

**28<sup>th</sup> June 2018**

**Global & Local Investment Advisors :**

**CONFLICT OF INTEREST POLICY**

Approved Date	2018/06/28	
Approved By	Mauro Forlin- Director	
Responsible Manager	Theolene Gelderbloem-Operations Director	
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This policy provides the requirements for managing, avoiding and disclosing potential conflicts of interest and the process for obtaining a conflict of interest review. The purpose of this document is to provide our staff and clients with appropriate information in relation to the policies we have in place to manage conflicts of interest.

**SCOPE**

This policy covers all individuals working at all levels and grades, including managers, officers, directors, employees, consultants, contractors, trainees, homeworkers, part-time and fixed-term employees, casual staff and volunteers (collectively referred to as staff or employees)

**REVIEW OF THIS POLICY**

The policy shall be reviewed annually to ensure that it meets legal requirements and reflects best practice.

**PURPOSE**

Conflict of interest arises when the business or a staff member has an affiliation or interest that will or may compromise, or have the appearance of compromising, their impartiality, incentive and/or ability to fulfil their duties, to clients. It is acknowledged that operating a business may create actual or potential conflicts, and these require identification and addressing.

No illegal or unethical conduct on the part of officers, directors, employees or affiliates is in the business' best interest and Global & Local Investment Advisors (Pty) Ltd will not compromise its principles for short-term advantage. All staff members are therefore expected to adhere to high standards of personal and professional integrity.

## **DEFINITIONS:**

**"ACTUAL CONFLICT OF INTEREST"** means a set of established circumstances (interests) that detract from the person's fulfilling of their obligation

**'ASSOCIATE'** for a natural person means:

- a) Spouse, life partner, or civil union partner
- b) Child (including adopted, step or illegitimate) or their spouse/partner
- c) Parent or stepparent or their spouse/ partner
- d) The person legally responsible for managing such person's affairs or ensuring that daily needs are met or their spouse/ partner
- e) Business partner
- f) Any juristic person who is accustomed to taking instructions/ directions from such person, and acting in accordance with these.
- g) Any trust controlled or administered by such person

**'ASSOCIATE'** for a Company means:

- a) Subsidiary or Holding company
- b) Another subsidiary of the holding company
- c) The holding company of the holding company
- d) Any person from whom the Board of Directors is accustomed to take instructions/ directions
- e) Any juristic person who is accustomed to taking instructions/ directions from the Board of Directors, and acting in accordance with these
- f) Any trust controlled or administered by the Company

**'ASSOCIATE'** for a Close Corporation means:

- a) All members of the close corporation
- b) Any person from whom the governing body is accustomed to take instructions/ directions
- c) Any juristic person who is accustomed to taking instructions/ directions from the governing body, and acting in accordance with these.
- d) Any trust controlled or administered by your Close Corporation

**'ASSOCIATE'** for a Trust or other juristic entity means:

- a) any juristic person with a relationship to the entity, which would be similar to that of a subsidiary or holding company
- b) Any person from whom the governing body is accustomed to take instructions/ directions
- c) Any juristic person who is accustomed to taking instructions/ directions from the governing body, and acting in accordance with these.
- d) Any trust controlled or administered by the entity

**"CONFLICT OF INTEREST"** means where the business or representative has an actual or potential interest that may:

- a) influence the objective performance of obligations to a client
- b) prevents or impedes the rendering of an unbiased and fair service
- c) prevents the person from acting in the best interests of a client

**“DISTRIBUTION CHANNEL”** means:

- a) An arrangement between a product supplier (or any of its associates) and an FSP (or any of its associates) where support or service is provided to the FSP in rendering a financial service to a client
- b) An arrangement between two or more FSP's (or their associates) which facilitates/ supports or enhances the relationship with a product supplier
- c) An arrangement between two or more product suppliers (or their associates) which facilitates/ supports or enhances the relationship with an FSP

**“FINANCIAL INTEREST”** means cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, and includes travel and accommodation in respect of training. The following is not a financial interest:

- a) ownership interest
- b) training in respect of: (as long as it's not exclusively limited to a selected group of providers or representatives)
  - aa) products and legal matters in respect of these
  - bb) general financial and industry information
  - cc) specialised technological systems (third party provides) necessary for rendering a financial service

**“IMMATERIAL FINANCIAL INTEREST”** means:

Any financial interest where the monetary value can be determined and where the aggregate (all additions) is less than R1000 per calendar year received by:

- a) an FSP who is a sole proprietor
- b) a representative (for his own, personal benefit)
- c) an FSP, who for its benefit, aggregates the financial interest paid to its representatives
- d) an FSP, who for the benefit of some or all of its representatives, aggregates the financial interest paid to its representatives

**“OWNERSHIP INTEREST”** - any ownership interest which was bought for fair value, and any dividend, profit share or similar benefit derived from this. Equity or proprietary interests held as an approved nominee on behalf of another person is not included in this definition.

**“POTENTIAL CONFLICT OF INTEREST”** means a set of established circumstances where actual conflict may result if one or more future known events occur, creating an actual conflict of interest that would otherwise have been avoided.

**‘PERCEIVED CONFLICT OF INTEREST’** means a set of circumstances which may or be seen to compromise the interests of a client

**“REFERRAL FEE”** means any beneficial consideration between **Global & Local Investment Advisors (Pty) Ltd** and another party, where one party receives benefits for directing trades to the other. Referral remuneration may either be in cash or any other type of consideration.

**“THIRD PARTY”** means:

- a) A Product supplier or its associate
- b) Another financial services provider or its associate
- c) A Distribution channel
- d) any person who provides a financial interest to a provider/ representative as result of an agreement with a product supplier or its associate
- e) Any person who provides a financial interest to a provider/ representative as result of an agreement with another FSP or its associate

## **POLICY**

A conflict of interest may exist when the business or a staff member is involved in an activity or has a personal interest that might interfere with his or her objectivity in performing business duties and responsibilities. Personal interests of employees must not influence or appear to influence business transactions. Such conflicts may appear as favouritism or otherwise damage the reputation of **Global & Local Investment Advisors (Pty) Ltd** or its employees. Conflicts of interest must be avoided, and where this is not possible, mitigated.

An actual conflict of interest does not need to be present to constitute a violation, it is sufficient that there is a potential or perceived conflict of interest. Activities that create the appearance of a conflict of interest must be avoided, and where this is not possible, mitigated.

## **DISCLOSURE OF POLICY**

All clients shall be informed in writing, of the existence of the conflict of interest policy and disclosures, and where and how to access these. This disclosure shall be done by way of including a reference to this in the Statutory Disclosure.

## **IDENTIFYING CONFLICTS OF INTEREST**

To adequately manage conflicts of interest, **Global & Local Investment Advisors (Pty) Ltd** must identify all relevant conflicts timeously.

**Global & Local Investment Advisors (Pty) Ltd** shall:

- a) identify actual or potential conflicts of interest;
- b) assess and evaluate those conflicts; and
- c) decide upon, and implement, an appropriate response to those conflicts

All employees, including compliance officers and management, are responsible for identifying specific instances of conflict and are required to notify their immediate superior of any conflicts of which they become aware.

## **MANAGING CONFLICTS OF INTEREST**

When any staff member of **Global & Local Investment Advisors (Pty) Ltd** suspects a potential conflict of interest, that person must discuss the matter with his/her immediate superior. The content of the discussion as well as any decision made must be recorded on the appropriate form. The superior and staff member will accept joint responsibility for the decision taken unless the decision is put forward for ratification to a more senior person.

In assessing whether a conflict is material or of a lesser nature, regard must be had to the impact that such a conflict will have on reputation, financial loss and internal erosion of ethical standards.

The following is a list of possible management strategies to manage the potential or actual conflict of interest:

- a) Avoid the conflict of interest
- b) Mitigate the impact
- c) Where this is not possible, full disclosure

Where a conflict will have a serious potential impact on clients or the business, it must be avoided. Where the conflict cannot reasonably be avoided, the impact shall be mitigated and full disclosure must be made in writing to clients prior to any services being rendered.

Part of managing conflicts of interest is making appropriate disclosures. This means providing clear, concise and effective disclosure so that clients can make an informed decision about how the conflict might affect the relevant service. Disclosure is not, by itself, always an adequate response if the conflict still leads to advice or action that is inappropriate or compromises the client's interests.

## **RECORDS**

Where a conflict is identified and an action decision is made, the nature of the decision must be communicated to the third party in writing as soon as possible. This applies regardless of whether the decision was made to stop doing business or continue with **Global & Local Investment Advisors (Pty) Ltd**, despite the existence of the conflict.

Written records of how conflicts of interest are managed, together with all reports referred to, must be kept for a period of 5 years and be available for inspection by the compliance officer on request. (for example, records of disclosures made and actions taken over any breaches of policies and procedures)

## **CONFLICTS OF INTEREST**

The principal conflicts or potential conflicts that exist in the business and the steps required to mitigate these are noted hereunder:

## **INSIDER TRADING**

Officers and employees may come into contact with, or have possession of, proprietary, confidential or business-sensitive information and must take appropriate steps to assure that such information is strictly safeguarded.

This information – whether it is on behalf of the business or any clients or affiliates, could include strategic business plans, operating results, marketing strategies, client lists, personnel records, upcoming acquisitions and divestitures, new investments, and manufacturing costs, processes and methods. Proprietary, confidential and sensitive business information about the business, other companies, individuals and entities should be treated with sensitivity and discretion and only be disseminated on a need-to-know basis.

No disclosure of confidential information is permitted without written permission of the client or the most senior manager of this business. Misuse of material inside information in connection with trading in securities can expose an individual to civil liability and penalties. Under current legislation officers, and employees in possession of material information not available to the public are “insiders.”

Spouses, friends, suppliers, brokers, and others who may have acquired the information directly or indirectly from an officer or employee are also “insiders.” Insiders are prohibited from trading in, or recommending the sale or purchase of securities, while such inside information is regarded as “material”, or if it is important enough to influence any person in the purchase or sale of securities of any business with which business is conducted, which could be affected by the inside information.

The following guidelines should be followed in dealing with inside information:

- a) Until material information has been publicly released, an employee may not disclose it to anyone except those within the business whose positions require use of the information.
- b) Employees may not buy or sell securities when they have knowledge of material information concerning the business until it has been disclosed to the public and the public has had sufficient time to absorb the information.
- c) Employees may not buy or sell shares of another corporation, the value of which is likely to be affected by an internal action by the business of which the employee is aware and which has not been publicly disclosed.
- d) Officers, and employees will seek to report all information accurately and honestly, and as otherwise required by applicable reporting requirements.
- e) Officers, and employees will refrain from gathering competitor intelligence by illegitimate means and refrain from acting on knowledge which has been gathered in such a manner. The officers and employees will seek to avoid exaggerating or disparaging comparisons of the services and competence of their competitors.

#### **ASSOCIATES AND 3RD PARTIES**

An association with, or third party in which an interest is held, may be perceived as a conflict of interest. To mitigate this, it is the business/ policy to fully disclose all such relationships in enough detail, so that stakeholders can understand the nature of the relationship or arrangement and the actual or potential conflict of interest. GLOBAL & LOCAL INVESTMENT ADVISORS has no such interests at this time but there are relationships with other parties which are explained in **ANNEXURE “A”**.

#### **OUTSIDE RELATIONSHIPS**

Officers and employees must avoid representing **Global & Local Investment Advisors (Pty) Ltd** in any transaction with others with whom there is any outside business affiliation or relationship. Officers and employees must avoid using their business contacts to advance their private business or personal interests at the expense of **Global & Local Investment Advisors (Pty) Ltd** its clients or affiliates.

Where a member of the governing body has an outside affiliation or relationship with a third party, this shall be fully disclosed in the conflicts of interest register. The business is not prohibited from doing business with such entities should it be in its best interests, however where voting occurs, the conflicted person shall recuse him or herself and any vote executed by such person shall not be counted.

#### **GIFTS AND INDUCEMENTS**

No bribes, kickbacks or other similar remuneration or consideration shall be given to, or received from, any person or organization in order to attract or influence business activity. Officers, directors and employees shall avoid gifts, gratuities, fees, bonuses or excessive entertainment, in order to attract or influence business activity

Representatives are permitted to receive gifts, sporting tickets, vouchers or other items from a product provider, or other financial services provider, or their associate, to the maximum value of R1 000 (one thousand rand) per calendar year, per provider. This provision also applies to invitations to any functions, including lunches, dinners, training interventions and prize-giving.

Details of all gifts, both received and given, shall be registered in the non-cash incentive and gifts register. The non-cash incentive and gifts register shall be updated with the following details within 5 working days of the receipt of the gift or gratuity:

- a) Date of receipt
- b) Recipient
- c) Donor
- d) Reason
- e) Description of item
- f) Value of item
- g) Running total

Any gifts or gratuities over the value of R1 000 (annual calendar year total) from a provider or their associate to a representative, may not be accepted, and neither may such gifts or incentives be given by any person in the business, to any third party. Any items or activities which have a value exceeding this must be returned or paid for by the person in question.

## **INCENTIVES AND REMUNERATION**

**Global & Local Investment Advisors (Pty) Ltd** strives to ensure employees remain motivated whilst at the same time ensuring remuneration schemes do not encourage inappropriate behaviour or result in actual or potential prejudice to clients. We recognise this conflict and through our monitoring mechanisms remain alert to potential abuse.

It is the policy of the business that no person shall be remunerated or receive a financial interest as part of an incentive structure with its main or sole aim to increase production. This shall apply across the board and for all levels of employees and management.

No financial interest shall be offered to any staff member as an incentive or reward for:

- a) Giving preference to the quantity of business but excluding any quality aspects of business. Sales performance targets where the quality of business is not taken into account for rewards or incentives or bonuses is not permitted and must be avoided.
- b) Giving preference to only one product supplier, or one particular product, where more than one choice is available.

Where more than 30% of the business' income is received from a provider or their associate, this shall be disclosed to all clients in the Statutory Notice.

Only the following may be received or offered by a provider or its representatives, from or to a third party:

- a) Commission authorised under the Long Term Insurance Act or Short Term Insurance Act
- b) Commission authorised under the Medical Schemes act
- c) Fees authorised under the Long Term insurance Act, Short Term insurance Act or Medical Schemes Act if those fees are reasonable in respect of the service being offered
- d) Fees for the rendering of a financial service, as long as
  - a. the client agrees to these in writing and

- b. these fees can be stopped at any point at the discretion of the client
- e) Fees/ remuneration for the rendering of a service to a third party, which are reasonable
- f) Subject to any other law, an immaterial financial interest
- g) A financial interest not included above, for which a reasonable, fair value, consideration or remuneration has been paid at the time of receiving this interest

Any incentive or bonus scheme must be approved by the DIRECTORS in writing prior to approval. Incentives and production bonuses must take into account a combination of quantitative and qualitative criteria, including the fair treatment of clients, and may not be limited to a specific product supplier and specific product. This shall be clearly documented in the approval process.

All incentive projects must be disclosed to clients of the business and must be attached to this policy, together with a description of the nature and basis of participation and any other rules as well as the duration of the incentive project.

### **THIRD PARTY NAMED PORTFOLIOS**

There is an identified potential conflict of interest where **Global & Local Investment Advisors (Pty) Ltd** acts as both advisor and investment manager to the same portfolio.

There is the risk that only the Third Party Named Portfolios are promoted where these are not providing good performance on a consistent basis compared to alternatives. To mitigate this, where third party named portfolios are recommended, the record of advice shall clearly state why other portfolios are not considered suitable for the client's investment time-frame, return expectation, and risk tolerance.

There is a risk of non-disclosure where fees are received in two capacities. To mitigate this, where **Global & Local Investment Advisors (Pty) Ltd** acts in two capacities, as both investment manager and adviser, it shall disclose upfront fees payable to them for providing advice, and declare management fees which are received from the Collective Investment Scheme Manager.

Where **Global & Local Investment Advisors (Pty) Ltd** is able to negotiate remuneration arrangements for the submission of business with Collective Investment Scheme Managers and this has not been passed on to the client, this shall be fully disclosed to the client at the earliest reasonable opportunity, together with the reasons for such remuneration. **Global & Local Investment Advisors (Pty) Ltd** may only receive these fees if such fees are specifically agreed to by a client in writing, and may be stopped at the discretion of the client at any given point in time.

Where a collective investment scheme manager passes client rebates to LISPs and the LISP utilises the rebate to offset LISP administration and/or adviser fees, this shall be reflected in clients' statements.

### **REFERRAL REMUNERATION**

It is acknowledged that the receipt or payment of referral commission or fees, may be deemed an actual or potential conflict of interest. This practice is common and economically viable, and as such permitted, subject to the following:

- a) A written agreement must be concluded between the parties which dictates the terms and conditions of the agreement. Fee arrangements and disclosure requirements must be included as a part of the contract that is written and signed by both parties.
- b) Confirmation must be provided, in writing, that the referred matter does not present a conflict of interest
- c) **Global & Local Investment Advisors (Pty) Ltd** must disclose to clients and prospective clients, as appropriate, any compensation, consideration or benefit received from, or paid to, others for the

recommendation of products or services. This disclosure must be in clear language and stipulate the parties, the amount, and the reason for the consideration.

- d) All referral fee arrangements shall be approved by the DIRECTORS in writing, prior to implementation. Such approval shall ensure that no client or other person is treated unfairly or prejudiced in any way.

#### **EXAMPLES OF CONFLICTS OF INTEREST**

- a) Personal interests include working relationships and/or financial interests with immediate family members or relatives.
- b) Activities include outside employment in areas similar to those in which the business is involved;
- c) Outside work for clients, suppliers, vendors, or competitors of the business;
- d) Operating as a supplier to the business
- e) Activities that have the potential to affect the staff member's objectivity
- f) Activities that could reflect negatively on the reputation of **Global & Local Investment Advisors (Pty) Ltd** and its employees.
- g) Holding a financial interest in a business concern that is a supplier, client, partner, subcontractor, or competitor of the business constitutes a conflict of interest under certain conditions
- h) Participating in any activity that might lead to or give the appearance of unapproved disclosures of confidential information or client confidential information
- i) Using an official position to obtain special privileges or advantages from individuals or businesses
- j) An employee, officer or director may serve on external non-profit, governmental or for-profit governance boards, however if such service in any way could create an actual or perceived conflict of interest, the services must be disclosed, and approved by the governing authority
- k) No person may receive or solicit outside employment, including paid service on a governance board, or compensation that would impair the independence of judgment of the individual in performing duties as an employee of **Global & Local Investment Advisors (Pty) Ltd**.

#### **ACTIVITIES REQUIRING FULL DISCLOSURE**

Where an interest, relationship or arrangement that is material to a service, or transaction concerned is held, a conflict of interest may exist. To manage such conflicts, staff members must fully disclose the following:

- a) Financial interest in any supplier, client or competitor entity.
- b) Acting as an employee, officer, director, consultant, representative, or agent for a supplier, client, partner, subcontractor, or competitor
- c) Engaging in any activity that could create the appearance of a conflict of interest, which may impair on the reputation for impartiality and fair dealing

#### **STAFF TRAINING AND GENERAL AWARENESS**

A copy of the policy will be provided to each staff member at inception of that staff member's duties and updated versions must be circulated as and when they are updated.

All staff shall annually be refresher trained on this policy.

#### **CONTROL**

Violation of this policy can result in disciplinary action, including possible termination of services. The degree of discipline relates in part to whether there was a voluntary disclosure of any ethical violation and whether or not the violator cooperated in any subsequent investigation.

*Michael Haldane*

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**Michael Philip Adam Haldane**

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Managing Director

Global & Local Investment Advisors (Pty) Ltd.

*Mauro A. Forlin*

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**Mauro Angelo Forlin CFP**

(N.Dip)(CAAUT)(MIFM)

Director

Global & Local Investment Advisors (Pty) Ltd.

**ANNEXURE "A"**

**Associates & 3<sup>rd</sup> Parties:**

**Global & Local Investment Advisors** has a number of associated companies, however it must be noted that in none of these influence prejudice the operations, processes and/or advice provided to clients in any way.

Should clients/investors be referred to products or services provided by such associated companies then the clients/investors will be afforded the choice of whether to use our associated companies or to use other providers to fulfil the need that the client/investor may have. Any fees earned by our associated companies will be disclosed to the client/investor.

The associated companies as well as the nature of the relationship is hereby confirmed and this list is accurate as per the date of this document.

<b><u>Company Name</u></b>	<b><u>Nature of Relationship with Global &amp; Local Investment Advisors</u></b>
Global Capital Solutions	Acts as product provider to Global & Local Investment Advisors for specialised offshore investment products.
Global & Local Accounting Services	Common landlord, common director, provides Global & Local Investment Advisors with accounting and tax services, common shareholder