

# FAIS CONFLICT OF INTEREST MANAGEMENT POLICY

## 1. POLICY STATEMENT

- 1.1. This policy deals with conflicts of interest between Cadiz or its employees, and its clients, when giving advice and rendering intermediary services to them. This policy applies to all employees, whether they are permanent or temporary, including directors, officers, agents or independent contractors of Cadiz. This policy aims at preventing any attempt to exert influence in unduly favoring any party and to ensure that Cadiz's independence in decisions in rendering a financial service is not jeopardized. The objectives of this policy are to:
  - 1.1.1. document and provide guidance to employees in the process of giving and receiving financial interests;
  - 1.1.2. ensure that we comply with all applicable laws;
  - 1.1.3. ensure that we manage any conflict of interest situations that could negatively affect our clients.

**A conflict of interest arises when an actual or potential interest may influence Cadiz and/or any employee to not act fairly, independently and objectively in the rendering of a financial service towards a client.**

- 1.2. All employees must adhere to this policy, which is required by Section 3A of the General Code of Conduct to the Financial Advisory and Intermediary Services Act (FAIS).
- 1.3. Copies of this policy can be obtained from the Cadiz website ([www.cadiz.co.za](http://www.cadiz.co.za)) or by contacting Cadiz Group Compliance ([grouprisk@cadiz.co.za](mailto:grouprisk@cadiz.co.za)).

## 2. RESPONSIBILITIES OF CADIZ AND EMPLOYEES

### 2.1. The duty to avoid, mitigate and disclose conflicts of interests

When rendering advice or providing an intermediary service to clients, Cadiz as well employees has a duty to act in the bests interests of its clients. Potential conflicts of interests arise where a personal interest and/or association could affect your objectivity. Employees should avoid situations that may cause, or be perceived to cause a loss of independence or objectivity. Cadiz and all employees must avoid being in a position where there is a conflict between its interests and the client's (or mitigate them if they cannot be avoided) and disclosing those conflicts where they cannot be avoided.

### 2.2. Duty to report conflicts of interests

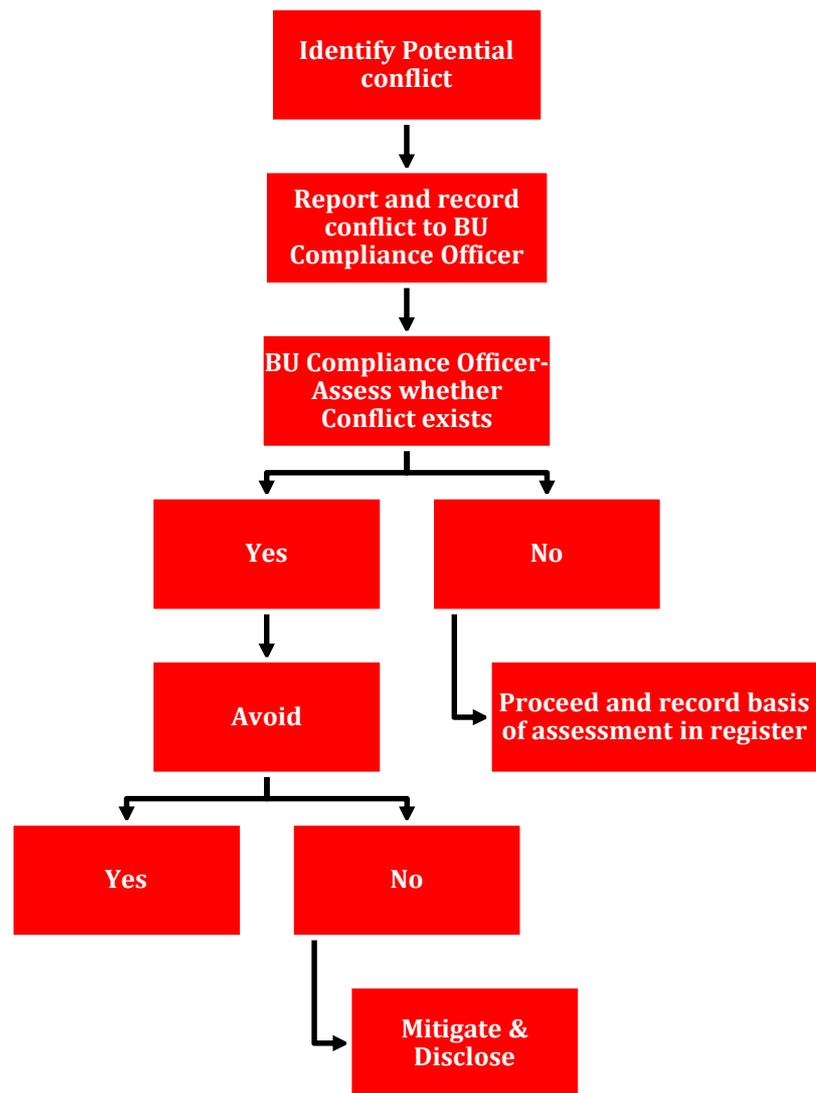
All employees are required to read this policy and to report any conflict of interest to the compliance officer or management. Failure of any employee to comply with this policy may lead to disciplinary steps being taken, which steps could result in dismissal or removal from a position.

2.3. BU compliance officers must develop specific guidance for the relevant business area

It is the responsibility of the compliance officer to provide guidance about the specific activities to be avoided which are relevant for the activities pertaining to the specific business area.

**3. MEASURES FOR IDENTIFYING, MANAGING AND DISCLOSING CONFLICTS OF INTERESTS**

3.1. The following diagram sets out the policy framework for how Cadiz and employees deal with the management of conflicts of interest:



3.1.1. **Step 1: Identify and report the conflict**

- 3.1.1.1. At all times during the process of rendering a financial service to a client you must assess whether you have an actual or potential interest that may prevent you from acting objectively, fairly and in the best interests of the client.
- 3.1.1.2. If you suspect that a conflict of interest situation may exist, you must report it to the compliance officer, who will record it in the Conflict of Interest Register.

**3.1.2. Step 2: Assessment of conflict**

- 3.1.2.1. Once the conflict is reported, the compliance officer needs to assess whether a conflict exists and perform an evaluation in deciding on what steps need to be taken. This evaluation must include the following considerations:
  - 3.1.2.1.1. whether it is possible to avoid the conflict and what steps should be taken to do so;
  - 3.1.2.1.2. if the conflict cannot be avoided, the reasons why;
  - 3.1.2.1.3. what mitigating measures can be put in place to control the conflict and lessen the effects thereof on the affected client;
  - 3.1.2.1.4. what disclosure is required to clients and determining when and how this disclosure will take place.

**3.1.3. Step 3: Avoid the conflict OR proceed and mitigate the conflict**

- 3.1.3.1. After the decision is made that a conflict does exist (Step 2) and such evaluation has found the conflict be avoided, this decision should be actioned and the conflict should consequently be avoided by ending the situation or not proceeding with a prospective situation.
- 3.1.3.2. If, after an evaluation of all relevant factors, it is concluded that it is not feasible to avoid a conflict, it must be suitably managed. This entails the affected business unit staff and the compliance officer jointly developing mitigating measures to reduce any negative effect on the client and informing the client about the conflict and the mitigating steps taken by Cadiz to reduce any possible negative effects.
- 3.1.3.3. The compliance officer must log all reasons, whether the conflict has been avoided or a decision has been taken to proceed with the conflict, in the Conflicts Register.

<p><b>Examples of mitigating steps in order to control and lessen the impact of conflict of interest situations</b></p> <ul style="list-style-type: none"><li>• As far as possible keep a record of all decisions reached which may impact on the financial service rendered.</li><li>• Request another Cadiz representative to service a client if you are personally conflicted.</li><li>• Make timely and complete disclosure of all information to clients.</li><li>• Make sure that there are checks and balances that encourage objective judgment.</li></ul>
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**3.1.4. Step 4: Disclose the conflict**

- 3.1.4.1. Disclosure is required where a conflict has been identified.

- 3.1.4.2. The following is required to be disclosed in writing to the client:
- 3.1.4.2.1. what steps have been taken by Cadiz or the employee to avoid or where avoidance is not possible, to mitigate the conflict;
  - 3.1.4.2.2. details of the relationship with a Third Party that has caused the conflict of interest;
  - 3.1.4.2.3. details about any financial interest or ownership interest which Cadiz or an employee may have that would benefit Cadiz or such employee.
  - 3.1.4.3. All disclosures must be clear, concise and effective to enable a client to have an informed opinion.

**Examples of conflicts that should generally be disclosed by Cadiz:**

- if you or any associated person has an interest in respect of the financial product that you are rendering a financial service on
- if you or an associated person has an interest in or is related to the product supplier that you are rendering a financial service in respect of
- if your remuneration is affected by product sales

3.2. Giving and receiving of gifts and other financial interests or benefits

- 3.2.1. In accordance with the requirements of Section 3A(1)(a) of the FAIS General Code of Conduct, Cadiz has certain rules and limits in place regarding giving and receiving financial benefits from third parties, including product suppliers, financial services providers and any of their associated companies. These limits seek to aid in preventing employees from influencing or being influenced by gifts or other benefits. These rules are contained in the Immaterial Financial Interest Rules.
- 3.2.2. The rules apply to all employees in so far as it relates to interaction with product suppliers, financial service providers and any of their associated companies. If you are in any doubt as to whether you may receive or give a gift or other benefit, always check with the compliance officer.
- 3.2.3. You may not give or receive a gift or any other benefit from a product supplier, a financial services provider or any of their associated companies in excess of R1,000 per calendar year. All benefits given or received must be logged in the Immaterial Financial Interest Register. You may, however, receive or spend on incidental benefits incurred during normal business interactions during business hours.
- 3.2.4. More detail on these rules can be found in the Immaterial Financial Interest Rules, a copy of which can be obtained on the internal intranet, or from the compliance officer.

### **Examples of financial interests or benefits**

A financial interest or benefit is any item on which a monetary value can be placed, such as:

- cash
- voucher
- gift
- service
- advantage provided
- discount
- travel
- entertainment
- accommodation
- shares
- sponsorships

## Appendix A – FAIS definitions

The following definitions from the Code of Conduct to the FAIS Act are relevant to the Conflict of Interest Management Policy.

### **Associate**

means, in the case of a company, 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.

### **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, -

- (a) influence the objective performance of his, her or its obligations to that client; or
- (b) 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 –

- (i) a financial interest;
- (ii) an ownership interest;
- (iii) any relationship with a third party.

### **Key Individual**

in relation to an authorized financial services provider, or a representative, carrying on a business as –

a corporate or unincorporated body, a trust or a partnership, means any natural person responsible for managing or overseeing, either alone or together with other so responsible persons, the activities of the body, trust or partnership relating to the rendering of any financial service.

### **Representative**

means any person, including a person employed or mandated by such first-mentioned person, who renders a financial service to a client for or on behalf of a financial services provider, in terms of conditions of employment or other mandate, but excludes a person rendering clerical, technical, administrative, legal, accounting or other service in a subsidiary or subordinate capacity, which service –

- (a) does not require judgment on the part of the latter person; or
- (b) does not lead a client to any specific transaction in respect of a financial product in response to general enquiries.

### **Third Party**

is

- (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 an FSP or its representatives.

## **Appendix B – Representative remuneration policy**

Section 3A(2)(b) of the FAIS General Code of Conduct requires Cadiz to provide information on how its Representatives qualify for a financial interest. This information is set out below.

Remuneration of all representatives consists of two components, namely a base salary and a discretionary bonus, a portion of which may be granted in the form of restricted equity. Individual bonus awards are based on criteria that include performance standards, certain internal quality assessment measures as well as an agreed set of business objectives. These representatives are in no way remunerated based on quantity of revenue generated to the exclusion of quality of service rendered to clients. Preference is not given to particular products or services provided.

## Appendix C – Associated Companies

### List of Cadiz Holdings Proprietary Limited subsidiaries.

Company Name
Cadiz Asset Management Holdings (Pty) Ltd
Cadiz Asset Management (Pty) Ltd
Cadiz Collective Investments (RF) (Pty) Ltd
Cadiz Life Ltd
Cadiz Corporate Solutions (Pty) Ltd

### List of parent companies

Company Name
Friedshelf 1678 Ltd
Stellar Capital Partners Ltd

### List of related entities

Company Name
Stellar Credit (Pty) Ltd
Stellar Specialised Lending (Pty) Ltd