



LIBERTY

*Own your life*

## **Conflict of Interest Policy**

This Policy applies from 19 April 2011 to the following financial services providers, and its representatives, within Liberty Holdings Ltd:

Liberty Group Ltd

Capital Alliance Life Ltd

Liberty Health Holdings (Pty) Ltd

Throughout this document, any reference to "Liberty" shall mean Liberty Group Ltd, Capital Alliance Life Ltd and Liberty Health Holdings (Pty) Ltd collectively.

## Introduction

In terms of the General Code of Conduct for Authorised Financial Services Providers and Representatives, as amended (“the Code”), promulgated in terms of the provisions of the Financial Advisors and Intermediary Services Act (Act No. 37 of 2002 – “the FAIS Act”) financial services providers (“Providers”) must take all necessary steps to eliminate any practices and/or services that may create a conflict between their interests and the interests of an existing or potential client.

A conflict of interest is any situation where a Provider or a Provider’s representative (whether an Independent Financial Advisor or a representative) has an interest that may in rendering a financial service to a client, influence the objective performance of his/her/its obligations to that client or where it prevents him/her/it from rendering an unbiased and fair financial service to that client.

It includes receiving a wide range of financial and non-financial benefits, ownership interests and any relationship with a third party.

Conflict of interest situations must be avoided.

In addition, the Code requires that where it is not possible to avoid any act, action or reward that may create a potential conflict of interest, appropriate steps must be taken to mitigate the impact and it must be appropriately disclosed to the client at the earliest reasonable opportunity.

This Policy sets out the management of any such conflicts of interests:

- the mechanisms used to identify such conflicts,
- the measures for avoidance and disclosure,
- processes and procedures for compliance with the Policy, and
- the consequences of non-compliance to the Policy.

The Policy also contains details of the types of financial interests a Liberty representative, including an Independent Financial Advisor (“IFA”) receives and the basis on which it is received.

The Policy also contains a list of all associates of Liberty and third parties in which Liberty holds an ownership interest or that hold an ownership interest in Liberty.

## 1. Identifying conflicts of interest

Liberty has developed the following processes to identify conflicts of interest:

- An analysis of all the sales and distribution areas within Liberty has taken place;
- The types of financial interests received/offered have been identified and analysed;
- Appropriate rules have been put in place around the receipt/offering of financial interests;
- All remuneration models for representatives are required to be signed off by the compliance and legal departments, as well as by the Liberty Group Intermediary Remuneration Committee and the management of the affected sales and distribution areas;
- Remuneration for IFA's is limited to regulated commissions and fees;
- Appropriate training has been developed to enable representatives to identify conflict of interest situations.

Annual reviews of these processes are included in Liberty's Risk and Compliance Monitoring Programme in order to ensure that any conflicts of interest that arise are identified.

These annual reviews include independent reviews of business practices and interviews with representatives in order to ascertain whether they receive financial interests from third parties.

## 2. Measures for avoidance and disclosure

Liberty's policy is to establish contractual relationships with its representatives, which prevents its representatives from placing business with other Providers unless Liberty's express consent has been given.

Liberty's policy is to provide specific training and educational material on how conflicts of interest may arise and how it can be avoided to all new representatives. Training is also provided to all existing representatives.

Where a conflict of interest cannot be avoided, Liberty's representatives are required to make a written disclosure of such a conflict to their existing and potential clients at the earliest reasonable opportunity, together with measures that were taken to mitigate the situation. Any such disclosures are required to be approved by the relevant business unit compliance function.

Every existing and potential client has the right to ask his/her Liberty representative for further details regarding such disclosures. A (potential) client's rights (or potential rights) and the protection offered under the Code may not be waived.

Liberty's various business unit compliance officers monitor all financial interests received by its representatives, as part of Liberty's overall compliance monitoring program. In addition, all financial interests offered to/received from IFA's and third parties are monitored as part of Liberty's overall Risk and Compliance Monitoring Programme.

### **3. Processes and procedures for compliance**

Liberty has adopted a governance process that requires executive management to ensure compliance to this Policy:

#### **Liberty Group Chief Executive Officer**

The Liberty Group Chief Executive Officer is accountable for the implementation and compliance with this Policy within Liberty.

#### **Liberty Group Risk Officer**

The Liberty Group Chief Risk Officer is accountable for the maintenance of this Policy within the context of changing business practices and a changing regulatory environment.

#### **Liberty Group Compliance Officer**

The Liberty Group Compliance Officer is accountable for the monitoring of compliance to this Policy as a part of Liberty's Risk & Compliance Management Framework and for reporting to management in terms of the Risk and Compliance Monitoring Programme.

#### **Business Unit Chief Executive Officers**

The Business Unit Chief Executive Officers are accountable for ensuring compliance with this Policy as an integral part of operations and risk management within their business units.

#### **Key Individuals**

Liberty's appointed Key Individuals are accountable for ensuring compliance by representatives listed on the representative registers under their control as required in terms of the provisions of the FAIS Act.

#### **Executive Officer, Liberty Group Internal Audit Services**

The Executive Officer, Liberty Group Internal Audit Services is accountable for assurance to the board of directors on the adequacy and effectiveness of Liberty's internal and compliance controls relating to conflicts of interest.

#### **Risk & Compliance Management Framework**

Liberty has included conflict of interest monitoring in its Risk and Compliance Monitoring Programme which forms part of Liberty's Risk & Compliance Management Framework. The Risk and Compliance Monitoring Programme is reviewed annually.

#### **Customer Relations Department**

Existing and potential clients may also direct questions and complaints concerning the application of this Policy to Liberty's Customer Relations Department via e-mail. The e-mail address that may be used is: [relations@liberty.co.za](mailto:relations@liberty.co.za).

## 4. Consequences of non-compliance

Non-compliance to this Policy will be dealt with in terms of Liberty's disciplinary policies.

### Non-compliance by employees

All Liberty employees who do not comply with this Policy will be subject to Liberty's internal employee disciplinary procedures.

### Non-compliance by representatives

All Liberty representatives, including IFA's who do not comply with this Policy will be subject to the processes and procedures applicable to representatives under the FAIS Act.

## 5. Financial interests

### Independent Financial Advisors (IFA's)

Liberty's policy is to offer and facilitate the payment of the following financial interests to IFA's for providing services as an intermediary or for giving financial advice to a client:

- Regulated commission under the Long-Term Insurance Act (No. 52 of 1998 – “the LIA”).
- Regulated commission under the Short-Term Insurance Act (No. 53 of 1998 – “the SIA”).
- Regulated commission under the Medical Schemes Act (No. 131 of 1998 – “the MSA”).
- Fees specifically agreed to by a client in terms of a written mandate that a client may terminate in his/her discretion.

Liberty's policy is also to offer and facilitate certain immaterial financial interests to IFA's (not exceeding R1 000.00 per individual per annum) as permitted in terms of the Code.

Liberty has contractual relationships with other Providers, but Liberty's policy is not to receive anything other than the commissions and fees, listed above, permitted in terms of the Code.

### Representatives

Some of Liberty's representatives are salaried employees. Others are independent contractors. Liberty's policy is to pay them a combination of commission and other benefits.

These other benefits include:

- Options to invest in collective investment schemes with STANLIB.
- Certain non-cash prizes if specific business targets are met.
- Certain re-imbursive allowances.

Before these other benefits are paid, Liberty's policy is to take the following quantity and quality measures into account:

Retail SA:

- The size of the representative's book of business, measured by premiums and assets under management.
- The growth of the representative's book of business, measured by the amount of business the representative has introduced successfully during the year.
- Persistence of the representative's book of business, measured by short and long-term lapse rates.
- The quality of the representative's advice and service to the client, measured by the representative's Compliance Scorecard (i.e. appropriateness of financial advice provided as reflected by the Financial Needs Analysis that was done).

Liberty Corporate:

- The size of the representative's book of business, measured by premiums and assets under management.
- The growth of the representative's book of business, measured by the amount of business the representative has introduced successfully during the year.
- The quality of the representative's advice and service to the client, measured by the Key Performance Indicators contained in the representative's Performance Agreement (i.e. appropriateness of financial advice provided as reflected by the Financial Needs Analysis that was done); and 360 degree peer reviews.

Liberty Health:

- The growth of the representative's book of business, measured by the amount of business the representative has introduced successfully during the year.
- The quality of the representative's advice and service to the client, measured by the representative's Compliance Scorecard (i.e. appropriateness of financial advice provided as reflected by the Financial Needs Analysis that was done).

## **6. List of associates and third parties in which Liberty holds an ownership interest** (at 31 December 2010)

*Liberty Holdings Limited has the following associates and holds an ownership interest in the following third parties:*

Capital Alliance Holdings Ltd (100% shareholding) and its subsidiaries:

- Capital Alliance Australia Holdings (Pty) Ltd (100% shareholding);
- Capital Alliance Executive Share Trust (100% shareholding);
- Capital Alliance Holdings Share Scheme (100% shareholding);
- Capital Alliance Special Finance (Pty) Ltd (100% shareholding).

Lexshell 615 (Pty) Ltd (100% shareholding).

Liberty Group Ltd (100% shareholding) and its subsidiaries:

- Electric Liberty (Pty) Ltd (100% shareholding);

- Frank Life Ltd (100% shareholding);
- Frank Financial Services (Pty) Ltd (100% shareholding);
- Friedshelf 940 (Pty) Ltd (100% shareholding);
- General Staff Scheme Share Trust (100% shareholding);
- Liberty Active Ltd (100% shareholding);
- Liberty Hotels (Pty) Ltd (100% shareholding);
- Liberty Life Association of Africa Ltd Share Trust;
- Liberty Life Botswana (Pty) Ltd (100% shareholding);
- Liberty Life Swaziland Ltd (100% shareholding);
- Liberty Private Fund Administrators Ltd (100% shareholding);
- LPH Properties Ltd (100% shareholding);
- North City Brokers Ltd (100% shareholding);
- Sandton Hotels (Pty) Ltd (100% shareholding);
- Standard Insurance Ltd (Swaziland) (100% shareholding);
- The Liberty Life Educational Foundation (100% shareholding);
- The Liberty Life Educational Foundation (100% shareholding);
- Wedelin Investments1 (Pty) Ltd (100% shareholding)
- Capital Alliance Life Ltd (100% shareholding) and its subsidiaries:
  - CAL AIL Investments Ltd;
  - Capital Alliance Investment Holdings (Pty) Ltd;
  - Mooi and Anderson Street Properties (Pty) Ltd; and
  - Liberty Growth Ltd; and its subsidiaries:
    - Silenna Ontwikkelingsmaatskappy (Pty) Ltd;
    - Killyman Estates (Pty) Ltd; and
    - The Big Rock (Pty) Ltd.
- Liberty Life Uganda Assurance Ltd (51% shareholding);
- The Cullinan Hotel (Pty) Ltd (50% interest in a joint venture);
- Total Health Trust Ltd (40.3% interest in a joint venture);
- The Financial Services Exchange (Pty) Ltd (33.3% interest in a joint venture);

Liberty Group Properties (Pty) Ltd (100% shareholding) and its subsidiaries:

- Liberty Group Property Development (Pty) Ltd; and
- Liberty Group Property Management (Pty) Ltd.

Liberty Group Shelf Company No1 (Pty) Ltd (100% shareholding).

Liberty Holdings Botswana (Pty) Ltd (100% shareholding).

Liberty Holdco Nigeria Ltd (100% shareholding).

Liberty Nominees (Pty) Ltd (100% shareholding).

Libgroup Jersey Holdings Ltd (100% shareholding); and its subsidiary:

- Liberty Ermitage Luxembourg SA (100% shareholding).

STANLIB Ltd (100% shareholding) and its subsidiaries:

- Blue Line Management Ltd;
- STANLIB Asset Management Ltd;
- STANLIB Collective Investments Ltd;
- STANLIB Wealth Management Ltd; and its subsidiary
  - STANLIB Wealth Manageemnt Nominees (Pty) Ltd.
- Lodestone Holdings (Pty) Ltd; and its subsidiary
  - STANLIB Multi Manager Ltd.

Stanlib Swaziland (Pty) Ltd (100% shareholding) and its subsidiary:

- Stanlib Swaziland Unit Trust Management Company Ltd.

Stanbic Investment Management Services (Pty) Ltd (Botswana) (100% shareholding).

Stonehouse Capital (Pty) Ltd (100% shareholding).

Liberty Holdings Namibia (Pty) Ltd (75% shareholding) and its subsidiaries:

- Liberty Life Namibia Ltd; and its subsidiary
  - United Funeral Insurance Ltd.
- Stanlib Namibia (Pty) Ltd;
- Stanlib Namibia Unit Trust Management Company Ltd; and

Liberty Health Holdings (Pty) Ltd (74.9% shareholding) and its subsidiaries:

- VMed Administrators (Pty) Ltd;
- VMedical Solutions (Pty) Ltd and its subsidiaries
  - Neil Harvey & Associates (Pty) Ltd;
  - IPI Holdings (Pty) Ltd;
  - Vinnovations (Pty) Ltd;
  - Unique Payment Services (Pty) Ltd; and
  - Main Street 645 (Pty) Ltd.

Evening Star 768 (Pty) Ltd (50% interest in a joint venture).

Fountainhead Property Trust Management Ltd (50% interest in a joint venture).

Stanbic Investment Management Services (East Africa) Ltd (Kenya) (50% shareholding).

Stanlib Lesotho (Pty) Ltd (50% shareholding).

## **7. List of ownership interests in Liberty Holdings Ltd**

*The following third parties hold an ownership interest in Liberty Holdings Ltd:*

Standard Bank Group Ltd (53.65% shareholding);

The Tutuwa Consortium (9.01% shareholding) via the following legal entities:

- Lexshell 620 (Pty) Ltd – 2.16 % (Safika);
- Lexshell 621 (Pty) Ltd – 1.44 % (Shanduka);
- Lexshell 622 (Pty) Ltd – 3.61 % (The Black Managers' Trust); and
- Lexshell 623 (Pty) Ltd – 1.80 % (The Community Trust).