



CONFLICT OF INTEREST MANAGEMENT POLICY

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1. DEFINITIONS

- 1.1. **“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, - influence the objective performance of his, her or its obligations to that client; or 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 a financial interest; an ownership interest; any relationship with a third party
- 1.2. **“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 - an ownership interest; training, that is not exclusively available to a selected group of providers or representatives, on - products and legal matters relating to those products; general financial and industry information; specialised technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training;
- 1.3. **“Immaterial financial interest”** means any financial interest with a determinable monetary value, the aggregate of which does not exceed R 1 000 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; a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives;
- 1.4. **“New Entrant”** means an entity or person(s) who has never been authorised as a financial services provider or appointed as a representative by any financial services provider;
- 1.5. **“Ownership interest”** means - 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 includes any dividend, profit share or similar benefit derived from that equity or ownership interest;
- 1.6. **“Sign-on Bonus”** means 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 a financial interest referred to, includes but is not limited to - Compensation for the potential or actual loss of any benefit including any form of income, or part thereof; or cost associated with the establishment of a provider’s business or operations, including the sourcing of business, relating to the rendering of financial services; or A loan, advance, credit facility or any other similar arrangement
- 1.7. **“Third party”** means - a product supplier; another provider; an associate of a product supplier or a provider; a distribution channel; any person who in terms of an agreement or arrangement with a person referred to above, provides a financial interest to a provider or its representatives

2. INTRODUCTION

- 2.1. Letsatsi Finance & Loan (Pty) Ltd (“Letsatsi”) understands the need to ensure effective corporate governance, not only for the integrity of our business but also to protect our clients.

- 2.2. Letsatsi undertakes to at all times render financial services honestly, fairly, with due skill, care and diligence, and in the interest of clients and the integrity of the financial services industry.
- 2.3. Letsatsi recognises that regulatory compliance is critically important to the integrity of the company. As such, as a financial services provider (FSP), Letsatsi manages all conflicts of interest in accordance with:
 - 2.3.1. Section 3A(2)(b) of the General Code of Conduct provided for under the Financial Advisory and Intermediary Services Act 81 of 2002.
- 2.4. Letsatsi's business is primarily that of a micro financier to personal clients and in so doing, also provides credit protection insurance. The company provides loans and support to our customers through efficient systems that are compliant and meet the necessary credit, underwriting, claims and financial management standards. Letsatsi has developed its own Conflict of Interest Policy suited to its business.
- 2.5. Letsatsi is aware of its responsibility as an FSP to avoid conflicts where avoidable. Letsatsi does however recognise that certain conflicts are unavoidable due to the nature of the services it provides. In such instances, Letsatsi takes all reasonable steps to mitigate all conflicts of interest as far as possible.
- 2.6. The requirements outlined in this Policy apply to all employees of Letsatsi in relation to the discharge of their duties in terms of their employment with Letsatsi and specifically includes representatives in relation to the discharge of their duties in terms of the provision of financial services as defined in the FAIS Act.

3. GOVERNANCE

- 3.1. The Board of directors is ultimately responsible for this Policy including specifically its approval, but it delegates certain responsibilities to the financial Manager, key individuals and to the internal compliance officer working together with the external compliance officer on record.
- 3.2. The internal compliance officer is responsible for the amendment and drafting this policy, subject to the key individual's review and recommendation to the board. The compliance officer should ensure that all employees, representatives and where appropriate, associates, are made aware of the contents of this Policy, which will include the training and education on this policy. The Directors must also ensure that this Policy is always available upon request and that it is easily accessible for public inspection at all reasonable times.
- 3.3. Specifically in relation to the FAIS Act, the Key Individuals (KIs) are responsible for managing or overseeing the activities of the Letsatsi FSP with respect to the rendering of financial services. In terms of Letsatsi, the KIs are also employees of the business. The responsibilities of the KIs in terms of this Policy are the same as those of the Management team as set out above, albeit with specific focus on the aspects that fall under the ambit of the FAIS Act, including but not limited to the below tasks:
 - 3.3.1. The KI is tasked with keeping all the signed declaration forms completed by employees and or by representatives on behalf of Letsatsi and in addition, copies of the conflicts of interest forms.

3.3.2. The KI is to maintain the conflicts of interest register on behalf of Letsatsi. Details of all the declaration forms and conflict of interest forms will be recorded, updated and reported monthly to the Management team.

3.4. The Compliance Officer is responsible for the following:

3.4.1. Letsatsi, has an internal compliance department which is responsible for compliance with the Financial Intelligence Centre Act, 38 of 2021, and has external compliance officers on record to ensure compliance with the FAIS Act.

3.4.2. External compliance officers on record are responsible for reporting in the annual compliance reports submitted to the Registrar of Financial Services Providers under the FAIS Act that must deal with the monitoring of, compliance with and accessibility of this Policy;

3.4.3. Internal compliance officers are responsible for maintaining a conflicts of interest management register into which all declaration forms completed by employees and representatives are recorded.

3.4.4. Internal and external compliance officers are responsible with assisting the Management team in discharging its responsibilities including arranging appropriate training of employees and representatives.

3.4.5. Every employee must communicate and disclose any personal interests they may have to Letsatsi in the prescribed format. This includes any affiliation and nepotism as defined, which may cause an actual or perceived conflict of interest or could impair or be perceived to impair their ability to act with integrity or objectivity in the context of their employment.

4. IDENTIFICATION OF A CONFLICT OF INTEREST

4.1. Introduction

Given the nature and complexity of the business activities in the provision of financial services and products, a number of mechanisms have been identified that can be utilised to identify potential conflicts of interest.

4.2. Mechanisms

4.2.1. All employees, representatives and KIs are to be trained on the content of this Policy and will be made aware of the obligation to identify specific circumstances that may give rise to conflicts of interest;

4.2.2. In the event that they become aware of a conflict of interest, all employees, representatives and KIs are to follow the processes set out in this document in terms of disclosures and or declarations;

4.2.3. The statutory disclosure notices have been enhanced and set out important information which, when read by clients, can assist in identification of potential conflicts of interest especially relating to associates;

4.2.4. The roles and responsibilities expected from the various parties are clearly set out in this Policy including those of employees, representatives, KIs, Compliance Officer, Management team and the Board of Directors.

4.3. Identification of Conflict of Interest

The management and internal compliance of Letsatsi have identified the following activities as potential conflict of interest:

- 4.3.1. Giving and Receiving of Gifts,
- 4.3.2. Key Individual and shareholder conflict of interest
- 4.3.3. Tied representatives, and
- 4.3.4. Employee with dual employment.

Identification of conflict as stated in clause 4.1 above, will continuously be done as part of an ongoing assessment and communication between the Directors, traders and compliance department.

4.3.1. Giving and Receiving Gifts

4.3.1.1. Gifts from Letsatsi (and any employees) to clients:

Gifts are permitted from Letsatsi to clients as an expression of appreciation. While there is no limitation on the value of gifts that may be given to a client, any gift involving a monetary value of R1000 or more, must be disclosed using the Gifts Register (Annexure A).

The onus is on Letsatsi, and every employee involved, to ensure that the gift does not give rise to any conflict of interest.

4.3.1.2. Gifts from clients to Letsatsi (and any employees)

A gift involving a monetary value of R1000 or less may be received and accepted by an employee whilst acting in his or her capacity as an employee of Letsatsi Finance. However, all staff are required to register gifts in the Gift Register (Annexure A). The register will be held and monitored by management and the compliance department.

Staff are expected to use their discretion and ensure that no gifts received will have the effect of creating a conflict of interest.

4.3.2. Key individual and shareholder conflict of interest

Letsatsi's Key Individuals and Shareholders with ownership interests, or who have associates with ownership interests, in clients or issuer companies are to complete the declaration of interests register in Annexure B.

The register will be monitored by management and the internal compliance department.

4.3.3. Tied representatives

A tied representative will include a person that is employed or mandated by a Letsatsi to render financial services to Letsatsi's Group clients.

4.3.4. Employee with dual employment (Moonlighting)

The Compliance department shall request confirmations from the Human Resource department of dual employment declarations by all employees of Letsatsi. If any employee is in breach of dual employment clauses in terms his/her employment contract, the consequences of such breach shall be in terms of the employment contract.

All persons who engage in moonlighting activities must ensure that they do not get involved in any activity that could lead to a potential conflict of interest.

The above dual employment declarations shall not apply to Consultants of Letsatsi.

5. MEASURES TO AVOID CONFLICT OF INTEREST

5.1. Measures

It is noted that Letsatsi's FSP does not have any ownership interest in a third party. The following measures have been implemented to avoid conflict of interests:

- 5.1.1. No person may offer or provide a sign-on bonus to any person, other than a new entrant, as an incentive to become a Category I provider that is authorised or appointed to give advice;
- 5.1.2. A category I provider that is authorised or appointed to give advice may not receive a sign-on bonus from any person;
- 5.1.3. Avoid any situations in terms of which, when conducting business with a client, objectivity may be impaired;
- 5.1.4. In the event there is a pre-existing financial interest which may result in a conflict of interest with a client or prospective client, it be disclosed and or declared immediately to internal compliance;
- 5.1.5. In the event that there is a pre-existing ownership interest which may result in a conflict of interest with a client or prospective client, it must disclosed and/or declared immediately;
- 5.1.6. Ensure that all training is attended that may be provided from time to time relating to conflicts of interest and actively familiarise yourself with the content of this Policy.

5.2. Avoidable Conflict of interest

If the management and internal compliance, together with external compliance, legal, and audit where required of Letsatsi has determined that the actual or potential conflict of interest is avoidable, the following processes must be adhered to:

- 5.2.1. The management and internal compliance must approve the removal of the underlying cause of the actual or potential conflict of interest,
- 5.2.2. the underlying cause of the actual or potential conflict of interest must be removed as soon as reasonably possible,
- 5.2.3. Any negative impact on clients owing to the removal of the actual or potential conflict of interest must be kept to a minimum,

- 5.2.4. The reason(s) why the actual or potential conflict of interest was determined to be avoidable must be recorded,
- 5.2.5. All determinations and interventions as they pertain to the avoidance of the conflict of interest must be documented and kept on the compliance file and,
- 5.2.6. Similar situations that give rise to actual or potential conflicts of interests must be avoided in the future.

5.3. Unavoidable Conflict of interest

If the management and internal compliance, together with external compliance, legal, and audit where required of Letsatsi has determined that the actual or potential conflict of interest is unavoidable, such conflicts will be disclosed to clients and are available for public inspection as per the declaration of interest's policy. No conflict prejudicing the interests of a client will be tolerated.

6. DISCLOSURE OF CONFLICT OF INTEREST

- 6.1. Every employee must communicate and disclose any personal interests they may have to Letsatsi in the prescribed format. This includes any affiliation and nepotism as defined, which may cause an actual or perceived conflict of interest or could impair or be perceived to impair their ability to act with integrity or objectivity in the context of their employment.
- 6.2. All employees must complete an annual declaration disclosing personal interests including those that may be pre-existing that may cause an actual or perceived conflict of interest. Notwithstanding the fact that an employee may already have made one or more disclosures in the months preceding the receipt of their annual declaration form, they will still be required to complete an annual declaration form. If employees have nothing to declare, they will need to complete a nil declaration.
- 6.3. Disclosures made by employees (refer above) are to be considered by the Key Individual and where necessary the Key Individual will refer any declarations to the internal Compliance Officer. The declarations are to be assessed in accordance with the requirements set out in this Policy and the transaction or activity related thereto must be approved and or declined, which decision will be communicated to the employee in writing.
- 6.4. All conflicts of interest that are reported by all employees are to be considered by the Key Individuals and are to be used to update the conflicts of interest management register. In certain instances, the internal Compliance Officer may refer certain reports to the Management team. The reports should be assessed in accordance with this Policy and any feedback communicated to the representative in writing.

7. MONITORING OF CONFLICT OF INTEREST

- 7.1. The monitoring of the identified conflicts will be done on an ongoing basis and communicated between the departmental heads, internal compliance officer, and the board of directors.

7.2. Monitoring processes:

7.2.1. Gifts

7.2.1.1. The receipt and issuing of gifts by either Letsatsi to the client or by clients to Letsatsi shall be monitored through the gifts register which shall be saved in a shared folder.

7.2.1.2. Maintenance of the gifts register

7.2.1.3. Each department will appoint one person to maintain the gift register, making sure all gifts are recorded and it is up-to-date.

7.2.1.4. The compliance officer will be responsible for monitoring the gift registrar which will be maintained by the various departments

7.2.2. Tied representatives

7.2.2.1. Letsatsi may not offer any financial interest to a tied representative

a) Where the interest is determined with reference to the quantity of business without also giving due regard to the delivery of fair outcomes for clients. Letsatsi must demonstrate that the determination of and entitlement to the financial interest considers measurable indicators relating to the:

- Achievement of minimum service level standards in respect of clients
- Delivery of fair outcomes for clients
- Quality of the representative's compliance with this Act.

8. ACCEPTABLE FINANCIAL INTERESTS AND REMUNERATION

8.1. Acceptable financial interest

8.1.1. Providers or representatives are only permitted to receive or offer certain financial interests from or to a third party, which include: Commissions authorised in terms of the Long-term Insurance Act or Short-term Insurance Act; Fees authorised in terms of the Long-term Insurance Act or Short-term Insurance Act.

8.1.2. Fees for the rendering of a financial service in respect of which commission or fees referred to in the two points above have not been paid, provided that the fees payable: are specifically agreed to by a client in writing; and may be stopped at the discretion of that client within the notice period as specified in each instance; 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. Any financial interest that is not specifically referred to in the points 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.

8.1.3. In addition to the financial interests listed above, providers or representatives may also receive or offer immaterial financial interest subject to any other applicable laws.

8.2. Immaterial Financial Interest

Providers or representatives are permitted to receive an immaterial financial interest from a third party. If there is any doubt, representatives must consult with the Compliance Officer before receiving or offering the item that may fall into the definition of financial interest.

8.3. Remuneration of representatives

- 8.3.1. Representatives will not be incentivised for quantity of business over quality of business unless due regard is given to the adherence to client fair treatment principles such as:
 - 8.3.1.1. Business operations relating to client onboarding, or the providing of ongoing financial service to clients or any other client dealings being fair to clients,
 - 8.3.1.2. Insurance products offered to clients are tailor made for the clients,
 - 8.3.1.3. Clients' disclosures on the product and any other important information is sent to clients, via their preferred method of communication,
 - 8.3.1.4. Ensuring a higher level of performance is constantly met by the representative, and
 - 8.3.1.5. Clients are able to lodge complaints easily and are able to switch service providers should it be necessary.
- 8.3.2. The representative's contract will detail the remuneration structure specific to that representative taking into consideration the nature of business place, the expertise of the representative, and the quality of advice rendered.
- 8.3.3. Representatives may receive a basic salary, or commission, or a combination of both.
- 8.3.4. The basic salary is paid in accordance with employment contracts as outlined in clause 8.3.2 and 8.3.3 above and in instances where a representative is paid a performance bonus, it will be calculated based on the overall performance appraisal of the individual concerned.
- 8.3.5. To determine financial interest, Letsatsi considers measurable indicators relating to the:
 - 8.3.5.1. The ability of the representative to meet the minimum service level standards while providing any service to clients
 - 8.3.5.2. Delivery of fair outcomes for clients, as outlined in section 8.3.1 above,
 - 8.3.5.3. Quality of the intermediaries' compliance with the FAIS Act.

9. NON-COMPLIANCE WITH THE CONFLICTS OF INTEREST POLICY

- 9.1. Non-compliance with any internal policy will be taken extremely seriously and dealt with in accordance with the HR Policy / breach clauses of the employment agreement and Key Individual agreement between Letsatsi and its employees or Key Individual respectively.
- 9.2. If an employee or a representative takes any deliberate action to contravene this policy or to breach
- 9.3. Letsatsi's legal obligations, the employee or representative will be subject to disciplinary action.
- 9.4. Necessary actions will be taken at management discretion as and when any non-compliance is identified. All instances of non-compliance with this policy will be included in the regular compliance reporting processes.
- 9.5. The actions that may be taken range from a written warning to debarment or dismissal, depending on the severity of the offence in terms of the HR Policy / breach clauses of the employment agreement and Key Individual agreement between Letsatsi and its employees or Key Individual respectively. This will be dealt with on a case-by-case basis

10. LIST OF ASSOCIATES

10.1. Our primary associates are members of Letsatsi, namely:
None

10.2. Names of 3rd Parties in which the provider holds ownership interests:
None

10.3. Names of 3rd Parties that hold an ownership interest in the provider:
None

Policy Adoption:

I acknowledge that I have read and understand the purpose of the Conflict-of-Interest Management Policy:

Review Date	24 November 2022
Comments / Amendments	
Next Review Date	24 November 2023
Responsible Person Signature	
Review Date	
Comments / Amendments	

ANNEXURE A:



GIFT DECLARATION REGISTER

DATE	NAME	RECEIVED FROM	DETAILS OF GIFT	VALUE
01 Sept 2022	None			

ANNEXURE B:



Declaration of Interest Register

Name	Interest	Signature