

# **CONFLICT OF INTEREST - GIFTS, BENEFITS & HOSPITALITY POLICY AND PROCEDURES**

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## INTRODUCTION

Prudential South Africa is committed to avoiding conflicts of interest with our clients and, in situations where a conflict may present as a result of personal or business structures, processes or relationship, that we place our clients' interests ahead of our own.

One such area where a conflict can manifest itself is with regards to the acceptance or giving of gifts, benefits or hospitality to or from suppliers, counterparties, intermediaries, clients or issuers.

## SCOPE, OVERSIGHT AND ACCOUNTABILITY

### SCOPE

This policy applies to all staff and companies within the Prudential SA Group:

1. Prudential Portfolio Managers (SA) (Pty) Ltd ("PPM SA")
2. Prudential Portfolio Managers (SA) Unit Trust Ltd ("Prudential UT")
3. Prudential Portfolio Managers (SA) Life Ltd ("Prudential Life")
4. Prudential Portfolio Managers (Nam) (Pty) Ltd ("Prudential Nam")
5. Prudential Namibian Unit Trust Ltd ("PUT Nam")
6. Prudential Investment Managers (South Africa) (Pty) Ltd ("Prudential Investment Managers")

For certainty, "staff" includes full time employees, fixed term contractors, temporary staff and executive directors. Specific sections of this policy are identified as also applying to non-executive directors and company officers.

### OVERSIGHT

This policy is subject to monitoring and oversight by the Prudential SA Risk and Compliance function.

### ACCOUNTABILITY

**Staff** are accountable for reading, understanding and complying with the standards and processes contained in this policy.

**Management** are accountable for ensuring that the processes and controls in their departments are designed to avoid and manage conflicts of interest for their teams and for Prudential.

**Risk and Compliance** are accountable for ensuring that this policy is aligned with regulation and with Prudential plc Group standards, as they may change from time to time; for monitoring processes and controls to ensure compliance with this policy and for reporting any breaches of this policy according to the Prudential SA risk and compliance escalation framework.

**Executive Management** are accountable for resolving any agreed breaches of this policy and for maintaining business structures and functions that comply with regulation.

### BREACHES AND ENFORCEMENT

Non-Compliance with this policy may be handled in terms of Prudential SA's disciplinary procedures.

### APPLICABILITY OF THE POLICY TO INTERPERSONAL RELATIONSHIPS

Staff members who have pre-existing or newly formed interpersonal relationships with suppliers and counterparties or with clients and intermediaries are expected to be particularly cautious of the perception of impropriety and must be able

to distinguish between when they are acting in their personal capacity, in which case this Policy would not apply, from when they are acting in their capacity as a Prudential employee.

Staff members with such interpersonal relationships have additional disclosure obligations described in the Prudential SA Conflicts of Interest Policy.

## **LEGISLATION AND REGULATION**

### **DEFINITIONS**

A conflict of interest<sup>1</sup> is:

- 1) Any actual or potential conflict;
- 2) That may manifest while rendering a financial service (i.e. either advice OR intermediary service)
- 3) To a client
- 4) That may influence the objectivity of the obligations to that client
- 5) Or prevent an unbiased and fair financial service to that client
- 6) Or prevent Prudential SA from acting in the best interests of that client

A conflict of interest includes a financial interest; an ownership interest or a relationship with a third party. A “relationship” includes interpersonal and business relationships between people and inter-relatedness of companies due to their corporate structures.

A financial interest<sup>2</sup> is:

- 1) Cash, Cash equivalent or Voucher
- 2) Gift
- 3) Service
- 4) Advantage (including any gain or advantage, such as information, time or deadline waivers, access to decision makers, that would not ordinarily be available to any similar client and intermediary or from any supplier or counterparty)
- 5) Benefit
- 6) Discount (including fee deductions that would not ordinarily be available to any similar client and intermediary or from any similar supplier or counterparty)
- 7) Travel
- 8) Hospitality
- 9) Accommodation
- 10) Sponsorship
- 11) Incentive

An immaterial financial interest<sup>3</sup> is:

- 1) A determinable monetary value
- 2) Of less than R1000 (R500 for Namibian Staff) per calendar year per person

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<sup>1</sup> Section 1 of the FAIS General Code of Conduct

<sup>2</sup> Section 1 of the FAIS General Code of Conduct

<sup>3</sup> Section 1 of the FAIS General Code of Conduct

- a) from the same supplier or counterparty or
- b) to an individual at a client or intermediary.

An ownership interest<sup>4</sup> is:

- 1) Any equity or proprietary interest
- 2) Dividend
- 3) Share

A client<sup>5</sup> is:

- 1) A specific person or group of people
- 2) Who is or may become
- 3) Subject to a financial service
- 4) Provided by the Financial Services Provider (i.e. the asset manager, Prudential Investment Managers)
- 5) Or who is the successor in title or beneficiary of the original client

“Third Party” means

- 1) A product supplier;
- 2) Another provider;
- 3) An associate of a product supplier or a provider;
- 4) A distribution channel; or
- 5) Any person who in terms of an agreement or arrangement with a person referred to in (1) to (4) above who provides a financial interest to a provider or its representatives.

A supplier includes but is not limited to:

- 1) Financial consultants and intermediaries, client fiduciaries, client representatives (such as Trustees, Consultants, Directors, etc.)
- 2) suppliers of equipment, products, services, market and economic data, research, banking, custody, administration, legal, accounting, marketing, office or other consulting services
- 3) regardless of whether a fee is paid directly or indirectly or
- 4) whether the fee is for Prudential SA’s account or for the client account.

Advice<sup>6</sup> is:

- 1) Any recommendation, guidance or proposal
- 2) On a financial product (i.e. insurance policy; unit trust; cash or financial instrument)
- 3) In respect of the purchase, sale or variation of that product

“Advice” excludes factual, legal or administrative information. It is accepted that Prudential SA does not generally provide advice.

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<sup>4</sup> Section 1 of the FAIS General Code of Conduct

<sup>5</sup> Section 1 of the FAIS Act, 37 of 2002

<sup>6</sup> Section 1 of the FAIS Act, 37 of 2002

An intermediary service<sup>7</sup> is:

- 1) A financial service performed on behalf of a client or product supplier
- 2) That leads to a transaction on the financial product
- 3) And includes:
  - a) Discretionary or non-discretionary asset management
  - b) Administration of assets
  - c) Settlement and custody services
  - d) Collecting premiums and paying benefits
  - e) Receiving, submitting or processing claims

Prudential SA performs intermediary services in the discretionary asset management processes, investment administration and Prudential Life and Prudential Investment Managers client take-on and disinvestment processes.

## **PRINCIPLES**

The principles expressed in the legislation apply to the organisation and to the individual staff members within that organisation.

An investment manager must act honestly and fairly, with the utmost good faith and with due skill, care and diligence, in the interests of clients and the integrity of the financial services industry<sup>8</sup>.

An investment manager must avoid conflicts of interests with investors and must act with circumspection and treat clients fairly in a situation of conflicting interests<sup>9</sup>.

An investment manager must disclose the interests of its managers, directors and representatives within the organisation and, where relevant, to investors<sup>10</sup>.

In certain extreme instances, the acceptance of a tangible or intangible gift or benefit as an inducement can meet the definitions of a corrupt activity<sup>11</sup>.

## **RECEIVING A FINANCIAL OR OWNERSHIP INTEREST**

No staff member, acting in their capacity as an employee of Prudential SA, may accept a financial or ownership interest that:

- 1) is material in nature
- 2) is given with the expectation of an exchange or benefit that could constitute a contravention of the Anti-Corruption Act
- 3) could appear to compromise the staff member's business judgment, objectivity or professional credibility

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<sup>7</sup> Section 1 of the FAIS Act, 37 of 2002

<sup>8</sup> Section 16(1)(a) of the FAIS Act and Section 2 of the Financial Institutions (Protection of Funds) Act, 28 of 2001

<sup>9</sup> Section 4(1) of the Collective Investment Scheme Control Act 45 of 2002 and section 16(1)(e) of the FAIS Act.

<sup>10</sup> Section 4(2) of the Collective Investment Scheme Control Act; section 3 of the Financial Institutions (Protection of Funds) Act and section 3(1)(c) of the FAIS General Code of Conduct

<sup>11</sup> Section 1 of the Prevention and Combating of Corrupt Activities Act 12 of 2004

- 4) could compromise Prudential SA's reputation or brand
- 5) is an ownership interest in any company, issuer or financial institution, whether listed or unlisted, for which they have not paid a fair market value
- 6) is a discounted services or special financial facilities or arrangements from any supplier or potential supplier to Prudential SA that have been offered due to a staff member due to their position at or employment with Prudential SA and where this arrangement has the potential or could be seen to have the potential to suggest a quid pro quo arrangement.

For the purposes of this Policy, the following items are considered immaterial:

- 1) Customary and reasonable refreshment and meals provided during the course of a business meeting or business engagement
- 2) Gifts, promotional or branded items or entertainment events not exceeding R1000 from a single supplier, counterparty, issuer, business associate or client in any one year.

### **GIVING OF A FINANCIAL INTEREST**

No staff member, acting in their capacity as an employee of Prudential SA, may give any third party a financial or ownership interest that:

- 1) is material in nature
- 2) is given with the expectation of an exchange or benefit that could constitute a contravention of the Anti-Corruption Act
- 3) could appear to compromise the client, intermediary or the staff member's business judgment, objectivity or professional credibility
- 4) could compromise Prudential SA's reputation or brand

For the purposes of this Policy, the following items are considered immaterial:

- 1) Customary and reasonable refreshment and meals provided during the course of a business meeting or business engagement
- 2) Gifts, promotional or branded items or entertainment events not exceeding R1000 to a third party in any one year.

The giving or discounting of an ownership interest to any party by Prudential SA or any of its subsidiaries or associated companies is specifically not covered by this Policy.

### **DETERMINING THE COST OF A FINANCIAL INTEREST**

The cost of the gift, benefit or entertainment is determined by either the displayed cost of the item (e.g. face price of a ticket), its retail cost or the amount paid by the giver and not the subjective value to the recipient.

The cost of entertainment includes hospitality costs such as meals, refreshments, venue costs, etc.

The cost of any gift, benefit or entertainment excludes any advertising and promotional spend at the event (e.g. banners, branded rental space, brochures, etc.).

The cost excludes shipping costs but includes the recipients transport costs.

When giving a gift, benefit or entertainment, Prudential SA staff members are urged to provide the recipient with either confirmation that the item or event is within the defined definition of “immaterial financial interest” or the actual cost of the item or event.

## **PERMISSIBLE CONFERENCES & TRAINING EVENTS**

### **ATTENDING**

Staff members may attend conferences, and training events hosted and sponsored by external consultants, intermediaries, suppliers and competitor financial services or product providers subject to:

- 1) Prior approval being received from their direct line manager
- 2) The event being primarily related to general market or investment knowledge and information or product specific information

Transport and/or accommodation costs must be approved and paid for by Prudential SA or be immaterial in nature . Consequently, the transport and accommodation costs must be approved in terms of Prudential SA’s Approvals Framework.

### **HOSTING**

Prudential SA may sponsor and host conferences and training events for intermediaries, consultants, clients and client representatives subject to the event being primarily related to general market or investment knowledge and information or product specific information

Transport and/or accommodation costs may not be paid for by Prudential SA unless they are immaterial in nature, Customary and reasonable refreshment and meals may be provided during the course of the event. All permissible conferences and training events that are hosted by prudential SA must be co-ordinated via Prudential SA Marketing.

## **PERMISSIBLE INVESTMENT RESEARCH VISITS**

Investment staff members may attend on-site research visits hosted and sponsored by suppliers or issuers.

Transport and/or accommodation costs must be approved and paid for by Prudential SA or be immaterial in nature. Consequently, the transport and accommodation costs must be approved in terms of Prudential SA’s Approvals Framework.

In exceptional circumstances, for instance where the site is remote or commercial transport and/or accommodation is not practicable, the investment staff member may accept such transport and/or accommodation subject to Chief Investment Officer approval.

## **DISCLOSURE AND REPORTING**

Staff members must disclose, via email:

- 1) All immaterial financial interests received to [compliance@prudential.co.za](mailto:compliance@prudential.co.za) and / or **Reception**. The disclosure must include the cost, the name of supplier and the date received.

- 2) All immaterial financial interests given by Prudential SA or any staff members to Prudential SA Marketing unless such financial interest has been facilitated by the Marketing department. The disclosure must include the cost, the name of the recipient and the date given.
- 3) All permissible training events and conferences sponsored by external third parties to [compliance@prudential.co.za](mailto:compliance@prudential.co.za) and / or **Reception**. The disclosure must include the cost of the event, the name of host company/ies, the date of the event and confirmation that the event was pre-approved by their direct line manager.

Prudential Risk and Compliance will maintain a register of these disclosures and may make this register available internally to executive management or the board of directors or externally to the Regulator if lawfully requested to do so.

## **IMPLEMENTATION AND DISTRIBUTION**

This policy is subject to annual self-certification by all staff. This policy may be distributed externally without Management approval.

## AMENDMENT LOG

<b>Date</b>	<b>Materiality</b>	<b>Page</b>	<b>Description</b>
September 2012	Material	Pg. 7: Disclosure	Disclosure process amended - disclosures to Administrator
November 2013	Immaterial	All	Layout to new Prudential template
	Material	Page 8: Disclosure	Disclosure process amended – disclosures to Compliance
	Immaterial	Page 3	Include PIMSA
July 2014	Immaterial	All	Layout to new Prudential template
November 2016	Immaterial	All	Layout to new Prudential template
	Immaterial	Pg 7	Inclusion of disclosure to Reception
February 2018	Immaterial	Pg 6	Typo corrected and amendments made in line with General Code of Conduct.