

CONFLICTS OF INTEREST POLICY

NOVEMBER 2018



CONTENT

INTRODUCTION	2
SCOPE, OVERSIGHT AND ACCOUNTABILITY	2
LEGISLATION AND REGULATION	3
PERSONAL CONFLICTS OF INTEREST	5
BUSINESS CONFLICTS OF INTEREST	7
IMPLEMENTATION AND DISTRIBUTION.....	10
AMENDMENT LOG	11

INTRODUCTION

Prudential South Africa is entrusted with the stewardship of our clients assets and this is a responsibility that we take very seriously. Our reputation as responsible, considered investment professionals is important to us and we seek to be above reproach when investing for our clients. A conflict of interest prejudices or can be seen to prejudice an individual's objectivity and ability to act in the best interests of the company or our clients.

Prudential SA seeks to comply with all relevant legislative obligations but aims to set higher standards when it comes to protecting our reputation.

This policy sets out the standards set by Prudential SA in respect to avoiding or, where this is not possible, mitigating potential and actual conflicts of interest. It encompasses conflicts that can manifest as a result of the staff member's personal interests and relationships as well as businesses interests and associations.

This policy is in alignment with the South African regulations. It has been approved by the Executive Committee and adopted by the Board of Directors.

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. Staff are encouraged to bring any situations where significant conflicts of interest exist and which are not covered by this policy to the attention of the Risk and Compliance department.

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, 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 enhance Prudential SA's reputation.

BREACHES AND ENFORCEMENT

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

LEGISLATION AND REGULATION

DEFINITIONS

A conflict of interest¹ 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 (or potential 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 (personal or business) with a third party.

A financial interest² is: Cash, Cash equivalent or Voucher; Gift; Service; Advantage; Benefit; Discount; Travel; Hospitality; Accommodation; Sponsorship; Incentive

An ownership interest³ is:

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

A Supplier includes but is not limited to:

- 1) suppliers of equipment, products, services, market and economic data, research, banking, custody, administration, legal, accounting, marketing, office or other consulting services
- 2) regardless of whether a fee is paid directly or indirectly or
- 3) whether the fee is for Prudential SA's account or for the client account.

Third party: means:

- 1) a product supplier;
- 2) another provider;

¹ Section 1 of the FAIS General Code of Conduct

² Section 1 of the FAIS General Code of Conduct

³ Section 1 of the FAIS General Code of Conduct

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

Advice⁴ is:

- 1) Any recommendation, guidance or proposal of a financial nature furnished by any means or medium
- 2) To a client or group of clients (specific person or group of persons, excluding the general public, who is or may become the subject to whom a financial service is rendered intentionally, or is the successor in title of such person or the beneficiary of such service)
- 3) On a financial product (i.e. insurance policy; unit trust; cash or financial instrument)
- 4) In respect of the purchase, assumption of a liability, sale or variation of that product

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

An intermediary service⁵ 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 does perform intermediary services in the discretionary asset management processes, investment administration and PPM Life and PIM SA client take-on and disinvestment processes.

PRINCIPLES

The principles expressed in the legislation are imposed on the organisation and on the individual staff members in 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 industry⁶.

An investment manager must avoid, where possible, or mitigate conflicts of interests with investors and must act with circumspection and treat clients fairly in a situation of conflicting interests⁷.

⁴ Section 1 of the FAIS Act, 37 of 2002

⁵ Section 1 of the FAIS Act, 37 of 2002

⁶ Section 16(1)(a) of the FAIS Act and Section 2 of the Financial Institutions (Protection of Funds) Act, 28 of 2001

⁷ Section 4(1) of the Collective Investment Scheme Control Act 45 of 2002 and section 16(1)(e) of the FAIS Act.

Mitigation of conflicts of interest includes the organisational controls described in this policy and, where such controls cannot provide reasonable certainty that the conflict has been appropriately mitigated, disclosure to the relevant existing or new client.

An investment manager must disclose the interests of its managers, directors and representatives within the organisation and, where relevant, to investors⁸.

In certain extreme instances, the acceptance of a tangible or intangible gift or benefit as an inducement can meet the definitions of a corrupt activity⁹.

PERSONAL CONFLICTS OF INTEREST ANTI-BRIBERY POLICY

Prudential SA prohibits:

- 1) the offering, the giving, the solicitation or the acceptance of
- 2) any bribe, whether in the form of cash or other inducement,
- 3) to or from any person or company, wherever they are situated and whether they are a public official or body or private person or company
- 4) by any individual employee, agent or other person or body acting on Prudential SA's behalf
- 5) in order to gain any commercial, contractual or regulatory advantage for Prudential SA
- 6) in a way which is unethical or in order to gain any personal advantage, pecuniary or otherwise, for the individual or anyone connected with the individual.

The full policy, including the individual and organisation obligations and disclosure and reporting procedures, is available at: Financial Crime Policy including Fraud and Anti-Bribery.

PERSONAL ACCOUNT DEALING POLICY

It is Prudential SA's policy to permit personal account dealing by staff members in a managed and controlled process.

Personal Account dealing by staff members of an investment manager can and does result in conflicts of interest. There are also advantages for clients when their own investment interests and those of their managers are appropriately aligned and when personal dealing is managed and controlled.

In brief, Prudential SA's staff are not permitted to trade in any instrument while client portfolios are in the market with respect to those instruments, regardless of the direction. Nor are they permitted to trade while an instrument is under consideration for inclusion, exclusion or variation in client portfolios.

All personal dealing performed or influenced by a staff member, including dealing by an associate of the staff member, must be disclosed and pre-approved in terms of a defined process.

The policy and process is available at: Personal Account Dealing Policy.

⁸ 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

⁹ Section 1 of the Prevention and Combating of Corrupt Activities Act 12 of 2004

Staff may invest in the financial products managed by PPM SA e.g. the funds under a collective investment scheme.

POLICY FOR RECEIVING OR GIVING FINANCIAL OR OWNERSHIP INTERESTS

Prudential sets limits regarding giving and receiving financial benefits from third parties. Prudential SA, and its employees, will not give or receive any financial interest which objectively viewed creates a conflict of interest toward its clients. It is Prudential SA's policy to permit staff to accept or give token gifts of less than R500 per annum from suppliers, counterparties, issuers and intermediaries. Disclosure of gifts and benefits is required by all employees. The Compliance Department maintains a register of all gifts and benefits received.

The policy is available at: Gifts, Benefits and Hospitality Policy.

DISCLOSURE OF DIRECTOR INTERESTS

All Directors and officers who attend Board meetings or sub-committee meetings must regularly disclose their personal financial interests to the Board regardless of whether such interests represent an actual or potential conflict with Prudential SA's interests. This disclosure is noted by the Company Secretary and retained as a record of proceedings.

DISCLOSURE OF STAFF INTERESTS

Staff members with interpersonal relationships with suppliers or counterparties and who have any decision making influence over the commencement, continuation or termination of the business relationship, or are involved in the provision of services or products by that supplier or counterparty, must:

- 1) disclose such relationship in email to their direct line manager or, where relevant, the committee tasked with the relevant procurement; and
- 2) ensure independent oversight by someone with knowledge of the interpersonal relationship over processes such as tenders, appointments, reviews, benchmarking or contractual negotiations.

For clarity, this disclosure obligation includes situations where the interpersonal relationship with an existing or potential supplier or counterparty is indirect (e.g. via a family member or close friend).

Staff members who engage in personal relationships (including romantic relationships) should be aware of their professional responsibilities and will be responsible for assuring that the relationship does not raise concerns about favouritism, bias, ethics and conflict of interest. Romantic relationships between staff members where one individual has influence or control over the other's conditions of employment may ultimately result in an unmanageable conflict or difficulties in the workplace and as such, are strongly discouraged by Prudential SA.

Staff should declare to their line manager or the department head (where the issue may involve the immediate line manager) any existing or new personal relationship they have with other members of staff. The line manager or Head of Department will, in consultation with the member(s) of staff and with the HR Department, attempt to find ways in which potential conflicts of interest can be managed or avoided (where necessary), e.g. a change in reporting arrangements, or duties within a team; investigating one party being moved to another area of work or work location, if appropriate in the circumstances.

Staff who declare a personal relationship at work, should be treated fairly and with due regard to equality of treatment issues.

In order to avoid any actual or potential conflict of interest, members of staff who are in a line management or supervisory role, should not be involved in:

- the Performance Review, promotion or discipline involving a member of staff with whom they have a declared personal relationship;
- the authorisation of any financial payments/decisions relating to financial matters e.g. expense claims, salary changes or allocation of external funding for a staff member with whom they have a declared personal relationship.

SECOND JOBS

A second job may create a conflict of interest for staff members. The conflict can be direct (eg a potential competitor) or indirect (eg impacting work performance or Prudential's reputation). Depending on the nature of the second job, it can also attract legal liability to Prudential. All staff members with second jobs must have a member of the Executive Committee's (via their direct line manager) express permission to accept any second job regardless of whether or not it is short term, temporary, does not involve work during normal office hours or is unrelated to financial services. This permission may be retracted on legitimate grounds. When requested, staff members must disclose any second jobs.

REMUNERATION

All staff are remunerated with a mix of guaranteed pay and variable compensation.

All staff, including Risk and Compliance staff, also participates in a short term variable compensation pool that is driven exclusively by business profits. New business consultants are partly incentivised by means of commission driven business targets. These targets include achieving new business targets as well as servicing and supporting existing business. Investment staff are further incentivised based on client and product investment performance. The investment performance bonus arrangement aims to align the interests of the investment professionals with those of our clients.

The Prudential Employee Equity Trust is an indirect 28.01% shareholder in PPM SA and all staff are beneficiaries under this trust.

BUSINESS CONFLICTS OF INTEREST SPONSORSHIPS AND RECIPROCAL AGREEMENTS

Prudential SA does not enter into agreements to supply investment services to a fiduciary client that includes reciprocal commercial provisions involving the client, its sponsoring employer or organisation or its consultants and advisors.

Prudential SA may make donations or sponsorships to clients or their sponsoring employer or body, intermediaries; not-for profit organisations and social development organisations subject to:

- 1) Prior approval by Executive Management
- 2) The recipient organisation not being directly or indirectly associated with a political party, government body or religious organisation
- 3) The purpose for the donation or sponsorship is defined and is not likely to negatively impact Prudential SA or the Prudential Group's brand and reputation.

Prudential SA does not make political donations of any kind. Charitable donations to independent welfare organisations are made within the framework and terms of reference of the Corporate Social Investment committee.

Payments to regulatory bodies are limited to Gazetted license fees and levies. Prudential SA does not generally make payments to regulatory lobbying consultants but may appoint legal representatives for regulatory work including but not limited to lobbying on its behalf, seeking regulatory rulings, defending regulatory rulings or challenging regulatory interpretation.

INVESTMENT INDEPENDENCE

Prudential SA is not associated with any South African financial service company, banking institution or stockbroker or any issuer company into which we can invest on behalf of clients.

10% of the shares in issue in Prudential Portfolio Managers (SA) (Pty) Ltd are held by Thesele Asset Management (Pty) Ltd and 12% are held by Thesele Asset Management No 2 (Pty) Ltd. The Thesele Group does not provide any paid for services to Prudential SA or its clients.

The Prudential Staff Investment Company (Pty) Ltd owns 28.01% of PPMSA.

49.99% of the shares in issue are owned by M&G Limited.

Prudential SA has a sister company registered in Ireland, PGF Management Company (Ireland) Limited ("PGF"), which has the same shareholders as PPMSA. PGF acts as the alternative investment fund manager offering unitised funds in Ireland.

In order to offer clients international exposure in their investment portfolios, Prudential SA may, subject to mandate provisions and disclosures, invest in unitised funds managed by M&G and PGF Ireland. These investments are done on an arms length basis and Prudential SA portfolio managers are not restricted or required to invest in such funds. Investment performance is determined by an independent process and is reviewed against, amongst other measures, fund strategy, benchmarks and objectives.

The investment decision making structures within Prudential SA are designed to facilitate independent professional thought and challenge and no investment decision maker is restrained by corporate structures or any potential corporate interest when investing on behalf of clients. Investment rationales are supported by decision making models and a group-based investment decision making process that includes peer review and challenge.

Prudential SA does not perform underwriting, debt or equity origination, scrip lending or securitisation services or actively manage its own proprietary assets including the created but un-issued units ("trading box") in collective investment schemes under administration. Prudential SA does not, as a regular part of its business, earn transaction fees on any trading that is affected for client portfolios including derivative, fixed income and unlisted instruments. In specifically contracted situations, Prudential SA may agree to transaction based fees on specific asset classes and where any conflict can be appropriately managed.

PROPRIETARY INVESTMENTS

While Prudential SA does not actively manage its proprietary assets, it does "seed" new funds or new investment strategies with operating or shareholder capital as required by law and best investment practice. The seed capital plus

any growth may be withdrawn when the strategy and track record is proven or the size of the fund permits withdrawal without prejudicing the clients invested.

COMMISSION SHARING

Prudential SA does not engage in the practice commonly known as “softing”. Prudential SA does however negotiate, on behalf of its clients, bundled brokerage fees that include research and execution services. The execution services may include trading platforms and the research services include investee company research, market and bespoke research and recommendations. These services may be provided by way of software, platforms or electronic research feeds.

FAIR TREATMENT OF CLIENTS

Prudential SA is committed to treating clients fairly and ensuring that no client receives preferential treatment that may prejudice another client.

The following specific processes exist in order to achieve and demonstrate the fair treatment of clients:

- 1) The fair and automated allocation of trades to client portfolios
- 2) Consolidation of orders to avoid unintended impacts of order priority
- 3) Limited discretion to investment decision makers to exclude orders where trading costs cannot be justified
- 4) Cross trading between client portfolios, while permitted and encouraged as a means of minimising client trading costs and maximising exposure to desired illiquid assets, is subject to the trade being performed at an established and fair market price and the group decision making model.
- 5) The remuneration structures for investment professionals support performance without preferring specific clients
- 6) The remuneration structures for client sales and services support new business and servicing without preferring specific clients within various products
- 7) Where investments are made into funds managed by Prudential SA and by associates of Prudential SA, the fees are disclosed and, where necessary, adjusted to ensure that double charging does not occur.
- 8) Where investments are made into funds managed by Prudential SA and by associates of Prudential SA, these investments are managed in terms of client mandates and the performance of the Prudential SA fund is independently reviewed and verified.
- 9) Care is taken to ensure that similar clients are charged similar fees. Fee differentiation is however accepted to account for specific differences between the services provided. Examples include materially different sizes of client portfolios, differences in mandates, performance fee agreements that may be required by some clients, different service level agreements, expected growth in clients’ portfolios, whether client portfolios are segregated or invested in pooled products and any risks assumed by Prudential SA in managing the portfolios.

STOCK-BROKER AND COUNTERPARTY ALLOCATIONS

Prudential SA has robust processes to ensure that stockbrokers and counterparties are selected in the best interests of clients. Only stockbrokers who are members of the exchange may be used. Stockbrokers are initially selected based on the quality and accuracy of the investment research and execution services provided. An allocation budget is determined and reviewed on a bi-annual basis and includes weighted ratings for macro-economic research and company research. The allocation budget is monitored independently. Any variances, which may occur due to specific trading strategies, must be explained. Execution services are monitored by the central trading desk and by an independent compliance function. Variances may occur but a rationale is required. The allocations are reviewed bi-annually. The traders are encouraged to support smaller empowered brokers where best execution is not compromised.

Counterparty exposure is determined in terms of the investment decision making and credit review process and is monitored independently on a post-trade basis.

FAIR VALUATION OF ASSETS

It is Prudential SA's policy to ensure that similar assets held in client portfolios are valued similarly and in line with legislative requirements, when prescribed, or industry best practice. Assets are valued in accordance with the Prudential SA Valuation Policy. The policy is defined by a senior management committee which is chaired by someone independent of the investment decision making process.

IMPLEMENTATION AND DISTRIBUTION

This policy is not subject in its entirety to an initial or annual acknowledgement by all staff as the primary control for the avoidance and management of conflicts of interests is internal business processes and controls. Certain aspects of the policy impose personal obligations on staff members and these sections will be subject to active acknowledgement by all staff members.

This policy may be distributed externally without Management approval.

AMENDMENT LOG

October 2012	Immaterial	Pg 1: Introduction	Delete "serious" to align to PPMSA message
	Pg 1: Introduction	Delete reference to Group Code of Business conduct due to change in M&G shareholding to below 50%	
	Pg 4: Scope & Accountability	Delete reference to Prudential plc Governance standards due to change in M&G shareholding to below 50%	
	Pg 7: Remuneration	Change in shareholding of the Prudential Employee Equity Trust	
	Pg 8: Investment Independence	Change in shareholding of the Thesele Group and M&G Limited	
November 2013	Immaterial	All	Layout to new Prudential template
	Immaterial	Page 3	Include PIMSA
July 2014	Immaterial	All	Layout to new Prudential template
February 2015	Immaterial	Page 4 – Immaterial financial interest	Addition of Namibian specific requirements.
April 2016	Immaterial	Page 6 – Director Disclosures	Inclusion of all sub-committees
November 2016	Immaterial	All Page 6 – Staff Disclosures	Layout to new Prudential template Inclusion of disclosure requirements for personal relationships at work
March 2018	Immaterial	8	Update to include disclosure of PGF as a sister company
November 2018	Material		R1000 limit updated to R500; 5% limit removed regarding smaller empowered brokers