

**4D GROUP  
SOLUTIONS**

THE EXTRA DIMENSION IN FINANCIAL SERVICES

# **CONFLICT OF INTEREST MANAGEMENT POLICY**

**2021**

This document embodies the **Conflict of Interest Management Policy** (hereinafter referred to as “**this Policy**”) of **4D Group Solutions (Pty) Ltd, FSP 14854 (“4DGS”)** and **4D Group Support (Pty) Ltd, FSP 36555 (4D Group Support)** as required by the General Code of Conduct for Authorised Financial Services Providers and Representatives (“**GCOC**”).

This Policy is aligned with the requirements stipulated in the Remuneration Policy as well as the Treating Customers Fairly Policy of 4DGS and Group Support.

## **1. INTRODUCTION**

The GCOC places a general duty on all FSPs to render financial services honestly, fairly, with due skill, care, and diligence, and in the interest of clients and the integrity of the financial services industry, at all times.

More specifically, it is required that a FSP and a representative, when rendering financial services, must avoid and where this is not possible mitigate any Conflict of Interest between the FSP or its representative and a client (**Section 3(1)(b)**).

It furthermore requires that every FSP must adopt, maintain and implement a Conflict of Interest Management Policy (**Section 3A(2)(a)**).

The FSP and its representatives are committed to not treat any Client unfairly and therefore this Policy is based on the fundamental principle that no individual employed or contracted by the FSP should ever sacrifice their integrity, perform duties, render services or act in any manner where they do so for own benefit and to the actual or potential detriment of the FSP, a Client or any other person.

For the purposes of this policy -

“**Client**” means the Funeral Services Provider or Group (authorised Category I FSP) who has entered into a Business Relationship with the 4DGS, including all its policyholders and members as well as the policyholders and members of the Juristic Representatives of 4D Group Support; and

“**Representative**” includes all employed Representatives (Natural Persons), as well as the contracted Juristic Representatives (Legal Persons) who are mandated to render financial services on behalf of 4DGS & 4D Group Support.

## **2. DEFINITION OF CONFLICT OF INTEREST**

### **2.1 General Definition**

Conflict of Interest involves a person to perform their duties, sell their skills or act in any manner where they do so for own benefit (interest) and to the actual or potential detriment of their employer, client, or any other person. Examples are competing with your employer or selling a specific product because there is a hidden benefit for the seller, such as a kickback or undisclosed commission.

## **2.2 Definition in Financial Services Industry**

Conflict of Interest is a situation in which financial or other personal considerations have the potential to compromise advice given, services rendered or influence professional judgment and objectivity.

## **2.3 Definition in GCO**

Conflict of Interest as any situation in which the FSP or representative has an actual or potential interest that may, in rendering a financial service to a Client -

- (a) influence the objective performance<sup>1</sup> of his, her or its obligations to that Client; or
- (b) prevent the FSP or representative from rendering an unbiased and fair financial service<sup>2</sup> to that Client, or from acting in the interests of that Client, including, but not limited to –
  - (i) a **financial interest**;
  - (ii) an **ownership interest**;
  - (iii) any relationship with a **third party**.

The actual or potential existence of a Conflict of Interest in itself, may not be an undesirable practice but it is imperative to properly disclose the nature and monetary value of such a Conflict of Interest to a Client. Such disclosure should be made prior to –

- entering into a business relationship with a Client; or
- rendering financial services to a Client; and

should also be recorded in a register.

Full disclosure allows a Client to decide whether the advice given, or services rendered may be flawed or influenced unduly.

## **3. PURPOSE OF THE POLICY**

The purpose of this policy is to provide guidance to the FSP and its representatives whenever they are confronted with a potential or actual Conflict of Interest. It serves to clarify what constitutes a Conflict of Interest, as well as measures taken to avoid or mitigate such Conflict of Interest.

To adhere to this requirement, adequate arrangements and reasonable steps need to be in place to effectively manage any actual or potential Conflicts of Interest that may arise.

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<sup>1</sup> ANNEXURE A – ADDITIONAL DEFINITIONS

<sup>2</sup> ANNEXURE A – ADDITIONAL DEFINITIONS

This Policy establish in accordance with **Section 3A(2)(b)(i)**:

- internal controls and mechanisms towards the identification of Conflicts of Interest
- measures to avoid Conflicts of Interest, and where avoidance is not possible, to provide the reasons therefore
- measures to ensure that any unavoidable Conflicts of Interest are mitigated
- measures to ensure the proper disclosure of any Conflicts of Interest
- establish processes, procedures, and internal controls to facilitate compliance with this Policy
- communicate the consequences of non-compliance with this Policy.

#### 4. DEFINITIONS

Unless the context clearly indicates otherwise, the following definitions shall have the meanings for purposes of this Policy as defined in the GCOC:

##### 4.1 Associate

(a) in relation to a **natural person**, means –

- (i) a person who is recognised in law or the tenets of religion as the spouse, life partner or civil union partner of that person;
- (ii) a child of that person, including a stepchild, adopted child and a child born out of wedlock;
- (iii) a parent or stepparent of that person;
- (iv) a person in respect of which that person is recognised in law or appointed by a Court as the person legally responsible for managing the affairs of or meeting the daily care needs of the first mentioned person;
- (v) a person who is the spouse, life partner or civil union partner of a person referred to in subparagraphs (ii) to (iv);
- (vi) a person who is in a commercial partnership with that person;

(b) in relation to a **juristic person** –

- (i) which is a company, means any subsidiary<sup>3</sup> or holding company<sup>4</sup> of that company, any other subsidiary of that holding company and any other company of which that holding company is a subsidiary;
- (ii) which is a close corporation, means any member thereof;
- (iii) which is not a company, or a close corporation as referred to in subparagraphs (i) or (ii), means another juristic person which would have been a **subsidiary** or **holding company** of the first-mentioned juristic person –

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<sup>3</sup> ANNEXURE A – ADDITIONAL DEFINITIONS

<sup>4</sup> ANNEXURE A – ADDITIONAL DEFINITIONS

- (aa) had such first-mentioned juristic person been a company; or
- (bb) in the case where that other juristic person, too, is not a company, had both the first-mentioned juristic person and that other juristic person been a company;
- (iv) means any person in accordance with whose directions or instructions the board of directors of or, in the case where such juristic person is not a company, the governing body of such juristic person is accustomed to act;
- (c) in relation to **any person** –
  - (i) means any juristic person of which the board of directors or, in the case where such juristic person is not a company, of which the governing body is accustomed to act in accordance with the directions or instructions of the person first-mentioned in this paragraph;
  - (ii) includes any trust controlled or administered by that person.

#### **4.2 Distribution Channel**

- (a) Any arrangement between a product supplier (or any of its associates) **and** one or more FSPs (or any of its associates) in terms of which arrangement any support or service is provided to the FSP/s in rendering a financial service to a client.
- (b) Any arrangement **between** two or more FSPs (or any of their associates), which arrangement facilitates, supports, or enhances a relationship between the FSP/s **and** a product supplier.
- (c) Any arrangement **between** two or more product suppliers (or any of their associates), which arrangement facilitates, supports, or enhances a relationship between an FSP/s **and** a product supplier.

#### **4.3 Financial Interest<sup>5</sup>**

Any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive, or valuable consideration, other than –

- (a) an **ownership interest**;
- (b) training, that is not exclusively available to a selected group of FSPs or representatives, on –
  - (i) products and legal matters relating to those products;
  - (ii) general financial and industry information;
  - (iii) specialised technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training;
- (c) a qualifying enterprise development contribution to a qualifying beneficiary entity by a FSP that is a measured entity.

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<sup>5</sup> ANNEXURE A – ADDITIONAL DEFINITIONS - TYPES OF FINANCIAL INTEREST AN FSP & REPRESENTATIVE MAY OFFER / RECEIVE

#### 4.4 **Immaterial financial interest**

Any **financial interest** with a determinable monetary value, the aggregate of which does not exceed R1000 in any calendar year from the same **third party** in that calendar year received by –

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

#### 4.5 **Ownership Interest**

- (a) Any equity or proprietary interest, for which fair value<sup>6</sup> 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.

#### 4.6 **Third Party**

Includes -

- (a) a product supplier;
- (b) another FSP;
- (c) an **associate** of a product supplier or an FSP;
- (d) a **distribution channel**;
- (e) any person who in terms of an agreement or arrangement with a person referred to in paragraphs (a) to (d) above provides a **financial interest** to a FSP or its representatives.

### 5. IDENTIFYING CONFLICT OF INTEREST

In determining whether there is or may be a Conflict of Interest to which the policy applies, 4DGS & 4D Group Support considers whether there is a material risk of damage to the Client, taking into account whether the FSP, its representative, **associate** or employee –

- is likely to make a financial gain, or avoid a financial loss, at the expense of the Client.
- has an interest in the outcome of a service provided to the Client or of a transaction carried out on behalf of the Client, which is distinct from the Client's interest in that outcome.
- has a financial or other incentive to favour the interest of another Client/s or any other **third party** over the interests of this Client.

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<sup>6</sup> ANNEXURE A – ADDITIONAL DEFINITIONS

- receives or will receive from a person other than the Client, an inducement in relation to a service provided to the Client in the form of monies, goods, or services, other than the legislated commission or reasonable fee for that service.

### **5.1 Individual Identification**

The responsibility for the identification of a Conflict of Interest rests with the Key Individual/s and representatives of the FSP and the steps below will assist with identifying an actual or potential Conflict of Interest.

#### **STEP 1:**

Prior to entering into a business relationship with a Client and throughout the process of rendering a financial services to a Client, the Key Individual or representative must apply their mind to answering the following questions:

- (1) Is there any situation that exists that influences the objective performance of my obligations to the Client?
- (2) Is there any situation that exists that prevents me from rendering unbiased and fair financial services to the client?
- (3) Is there any situation that exists that prevents me from acting in the best interest of the Client?

If the answer to all three (3) questions is “**No**”, no further action would be required.

#### **STEP 2:**

If the answer to any one of the three (3) questions is “**Yes**”, the following two (2) questions must also be answered:

- (1) Is the situation caused as a result of an actual or potential relationship with a **third party**?
- (2) Is the situation caused by an actual or potential **financial** or **ownership interest**?

If the answer to any one of these questions is “**Yes**”, an actual or potential Conflict of Interest will have been identified, which is not limited to a **financial** or **ownership interest**.

### **5.2 Internal Controls to Identify Conflicts of Interest**

4DGS & 4D Group Support has implemented the following internal controls to identify actual or potential Conflicts of Interest that may arise:

- (a) The designated Key Individual and Internal Compliance Officer together with Senior Management conducts annual reviews on all contracts held with third parties to assess whether the contractual relationship in any way influences the FSP's –
  - (i) objective performance towards its Clients;
  - (ii) ability to render fair and unbiased financial services towards its Clients;

- (iii) ability to act in the interest of the Clients.
- (b) The designated Key Individual and Internal Compliance Officer together with Senior Management 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 -
  - (i) objective performance towards its Clients;
  - (ii) ability to render fair and unbiased financial services towards its Clients.
- (c) The designated Key Individual and Internal Compliance Officer together with Senior Management annually reviews and updates the following lists<sup>7</sup> which form part of this Policy –
  - (i) a list of all the FSP's **associates**;
  - (ii) a list with the names of any **third parties** in which the FSP holds an **ownership interest**;
  - (iii) a list with the names of any **third parties** that holds an **ownership interest** in the FSP;and they also review and update the nature and extent of the **ownership interest** referred to in (ii) and (iii) above.
- (d) Conflict of Interest Declarations are signed by the designated Key Individual and Internal Compliance Officer after every review. The purpose of these Conflict of Interest Declarations is to assist the FSP and the appointed External Compliance Officer to identify actual or potential Conflicts of Interest.
- (e) All relevant personnel and representatives are required to immediately disclose in writing to the designated Key Individual of the FSP, any actual or potential conflicts of interest as soon as they become aware of such situation. The designated Key Individual will inform the External Compliance Officer.
- (f) The FSP maintains a Gift Register. All gifts received from a **third party** with an estimated value of R1000 or more will be recorded in the FSP's Gift Register. The Gift Register is kept electronically in the FSP's Compliance Folder
- (g) All the information associated with the identification of actual or potential Conflict of Interests is recorded in the Conflict of Interest Register which is kept electronically kept in the Compliance Folder and it is readily available for inspection purposes.

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<sup>7</sup> ANNEXURE C – LIST OF ASSOCIATES & THIRD PARTIES RELATED TO THE FSP

## 6. AVOIDING AND MITIGATING A CONFLICT OF INTEREST

Once an actual or potential Conflict of Interest has been identified, the following procedures must be followed:

### 6.1 Determine whether the actual or potential Conflict of Interest is avoidable

- (a) The designated Key Individual and Internal Compliance Officer together with Senior Management of the FSP must convene and evaluate the actual or potential Conflict of Interest in an open, honest, and objective manner.
- (b) All the information that's led up to and resulting in or causing the actual or potential Conflict of Interest must be disclosed to the FSP's Senior Management and External Compliance Officer.
- (c) All the Key Individuals and Senior Management must determine whether the FSP is in a position to avoid the actual or potential Conflict of Interest.
- (d) During the evaluation process, the Key Individuals and Senior Management must consider the following possible outcomes prior to a finding in favour of unavailability:
  - (i) the possible negative impact it will have on the FSP's Clients where the actual or potential Conflict of Interest is deemed to be unavoidable;
  - (ii) 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.

### 6.2 Actual or potential Conflict of Interest is avoidable

Where it has been determined that the actual or potential Conflict of Interest is in fact avoidable, the following processes must be followed:

- (a) The Key Individuals and Senior Management must approve the removal of the underlying cause or situation that resulted in the actual or potential Conflict of Interest
- (b) The underlying cause or situation must be removed as soon as reasonably possible;
- (c) Any immediate negative impact or prejudice towards Clients pending the removal of the actual or potential Conflict of Interest must be kept to a minimum;
- (d) The reasons why the actual or potential Conflict of Interest was determined to be avoidable together with the interventions as it pertains to the avoidance, must be recorded in the FSP's Conflict of Interest Register and stored in the electronic Compliance Folder;
- (e) Similar circumstances that have led up to the actual or potential Conflict of Interest must be avoided in the future as far as reasonably possible.

### **6.3 Actual or potential Conflict of Interest is unavoidable**

Where it has been that the actual or potential conflict of interest is unavoidable, the following processes must be followed:

- (a) The Key Individuals and Senior Management together with the Internal and External Compliance Officers must convene and determine the measures that will be implemented to mitigate the actual or potential Conflict of Interest as far as reasonably possible;
- (b) The reasons why the actual or potential Conflict of Interest was considered to be unavoidable must be recorded in the FSP's Conflict of Interest Register and stored in the electronic Compliance Folder.

### **6.4 Measures to mitigate actual or potential Conflicts of Interest**

The measures implemented will include the following arrangements:

- (a) The status of whether the actual or potential Conflicts of Interest is still deemed to be unavoidable shall be reassessed on a continuous basis;
- (b) 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;
- (c) The rendering of financial services must always be conducted as to the best interest of the Client, as far as this is possible, given the unavoidability of the actual or potential Conflict of Interest.
- (d) All the representatives must be notified of any actual or potential Conflicts of Interest as well as the reasons for its unavoidability;
- (e) When rendering a financial service, the FSP and its representatives shall be required to disclose to the Client in writing that an actual or potential Conflict of Interest exist
- (f) The FSP and/or the External 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 Sector Conduct Authority (FSCA).

## **7. DISCLOSURES**

### **7.1 Disclosure of an actual or potential Conflict of Interest**

**Section 3(1)(c)** of the GCOC requires that when the FSP or representative renders a financial service to a Client, any Conflict of Interest in respect of that Client must be disclosed.

It is acknowledged that while disclosure alone will often not be enough, disclosure must be treated as an integral part of managing Conflict of Interest. The FSP is therefore committed to ensure that Clients are fully informed about actual or potential Conflicts of Interest in relation to the rendering of financial services.

4DGS & 4D Group Support has implemented the following disclosure measures in respect of Conflict of Interest:

- (a) The FSP and its representative will at the earliest reasonable opportunity disclose to a Client any Conflict of Interest in respect of that Client;
- (b) The disclosure will be made in writing and communicated by way of appropriate electronic media;
- (c) The disclosure will –
  - (i) include the measures taken by the FSP to avoid or mitigate the Conflict of Interest;
  - (ii) include any **ownership interest** or **financial interest**, other than an **immaterial financial interest**, that the FSP or representative may be or become eligible for;
  - (iii) include the nature of any relationship or arrangement with a **third party** that gives rise to a Conflict of Interest;
  - (iv) be made 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; and
- (d) The disclosure will include a reference to this Policy and how it may be accessed. These Disclosures are indicated on the Membership Certificate that the client receives once an application has taken effect.

## **7.2 Disclosures relating to Fees, Remuneration & Ownership**

**Sections 3(1), 4 & 7** GCOC requires that disclosures must also be made in respect of ownership interest as well as remuneration received by or offered to the FSP and its representatives for financial services rendered.

These requirements are detailed in Annexure >>><sup>8</sup> and are mainly disclosed in the Disclosure Documents of the FSP and its Representatives, quotes, application forms, membership certificates, policy schedules, etc. However, the onus is still on the FSP and the representative to highlight these and make sure the Client is aware of and consent to it.

## **8. INTERNAL CONTROL MEASURES TO FACILITATE COMPLIANCE**

In terms of **Section 3A(2)(b)(i)(dd)** of the GCOC, processes, procedures and internal controls must be provide for to facilitate compliance with this Policy.

The processes associated with the implementation and continued compliance with this Policy must be performed by the designated Key Individual and Internal Compliance Officer together with Senior Management of the FSP.

The FSP's External Compliance Officer will monitor the FSP's compliance with this Policy on an ongoing basis.

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<sup>8</sup> ANNEXURE B - DISCLOSURES RELATING TO FEES, REMUNERATION & OWNERSHIP

4DGS & 4D Group Support has adopted the following internal controls and processes:

- (a) The designated Key Individual and Internal Compliance Officer of the FSP shall ensure that –
  - (i) this Policy is kept up to date and saved electronically in the FSP's Compliance Folder;
  - (ii) all relevant personnel and representatives read and understand this Policy and their duties in respect thereof;
  - (iii) all personnel and representatives, and where appropriate, associates are made aware of the contents of this Policy and shall provide training and educational material where deemed appropriate;
  - (iv) all Conflict of Interest Declarations are signed by the relevant Key Individuals, representatives and personnel on an annual basis.
- (b) Where an employee or representative has 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 designated Key Individual who will escalate it to the External Compliance Officer, if necessary.
- (c) The designated Key Individual and Internal Compliance Officer of the FSP shall ensure that –
  - (i) the list of all the FSP's **associates** is annexed to this Policy and that a review of the list shall be conducted annually;
  - (ii) a list of all the **third parties** in which the FSP holds an **ownership interest** is annexed to this Policy and that a review of the list shall be conducted annually;
  - (iii) a list of all **third parties** that holds an **ownership interest** in the FSP is annexed to this Policy and that a review of the list shall be conducted annually.
- (d) The designated Key Individual and Internal Compliance Officer 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 R1000 or more are recorded in the FSP's Gift Register.
- (e) The designated Key Individual and Internal Compliance Officer of the FSP shall ensure that the proper disclosures are made to the Client regarding actual or potential Conflicts of Interest.
- (f) This Policy shall be regularly reviewed by the FSP and the External Compliance Officer, and where necessary, updated to ensure that the measures contained herein remain effective.
- (g) The designated Key Individual and Internal Compliance Officer shall publish this Policy in appropriate media and ensure that it is easily accessible for public inspection at all reasonable times.

## 9. CONSEQUENCES OF NON-COMPLIANCE

Where there is reason to believe that a Key Individual, employee or representative of the FSP has failed to disclose an actual or potential Conflict of Interest via the proper communication channels, the FSP 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 this person 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 a person.

Any failure by a Key Individual, employee or representative to comply with this Policy will be considered serious form of misconduct, a contravention of the FAIS Act which is a dismissible offence and might lead to debarment from rendering financial services.

The FSP or its representatives may not avoid, limit, or circumvent or attempt to avoid, limit or circumvent compliance with this Policy and any of the provisions thereof, through an **associate** or an arrangement involving an **associate**.

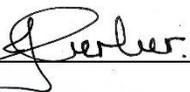
## 10. OWNERSHIP & APPROVAL

This Policy is owned by 4D Group Solutions (Pty) Ltd & 4D Group Support (Pty) Ltd and is approved by the board of directors, senior management and the Key Individuals.

As the designated Key Individual and authorised signatory of the FSP I, **Jackie Gerber**, ID 870808 0058 084, hereby confirm the adoption of the policy.

I understand that I am ultimately responsible for effective Conflict of Interest management and the implementation of this Policy.

I will ensure that the FSP remains true to its commitments and undertakings in this Policy and that this Policy will be maintained, reviewed, and updated on a regular basis.

  
\_\_\_\_\_  
Signature

2021/06/07  
\_\_\_\_\_  
Date

## ANNEXURE A – ADDITIONAL DEFINITIONS

"fair value" has the meaning assigned to it in the financial reporting standards adopted or issued under the Companies Act;

IFRS 13: The new fair value definition is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

The exit price approach relates to expectations about the future cash flows from the perspective of market participants at the measurement date, under current market conditions.

Market participants are buyers and sellers in the principal (or most advantageous) market who are independent of each other, knowledgeable about the asset or liability and able and willing to enter into a transaction for the asset or liability.

Fair value is determined using market participants assumptions, not entity-specific assumptions. When measuring fair value, it should be assumed that market participants act in their economic best interest.

"holding company" in relation to a **subsidiary**, means a juristic person or undertaking that controls that **subsidiary** (Companies Act, 2008)

"**subsidiary**" means a subsidiary as defined in section 1 (3) of the Companies Act;

- (1) A company is –
- (a) a subsidiary of another juristic person if that juristic person, one or more other subsidiaries of that juristic person, or one or more nominees of that juristic person or any of its subsidiaries, alone or in any combination –
    - (i) is or are directly or indirectly able to exercise, or control the exercise of, a majority of the general voting rights associated with issued securities of that company, whether pursuant to a shareholder agreement or otherwise; or
    - (ii) has or have the right to appoint or elect, or control the appointment or election of, directors of that company who control a majority of the votes at a meeting of the board; or
  - (b) a wholly owned subsidiary of another juristic person if all of the general voting rights associated with issued securities of the company are held or controlled, alone or in any combination, by persons contemplated in paragraph (a).
- (2) For the purpose of determining whether a person controls all or a majority of the general voting rights associated with issued securities of a company –
- (a) voting rights that are exercisable only in certain circumstances are to be taken into account only -
    - (i) when those circumstances have arisen, and for so long as they continue; or
    - (ii) when those circumstances are under the control of the person holding the voting rights;

- (b) voting rights that are exercisable only on the instructions or with the consent or concurrence of another person are to be treated as being held by a nominee for that other person; and
  - (c) voting rights held by –
    - (i) a person as nominee for another person are to be treated as held by that other person; or
    - (ii) a person in a fiduciary capacity is to be treated as held by the beneficiary of those voting rights.
- (3) For the purposes of subsection (2), “hold”, or any derivative of it, refers to the registered or direct or indirect beneficial holder of securities conferring a right to vote

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

**“objective performance”** - 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;

**“unbiased and fair financial service”** - 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.

**“financial interest”** – The types of Financial Interest allowed & Entitlement thereto<sup>9</sup> is defined in the GCOC under the following Sections:

**GCOC Section 3A(1)(a):**

An FSP or its representatives may only receive or offer the following financial interest from or to a **third party**:

- (i) commission authorised under the Long-term Insurance Act, 1998 or the Short-term Insurance Act, 1998;
- (ii) commission authorised under the Medical Schemes Act, 1998;
- (iii) fees authorised under the Long-term Insurance Act, 1998, the Short-term Insurance Act, 1998 or the Medical Schemes Act;
- (iv) fees for the rendering of a financial service in respect of which commission or fees referred to in subparagraph (i), (ii) or (iii) is not paid, if –

<sup>9</sup> **REMUNERATION POLICY** (Sections 5 & 6) – Specifies the type of financial interest that 4DGS & 4D Group Support will offer a representative, the basis on which the rep will be entitled to the financial interest and motivates how that financial interest complies with sections 3A(1)(b) & 3A(1)(bA) of the GCOC.

- (aa) the amount, frequency, payment method and recipient of those fees and details of the services that are to be provided by the FSP or its representatives in exchange for the fees are specifically agreed to by a Client in writing; and
- (bb) those fees may be stopped at the discretion of that Client;
- (v) fees or remuneration for the rendering of a service to a **third party**;
- (vi) subject to any other law, an immaterial financial interest; and
- (vii) a financial interest, not referred to under subparagraph (i) to (vi), for which a consideration, **fair value**<sup>10</sup> 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.

**GCOC Section 3A(1)(b) & 3A(1)(bA):**

An FSP may not offer any financial interest to a representative of the FSP –

- (i) 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
- (ii) for giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a Client; or
- (iii) 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.

(bA) If the FSP offer a financial interest with reference to the **quantity of business** the FSP must be able to demonstrate that the determination of and entitlement to the financial interest takes into account measurable indicators relating to the –

- (i) achievement of minimum service level standards in respect of Clients;
- (ii) delivery of fair outcomes for Clients;
- (iii) quality of the representative's compliance with the FAIS Act;

as agreed between the FSP 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 FSP over the fair treatment of Clients;

**GCOC Section 3A(1)(d):**

The FSP or its representatives may only receive or offer the fees or remuneration referred to in subsections **(a)(iii - v)** if –

- (i) those fees 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;

<sup>10</sup> ATTACHMENT – ADDITIONAL DEFINITIONS

- (ii) the payment of those fees does not result in the FSP or representative being remunerated more than once for performing a similar service;
- (iii) any actual or potential conflicts between the interests of Clients and the person receiving the fees are effectively mitigated; and
- (iv) the payment of those fees does not impede the delivery of fair outcomes to Clients.

**ANNEXURE B – DISCLOSURES RELATING TO FEES, REMUNERATION & OWNERSHIP****GCOC Section 3(1)(a)(vii):**

When the FSP or representative renders a financial service, it must disclose to a Client all amounts, sums, values, charges, fees, remuneration or monetary obligations payable to the FSP or representative and it must be in specific monetary terms. If it is not possible to determine the exact amount, the basis of calculation must be adequately described.

**GCOC Section 4(1)(d)(i & ii): Membership Certificate**

The FSP and its representatives must at the earliest reasonable opportunity, furnish the Client with full particulars of the following information about the relevant product supplier IF APPLICABLE:

(d) the fact that the FSP and / representative –

- (i) directly or indirectly holds more than **10% of** the relevant product supplier's shares, or has any equivalent substantial **financial interest** in the product supplier;
- (ii) during the preceding 12 month period received more **than 30% of total** remuneration, including commission, from the product supplier,

and the FSP and its representative must convey any changes thereafter regarding such information at the earliest opportunity to the Client.

**GCOC Section 7(1)(c)(v & vi):**

The FSP and its representatives must at the earliest reasonable opportunity, provide, where applicable, full and appropriate information of the following:

(v) the nature and extent of monetary obligations assumed by the Client, directly or indirectly, in favour of the FSP or its representatives, including –

- (aa) the amount, frequency and payment method thereof;
- (bb) details of the services that are to be provided by the FSP or its representatives in exchange therefor; and
- (cc) the client's rights in relation to terminating those obligations and the consequences of terminating or failing to meet those obligations,

which information should, wherever feasible, be included in a written agreement between the Client and the FSP;

(vi) the nature, extent and frequency of any incentive, remuneration, consideration, commission, fee or brokerages ("valuable consideration"), which will or may become payable to the FSP or its representatives, directly or indirectly, by any product supplier or any person other than the Client, or for which the FSP or its representatives may become eligible, as a result of rendering of the financial service, as well as the identity of the product supplier or other person providing or offering the

valuable consideration: Provided that where the maximum amount or rate of such valuable consideration is prescribed by any law, the FSP or its representatives may (subject to **Section 3(1)(a)(vii)**) elect to disclose either the actual amount applicable or such prescribed maximum amount or rate.

**GCOG Section 7(4)(d):**

The FSP and its representative who has provided advice to a Client or is rendering ongoing financial services to the Client in respect of one or more financial products, must on a regular basis (but not less frequently than annually) provide the Client with a written statement identifying such products where they are still in existence, and providing brief current details (where applicable), of –

(d) any ongoing incentives, consideration, commission, fee, or brokerage payable to the provider in respect of such products: