

CONFLICT OF INTEREST MANAGEMENT POLICY



HEPSTAR FINANCIAL SERVICES (PTY) LTD (FSP: 45097)
Last update: 2023.12

1. DEFINITIONS

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 interest of that client, including but not limited to -
 - i) a financial interest;
 - ii) an ownership interest;
 - iii) any relationship with a third party.

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 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 accommodations associated with that training;
- c) a recognised qualifying enterprise development contribution to a qualifying beneficiary by a provider that is a measured entity.

Immaterial Financial Interest means any financial interest with a determinable monetary value, the aggregate of which does not exceed R1 000 in any calendar year from the same third party in that calendar year received by:

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

CONFLICT OF INTEREST MANAGEMENT POLICY

HEPSTAR FINANCIAL SERVICES (PTY) LTD (FSP: 45097)
Last update: 2023.12



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 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.

Third party means –

- a) a product supplier;
- b) another provider;
- c) an associate of a product supplier or a provider;
- 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 provider or its representatives.

Associate means –

- 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 (ii), (iii) and (iv);
 - vi) a person who is in a commercial partnership with that person.

CONFLICT OF INTEREST MANAGEMENT POLICY

HEPSTAR FINANCIAL SERVICES (PTY) LTD (FSP: 45097)
Last update: 2023.12



b) in relation to a juristic person,

- i) which is a company, means any subsidiary or holding company of that company, any other subsidiary of that holding company and any other company of which that holding company is a subsidiary;
- ii) which is a closed corporation registered under the Close Corporations Act, means any member thereof as defined in section 1 of that Act;
- iii) Which is not a company or a closed corporation, means another juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person:
 - had such first-mentioned juristic person been a company; or
 - in the case where that other person, too, is not a company, had both the first-mentioned juristic person and that other 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.

Distribution channel means –

- a) any arrangement between a product supplier or any of its associates and one or more providers or any of its associates in terms of which arrangement any support or service is provided to the provider or providers in rendering a financial service to a client;
- b) any arrangement between two or more providers or any of their associates, which arrangement facilitates, supports or enhances a relationship between the provider or providers and a product supplier;
- c) any arrangement between two or more product suppliers or any of their associates, which arrangement facilitates, supports or enhances a relationship between a provider or providers and a product supplier.

CONFLICT OF INTEREST MANAGEMENT POLICY

HEPSTAR FINANCIAL SERVICES (PTY) LTD (FSP: 45097)
Last update: 2023.12



2. PURPOSE

The purpose of this policy is to avoid potential conflict of interest or mitigate conflict of interest arising between Hepstar or its representatives and a client. This policy provides guidelines for the effective management of conflicts of interests and includes prescribed guidelines and measures for:

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

3. PROCESS

3.1 Identification

Hepstar understands that the protection of clients' interest is an integral part of its duties as a financial service provider and that such protection can only be upheld by providing its clients with financial services which are unbiased, impartial, fair and objective. Hepstar understands that conducting business in the presence or existence of a conflict of interest may be to the detriment of its clients and result in clients being prejudiced. Hepstar's representatives are informed of the potential consequences of conflict of interest and are directed to identify, acknowledge, and report to the Key Individual the existence or presence of potential or actual conflict of interest as soon as possible.

In respect of the above, a **Representative** of Hepstar is required to apply his or her mind in order to determine whether a situation exists that -

- Influences the objective performance of his or her obligations towards a client; or
- Prevents him or her from providing unbiased and fair financial service to a client; or

CONFLICT OF INTEREST MANAGEMENT POLICY



HEPSTAR FINANCIAL SERVICES (PTY) LTD (FSP: 45097)
Last update: 2023.12

- Prevents him or her from acting in best interest of a client;
and whether -
- The situation originates from a potential or existing relationship with a third party; or
- Potential financial or ownership interest is causing the situation to exist.

Should situation such situation be affirmed, a conflict of interest has been identified.

In respect of the above, the **Key Individual** of Hepstar is required to apply his or her mind in order to determine whether a situation exists that -

- Influences the objective performance of a representative's obligations towards a client; or
- Prevents a representative from providing unbiased and fair financial service to a client; or
- Prevents a representative from acting in best interest of a client;
and whether -
- The situation originates from a potential or existing relationship with a third party; or
- Potential financial or ownership interest is causing the situation to exist.

Should situation such situation be affirmed, a conflict of interest has been identified.

3.2 Proper performance of Representatives

When rendering a financial service, Representatives of Hepstar must not allow their opinion or discretion to be influenced by unrelated external persuasions, prejudice or preference without reasonable justification which would result in such opinion or discretion being exercised other than in the best interests of the client.

Representatives of Hepstar must provide clients with logical reasons and explanations for their opinion or advice, and where a client is disqualified or ineligible for a benefit due to the client being part of a certain group of clients.

3.3 Identifying and Recording Conflict of Interest

- The Key Individuals of Hepstar will conduct annual reviews of all contracts held with and all relationships where an ownership interest exists with third parties in order to assess whether the relationship in any way influences –

CONFLICT OF INTEREST MANAGEMENT POLICY

HEPSTAR FINANCIAL SERVICES (PTY) LTD (FSP: 45097)
Last update: 2023.12



- the FSP's objective performance towards its clients;
- the FSP's ability to render fair and unbiased financial services towards its clients;
- the FSP's ability to act in the best interest of the client.
- The Key Individual and Representatives shall on a quarterly basis sign a declaration stating where conflict of interest is present or that no such conflict exists.
- Hepstar's associates do not cause any conflict of interest.
- Hepstar does not receive any gifts from third parties.
- Hepstar Representatives must report suspected conflict of interest to the Key Individuals of Hepstar.
- Hepstar shall maintain records of all actual or potential conflict of interests which records must be readily accessible for purposes inspection.

3.4 Avoidance and Mitigation

In the event that a conflict of interest is identified, Hepstar shall do the following in order to determine whether the conflict can be avoided:

- A Key Individuals of Hepstar will convene and review conflict of interest in a transparent process;
- Inform all relevant parties;
- Inform Hepstar's external Compliance Officer;
- Consider contracting with a different person or entity;
- Vote to proceed, remove the underlying cause of the conflict or look for an alternative arrangement which does not give rise to conflict of interests;
- Record the reason(s) for the conflict, why it can or cannot be avoided and document the process of avoiding the conflict or mitigating the effects of conflict where it cannot be avoided;
- Inform Hepstar representatives of the protocol so as to avoid or mitigate the effects the conflict;
- Disclose to clients as soon as practicable, confirm same in writing within 30 days, whether or not it materially affects the provision of services:
 - The nature of the relationship with a third party;
 - Whether it originates from financial and/or ownership interest;
 - The effects of the conflict.

CONFLICT OF INTEREST MANAGEMENT POLICY

HEPSTAR FINANCIAL SERVICES (PTY) LTD (FSP: 45097)
Last update: 2023.12



- Disclose the nature and effects of the conflict to the Financial Sector Conduct Authority during the Hepstar's annual compliance report.
- During the review process, the Key Individual must determine how proceeding with the relevant business despite the conflict will affect the following and how it will mitigate such effects:
 - Client interest;
 - Integrity of the financial services industry;
 - Integrity of Hepstar.

3.5 Disclosure

Potential or actual conflict of interest must be disclosed to clients:

- In full and in terms they understand;
- By hardcopy, telefax or email, readable print size, spacing and format and reducible to written or printed form;
- Before or when financial service is provided;
- Allowing the client a reasonable opportunity to query and assess any possible effects thereof;
- Allowing the client to make an informed decision based thereon; and
- Allowing the client access to this conflict of interest policy and Hepstar's gift register on request.

4. COMPLIANCE WITH THE POLICY

4.1 Reporting

The Key Individuals of Hepstar shall be responsible for implementing such internal controls necessary to ensure continued compliance with this policy, which shall include the following:

- The adoption of this policy shall be confirmed by Hepstar's key individual and the compliance officer and kept on the compliance file.
- Hepstar's staff shall acknowledge this policy by signing periodic declarations confirming their knowledge hereof and with same undertakes to adhere hereto.
- Contracts held with third parties shall be reviewed annually and captured in the compliance report.
- Hepstar's associates shall be recorded annually for disclosure to clients upon request.
- Ownership interest in third parties shall be recorded annually for disclosure to clients upon request.

CONFLICT OF INTEREST MANAGEMENT POLICY



HEPSTAR FINANCIAL SERVICES (PTY) LTD (FSP: 45097)
Last update: 2023.12

- Ownership interest in Hepstar owned by third parties shall be recorded annually for disclosure to clients upon request.
- A register shall be kept of all gifts received from third parties, with an estimated value of R100, the existence of which shall be confirmed in the compliance report.
- Fulfilment of the proper disclosure requirements shall be recorded and confirmed by the compliance officer.

4.2 Financial interest offered to Representatives

It is recorded that all fees and commissions of Hepstar products are fixed and received by Hepstar in its capacity as the authorised intermediary and/or binder holder of the insurers and representatives are not entitled to receive any financial interests from a third party for rendering of financial service.

It is further recorded that Hepstar does not distribute products from different insurers through the same Distribution Channel where such products are similar to or compete with each other. Accordingly, Hepstar does not offer any financial interest to its representatives to give preference to a certain product or insurer. Hepstar representatives must satisfy themselves that a client is eligible for cover under a product.

4.3 Financial Interest offered to or by Third Parties

Hepstar may only offer / receive financial interests listed below to / from a Third party for rendering of a financial service.

- Commissions authorised under the Insurance Act.
- Fees authorised under the Insurance Act if those fees are reasonably commensurate to a service being rendered.
- Fees for the rendering of financial services in respect of which the abovementioned commissions and fees are not paid, provided that the client agreed to such fees in writing and may be stopped at the discretion of the client.
- Fees or remuneration for the rendering of a service to a third party, which fees or remuneration are reasonably commensurate to the service being rendered.
- An immaterial financial interest (i.e. a 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 provider who is a sole proprietor, or a representative for that representative's direct benefit, or a provider who for

CONFLICT OF INTEREST MANAGEMENT POLICY

HEPSTAR FINANCIAL SERVICES (PTY) LTD (FSP: 45097)
Last update: 2023.12



- its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.)
- A financial interest not referred to above, for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

5. CONSEQUENCES OF NON-COMPLIANCE

Where employees and representatives of Hepstar have allegedly failed to adhere to the disclosure requirements of this policy they shall be afforded the opportunity to explain such failure. Hepstar's Key Individuals shall take appropriate disciplinary and corrective action where employees and representatives are found guilty of such failure and the employee or representative's explanation does not suffice.

6. LIST OF ASSOCIATES AND OWNERSHIP INTEREST

A list of Hepstar's associates and ownership interest can be requested by emailing heinrich@hepstar.com.