Investec Bank (Mauritius) Limited

Conflict of interest

1. Policy statement

The Conflicts of Interest (COI) Policy has been implemented to adequately manage and mitigate COIs. Failure to do so could result in more than a technical or procedural breach, rather a matter of ethics or a newspaper headline waiting to be written, in other words a reputational risk.

This policy should be read in conjunction with the **Group Conflicts of Interest Policy.**

2. What is a COI?

A "COI" describes a situation where two or more interests are legitimately present and competing or conflicting. This undermines the principle that all players in the market should have equal opportunity and status.

As an international, specialist banking group that provides a diverse range of financial products and services to a select client base, COI are inherent to the Investec business. This inherence of COI is apparent given the nature of Investec's business.

As a financial institution and good corporate citizen Investec has both regulatory and fiduciary obligations to ensure that all potential or actual COI to which it is party are identified timeously, mitigated where possible, and appropriately managed.

In financial institutions COI typically fall into one of the following 4 categories:
- Firm versus client
- Client versus client
- Employee versus firm
- Employee versus client

Where a financial institution has a COI between itself and its client, or between one client and another client, the financial institution must act with due regard to the interests of each client and manage the COI fairly. Investec employees are required to act in the best interests of Investec and its clients at all times.

3. Identification of COI

To adequately manage COI Investec must identify all relevant COI timeously. The primary responsibility for the identification of conflicts lies with the business, and in particular senior management.

All employees, including compliance officers and management, are responsible for identifying specific instances of COI and are required to notify Compliance or senior management of any COI they become aware of. Compliance will escalate the COI to senior management to assess the implications of the COI and how the COI should be managed.

In determining whether there is a COI, it must be considered whether Investec or the employee:
- Is likely to make a financial gain, or avoid a financial loss, at the expense of a client;
- Has an interest in the outcome of a service provided to a client, or a transaction carried out on behalf of a client, which is distinct from the client's interest in that outcome;
- Has a financial or other incentive to favour the interest of the firm, or a client or a group of clients over the interests of another firm or another client;
- Carries on the same business as a client;
- Receives (or will receive) from a person other than a client an inducement in relation to a service provided to the client other than the standard commission or fee for that service.

4. Management of COI

Once a COI has been identified it must be appropriately and adequately managed. Compliance or senior management assesses each COI, including whether the COI is actual or perceived, what the value of the COI or exposure is and the potential reputational risk. Compliance and senior management then agree on the controls that need to be put in place to manage the COI, including the introduction of Chinese Walls, implementation of policies/procedures and the like.

Specific instances of COI may require management intervention on a Group level in addition to the documented controls already in place. These can include escalation to a management forum, like ERRF (Executive Risk Review Forum), for a decision on how the COI should be managed.

There is no single approach to dealing with COI. Each case is dealt with according to the nature of the COI and the potential harm. When a COI arises in the course of a transaction or business dealings, the following general principles are applied:

• Financial services should be provided in a manner that will not advance the interests of one client unfairly over the interests of another client;
• Clients should be treated fairly and Investec should manage COI between the interests of various clients (including existing or potential clients and investors);
• COI should be managed in the best interests of clients;
• Investec should ensure that clients are appropriately informed about any COI that may affect the provision of financial services to them; and
• Disclosure of COI to clients should be timeous (i.e. occur before/when the service is provided), adequate and clearly communicated.

The best means of managing a conflict will depend on the nature of the conflict in question and the parties involved. Steps that can be taken to manage conflicts include:
• No conflict exists/touchpoint: On occasion, after further investigation, an apparent conflict will not exist or be deemed to be a touchpoint rather than a conflict (i.e. two business areas may have a relationship with a company, however these relationships may not be in conflict with each other).
• Disclosure: Disclosure of a conflict and/or how it is managed, either within a public document or to an affected party, may be sufficient to manage a conflict.
• Informed consent: Where a client could be affected by a conflict of interest (either real or perceived), it may be possible to proceed with the proposed transaction subject to the client’s consent (after full disclosure of the conflict).
• Chinese boxes: For certain conflicts that may occur within the same business unit, it may be possible to manage them by putting in place Chinese boxes. In effect, this segregates different deal teams within the same business unit through the establishment of information barriers (see further comment below).
• Stand down: Occasionally it will either not be possible to resolve a conflict satisfactorily or the perception of conflict would be too great to enable a transaction to proceed. In these circumstances it would be necessary for one of the conflicting areas to stand down from the transaction.

Chinese Boxes

As stated above, certain conflicts within the same business unit may be manageable through the establishment of Chinese boxes. Such arrangements may not be suitable for all engagements and senior management and Compliance should be consulted where the Business is expecting to implement such controls. In practice, this would generally involve:
• Electronic segregation: The deal teams would need to set up restricted folders which allow access only to members of the deal team.
• Discussions: Should be held away from the rest of the team in secure meeting rooms.
• Phone calls: Sensitive calls should not be made from the desk where there is a risk of being overheard.
• Clear desk: It is imperative that the clear desk policy is strictly adhered to where Chinese boxes have been established.
• Reporting: Any reporting of work in progress, committee papers etc. should be restricted in content and audience as regards sensitive information pertaining to the deals.

Compliance maintains records of all COI identified and their resolution, including the persons involved and the controls used. This information is included in reports to senior management.

5. References

This policy is aligned with the Investec Group Conflicts of Interest Policy.

Annexure

Conflict of interest- Directors

Directors must, as far as possible, avoid conflicts and where a conflict or potential conflict arises, the same must be disclosed and all procedures for dealing with such cases must be strictly adhered to. Directors who are conflicted regarding a particular issue should not participate in the related discussions and decision-making.

A conflict of interest may occur when:
i. A director's personal interest is adverse to or may seem to be adverse to the interests of the Company.
ii. A director, or a member of his or her immediate family, receives improper personal benefits as a result of his/her position in the Company.

Some of the common conflicts directors should avoid are listed below:
a) Personal benefits received from a person/ Company seeking to do business or to retain the services of the Company.
b) Gifts which are not customary in normal business relationships should not be accepted nor given to any person/Company seeking to do business or to retain the services of the Company.
c) Engaging in any outside business, professional or other activities that would directly or indirectly adversely affect the Company.