of the service rendered to clients;</li> </ul>

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<p>that would otherwise be performed by Sanlam. In addition, NFB assists the Brokers as far as possible to comply with their regulated obligations in this regard. Sanlam Life and NFB agree on annual terms of payment for the functions provided.</p>		<ul style="list-style-type: none"> <li>- giving preference to any specific product supplier; or</li> <li>- giving preference to any specific product of a product supplier.</li> </ul> <p>Thereby, we ensure that none of our representatives are given any additional incentive to promote Sanlam products or services at the expense of the client.</p> <p>In addition, representatives are able to market / give advice on various alternative product providers and are also not limited to Sanlam Life products and services.</p>

