This policy establishes a legislative framework to manage risks associated with conflict of interest as required by the Financial Advisory and Intermediary Services Act No. 37 of 2002, General Code of Conduct.

Level

Compliance Owner

Date

Liberty Holdings Limited
Group Chief Compliance Officer
26 February 2019
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1. Purpose of this policy

In terms of the General Code of Conduct for Authorised Financial Services Providers and Representatives, as amended (“the Code”), promulgated in terms of the provisions of the Financial Advisory and Intermediary Services Act (Act No. 37 of 2002 – “the FAIS Act”) financial services providers (“Providers”) must take all necessary steps to eliminate any practices and/or services that may create a conflict between their interests and the interests of an existing or potential client.

A conflict of interest is any situation where a Provider or a Provider’s representative (whether an Independent Financial Adviser (IFA) or a representative) has an interest that may in rendering a financial service to a client, influence the objective performance of his/her/its obligations to that client or where it prevents him/her/it from rendering an unbiased and fair financial service to that client. It includes receiving a wide range of financial interest, ownership interests and any relationship with a third party. Conflict of interest situations must be avoided.

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:

(a) an ownership interest.

(b) training, that is not exclusively available to a selected group of providers or representatives, on –

   (i) products and legal matters relating to products.

   (ii) general financial and industry information.

   (iii) specialised technological systems of a third party necessary for the rendering of financial services; but excludes travel and accommodation associated with such training.

Ownership interest means:

(a) any equity or proprietary interest, for which fair value was paid by the owner at the time of acquisition, other than equity or an 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.

Third party means:

(a) a product supplier;

(b) another provider;

(c) an associate of a product supplier or provider;

(d) a distribution channel; or

(e) any person who in terms of the agreement or arrangement with a person referred to in paragraphs (a) to (d) above a financial interest to a provider or its representatives.
In addition, the Code requires that where it is not possible to avoid any act, action or reward that may create a potential conflict of interest, appropriate steps must be taken to mitigate the impact and it must be appropriately disclosed to the client at the earliest reasonable opportunity.

This Policy sets out the management of any such conflicts of interest and includes:

- the mechanisms used to identify such conflicts;
- the measures for avoidance and disclosure;
- processes and procedures for compliance with the Policy; and
- the consequences of non-compliance to the Policy.

The Policy contains details of the types of financial interests a Liberty representative, including an IFA receives and the basis on which it is received. It also contains a list of all associates of Liberty and third parties in which Liberty holds an ownership interest or that hold an ownership interest in Liberty.

2. **Scope of the policy**

This Policy applies to the following financial services providers, key individuals and its representatives, within Liberty Holdings Ltd:

- Frank Financial Services (Pty) Ltd;
- Liberty Group Ltd;
- Liberty Linked Investment Platform (Pty) Ltd;
- Liberty Wealth Consultancy (Pty) Ltd;
- Mentenova (Pty) Ltd (60% shareholding);
- Mentenova Consultants and Actuaries (Pty) Ltd;
- STANLIB Asset Management (Pty) Ltd;
- STANLIB Multi-Manager Ltd; and
- STANLIB Wealth Management (Pty) Ltd.

Throughout this document, any reference to “Liberty” shall mean any of the entities referred to above individually or collectively.

A full list of subsidiaries, associates and joint ventures in which Liberty holds an ownership interest at 31 December 2018 is provided in item 9.

3. **Identifying conflicts of interest**

Liberty has developed the following processes to identify conflicts of interest:

- An analysis of all the sales and distribution areas within Liberty has taken place;
- The types of financial interests received/offered have been identified and analysed;
- Appropriate rules have been put in place around the receipt/offering of financial interests;
- All remuneration models for representatives are required to be signed off by the Head of Compliance of the Business Unit and Group Legal Services, as well as by the Liberty Group
Intermediary Remuneration Committee and the management of the affected sales and distribution areas;

- Remuneration for IFAs is limited to regulated commissions and fees; and
- Appropriate training has been developed to enable representatives to identify conflict of interest situations.

Annual reviews of these processes are included in Liberty’s Risk and Compliance Monitoring Programme in order to ensure that any conflicts of interest that arise are identified.

These annual reviews include independent reviews of business practices and interviews with representatives in order to ascertain whether they receive financial interests from third parties.

4. **Measures for avoidance and disclosure**

Liberty’s policy is to establish contractual relationships with its representatives, which prevents its representatives from placing business with other Providers unless Liberty’s express consent has been given.

Liberty’s policy is to provide specific training and educational material on how conflicts of interest may arise and how it can be avoided to all new representatives. Training is also provided to all existing representatives.

Where a conflict of interest cannot be avoided, Liberty’s representatives are required to make a written disclosure of such a conflict to their existing and potential clients at the earliest reasonable opportunity, together with measures that were taken to mitigate the situation. Any such disclosures are required to be approved by the respective Business Units Head of Compliance function.

All existing and potential clients have the right to ask his/her Liberty representative for further details regarding such disclosures. The client’s rights (or potential rights) and the protection offered under the Code may not be waived.

Liberty’s Business Unit Heads of Compliance monitor all financial interests received by its representatives, as part of Liberty’s overall compliance monitoring program. In addition, all financial interests offered to/received from IFAs and third parties are monitored as part of Liberty’s overall Risk and Compliance Monitoring Programme.

5. **Accountabilities and responsibilities**

Liberty has adopted a governance process that requires executive management to ensure compliance to this Policy:

5.1. **Liberty Holdings Limited - Chief Executive Officer**

Is accountable for the implementation and compliance with this Policy within Liberty.

5.2. **Business Unit - Chief Executive Officers**

Are accountable for ensuring compliance with this Policy as an integral part of operations and risk management within their businesses.
5.3. Key Individuals

Are accountable for ensuring compliance by representatives listed on the representative registers under their control as required in terms of the provisions of the FAIS Act.

5.4. Liberty Group Chief Compliance Officer

Is accountable for the maintenance of this Policy within the context of changing business practices and a changing regulatory environment as well as monitoring and reporting of non-compliance to this Policy.

5.5. Executive Officer, Liberty Group Internal Audit Services

Is accountable for assurance to the board of directors on the adequacy and effectiveness of Liberty’s internal and compliance controls relating to conflicts of interest.

5.6. Customer Relations Department

Existing and potential clients may also direct questions and complaints concerning the application of this Policy to Liberty’s Customer Relations Department via the following e-mail address: relations@liberty.co.za.

6. Financial interests

Independent Financial Advisers (IFAs)

Liberty’s policy is to offer and facilitate the payment of the following financial interests to IFA’s for providing services as an intermediary or for giving financial advice to a client:

- Regulated commission under the Long-term Insurance Act (No. 52 of 1998 – “the LTIA”); and
- Regulated commission under the Medical Schemes Act (No. 131 of 1998 – “the MSA”).

Fees specifically agreed to by a client in terms of a written mandate that a client may terminate in his/her discretion.

Liberty’s policy is also to offer and facilitate certain immaterial financial interests to IFAs as permitted in terms of the Code.

*Immaterial financial interest means:*

any financial interest with a determinable monetary value, the aggregate of which does not exceed R1 000.00 in any calendar year from the same third party received by:

- a provider who is a sole proprietor; or
- a representative for the 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.

Liberty has contractual relationships with other Providers, but Liberty’s policy is not to receive anything other than the commissions and fees, listed above, permitted in terms of the Code.
Representatives

Liberty’s representatives are either salaried employees or independent contractors. Liberty’s policy is to remunerate them a combination of commission and other benefits which include:

- Options to invest in collective investment schemes with STANLIB;
- Non-cash incentives; and
- Reimbursive allowances.

Before these other benefits are paid, Liberty’s policy is to take the following quantity and quality measures into account:

**SA Retail**

- The size of the representative’s book of business, measured by premiums and assets under management.
- The growth of the representative’s book of business, measured by the amount of business the representative has introduced successfully during the year.
- Persistence of the representative’s book of business, measured by short and long-term lapse rates.
- The quality of the representative’s advice and service to the client, measured by the representative’s Compliance Scorecard (i.e. appropriateness of financial advice provided as reflected by the Financial Needs Analysis that was done).

**Direct Financial Services**

- The volume of business generated by the consultant, measured by quantity and premium value.
- Persistence of the business written, measured by short and long-term lapse rates.
- The quality of the service to the customer, measured by the Key Performance Indicators in the consultant’s Performance Agreement.

**Business Development: Corporate**

- The size of the representative’s book of business, measured by premiums and assets under management.
- The growth of the representative’s book of business, measured by the amount of business the representative has introduced successfully during the year.
- The quality of the representative's advice and service to the client, measured by the Key Performance Indicators contained in the representative’s Performance Agreement (i.e. appropriateness of financial advice provided as reflected by the Financial Needs Analysis that was done) and 360 degree peer reviews.
7. **Sign-on bonus**

This policy provides that Liberty will not engage in the practice of offering sign-on bonuses as part of its recruitment strategies or as an incentive to become its representative or provider in terms of the FAIS Act. The law prohibits offering a sign-on bonus to any person other than to a new entrant (a person who has never been authorised as a financial services provider or appointed as a representative by any financial services provider).

A sign-on bonus means –

(a) any financial interest offered or received directly or indirectly, upfront or deferred, and with or without conditions, as an incentive to become a provider, and

(b) a financial interest referred to in paragraph (a) includes but is not limited to –

   (i) compensation for the –

   (ii) (aa) potential or actual loss of any benefit including any form of income, or part thereof, or (bb) cost associated with the provider’s business or operations, including the sourcing of business, relating to the rendering of financial services; or

   (iii) a loan, advance, credit facility or any other similar arrangement.

8. **Compliance and consequences of non-compliance**

The Group Chief Compliance Officer shall report on compliance with this policy.

**Non-compliance by employees**

All Liberty employees, irrespective of level of seniority, who do not comply with this Policy will be subject to Liberty’s internal employee disciplinary procedures.

**Non-compliance by representatives**

All Liberty representatives, including IFAs who do not comply with this Policy will be subject to the processes and procedures applicable to representatives under the FAIS Act.

9. **List of subsidiaries, associates and joint ventures in which Liberty holds an ownership interest at 31 December 2018**

Liberty Holdings Limited holds an ownership interest in the following subsidiaries, associates and joint ventures (all shareholding is 100% unless indicated otherwise):

- Invest Fund Managers (Pty) Ltd (50% by LHL and 50% by SBGL)
- JHI Retail (Pty) Ltd (49%)
- Lexshell 615 Investments (Pty) Ltd
- Liberty General Insurance Uganda Limited (51%)
- Liberty Group Ltd its subsidiaries, associates and joint venture:
  - Dotcoza (Pty) Ltd;
  - Frank Financial Services (Pty) Ltd;
  - Frank Life Ltd;
- Friedshelf 940 (Pty) Ltd;
- Hereford Financial Services (Pty) Ltd (20% B Class - associate);
- Liberty Active Ltd;
- Liberty Centre of Excellence (Pty) Ltd
- Liberty Linked Investment Platform (Pty) Ltd and its subsidiary:
  - Liberty Linked Investment Platform Nominees (RF) (Pty) Ltd
- Liberty Growth Limited
- Liberty Propco (Pty) Ltd;
- LPH Properties Ltd;
- Liberty Reinsurance Limited;
- Liberty Two Degrees Limited (58.46%) and its subsidiaries:
  - 2 Degrees Properties (Pty) Ltd; and
  - STANLIB Reit Fund Managers (Pty) Ltd
- Marder Holdings (Pty) Ltd (26% B Class - associate);
- NMG Agency (49%);
- Povilux (Pty) Ltd (26% B Class - associate);
- Sandton Hotels (Pty) Ltd; and
- The Financial Services Exchange (Pty) Ltd (33.3% - joint venture)

- Liberty Group Properties (Pty) Ltd and its subsidiary:
  - Liberty Properties Swaziland (Pty) Ltd

- Liberty Health Administration (Pty) Ltd

- Liberty Health (Pty) Ltd and its subsidiaries:
  - Liberty Blue Consultancy Ltd (Mozambique); and
  - Swan Reinsurance Protected Cell Captive (Mauritius)

- Liberty Health Holdings (Pty) Ltd

- Liberty Holdco Nigeria Ltd

- Liberty Holdings Botswana (Pty) Ltd and its subsidiaries:
  - Liberty General Botswana (Pty) Ltd;
  - Liberty Life Botswana (Pty) Ltd; and
  - STANLIB Investment Management Services (Pty) Ltd

- Liberty Holdings Namibia (Pty) Ltd (75%) and its subsidiaries:
  - Liberty Life Namibia Ltd and its subsidiaries:
    - Specialist Administration Services (Pty) Ltd;
      - United Funeral Insurance Ltd
    - Ripley's Insurance Limited
Liberty Holdings Limited: FAIS Conflict of Interest Management Policy

- STANLIB Namibia (Pty) Ltd;
- STANLIB Namibia Unit Trust Management Company Ltd; and
- STANLIB Namibia Unlisted Investment Management (Pty) Ltd

- Liberty Holdings Swaziland (Pty) Ltd and its subsidiary:
  - STANLIB Swaziland (Pty) Ltd

- Liberty Holdings Zambia Ltd and its subsidiaries:
  - Liberty Properties Zambia Ltd; and
  - Liberty Life Insurance Zambia Ltd

- Liberty Kenya Holdings Plc (57.74%) and its subsidiaries:
  - CFC Investments Ltd;
  - Liberty Life Assurance Kenya Ltd; and
  - The Heritage Insurance Company Kenya Ltd and its subsidiary:
    - The Heritage Insurance Company Tanzania (60%)

- Liberty Life Tanzania Limited (60%)
- Liberty Life Assurance Uganda Ltd (51%)
- Liberty Life Lesotho Ltd
- Liberty Life Swaziland Ltd (75% by LHL and 25% by LGL)
- Liberty Nominees (Pty) Ltd and its subsidiary:
  - Liberty General Insurance Company Ltd (39% by LHL and 16% by LGL)

- Mentenova (Pty) Ltd (60%)
- Mentenova Consultants and Actuaries (Pty) Ltd
- Mobilife Financial Services (Pty) Ltd (24.5%)
- Own Your Life Rewards (Pty) Ltd
- STANLIB Ltd and its subsidiaries:
  - Corion Holdings (Pty) Ltd (31.3%)
  - Lodestone Holdings (Pty) Ltd and its subsidiary:
    - STANLIB Multi Manager Ltd
  - STANLIB Asset Management (Pty) Ltd and its subsidiaries:
    - Exeo Capital (Pty) Ltd (50%);
    - Exeo Capital (Pty) Ltd Mauritius (50%);
    - STANLIB Fund Managers Jersey Ltd;
    - STANLIB Infrastructure GP 1 (Pty) Ltd; and
    - STANLIB Infrastructure GP 2 (Pty) Ltd
  - STANLIB Collective Investments RF;
10. Liberty's holding company

The Standard Bank Group Ltd has a 53.62% shareholding in Liberty Holdings Limited.

11. Document administration

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<tr>
<th>Name</th>
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<tr>
<td>Designation</td>
<td>Group Chief Compliance Officer</td>
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<tr>
<td>Phone number</td>
<td>011 408 3221</td>
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<tr>
<td>E-mail address</td>
<td><a href="mailto:group.compliance@liberty.co.za">group.compliance@liberty.co.za</a></td>
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