

CONFLICT OF INTEREST MANAGEMENT POLICY

VERSION 3 – 26 FEBRUARY 2013

MANAGEMENT POLICY STATEMENT

Consort Technical Underwriting Managers (Pty) Ltd recognises the importance of operating in an open and transparent manner in all aspects of the operations of the business, be this with our clients, our suppliers, our service providers or members of the greater business community within which we work, be they directly a part of the financial services industry or not. Whilst the legislative requirements may be the foundation for our policy, this policy is far more practical in its application and takes basic business ethics as its overall primary standard and objective. The Board of directors personally take this policy as a statement that binds the ethics of the company.

Signed this 26th day of FEBRUARY 2013.

P.A. Charlton (Managing Director)

Johannesburg (Head Office):

Unit 29, Consort House,
Waterford Office Park, Waterford Drive
Fourways, 2055
Tel: (+27 11) 658 1156 Fax: +27 11 658 1175
Postal Address: P O Box 520, Banbury, 2164
Reg: 1999/003909/07

Cape Town Office:

Shop A1 Office 4,
Westlake Square 1,
Westlake Drive,
Tokai, 7945
Tel: (+27 21) 030 0054

Durban Office:

Suite 9,
62 Old Main Rd.,
Kloof, 3610
Tel: (+27 31) 818 0209

www.consort.co.za

INTRODUCTION

During 2010, the Financial Services Board ("FSB") developed rules that were aimed at regulating potential and actual conflicts of interest faced by financial services providers. These rules apply to all financial service providers ("FSPs") licensed under the Financial Advisory and Intermediary Services Act, 2002 ("FAIS") and to their representatives.

The purpose of this document is to identify the requirements of the FSB in terms of identifying, avoiding, mitigating, managing and disclosing conflict of interest scenarios. Furthermore this policy documents the procedures that are to be adopted and followed by those representing Consort Technical Underwriting Managers (Pty) Ltd ("Consort") in terms of the correct treatment in a conflict of interest situation.

REQUIREMENTS OF THE FSB

The new rules developed by the FSB require FSP's to:

- i) Avoid and, where this is not possible, mitigate any conflict of interest with a client or representative of a client;
- ii) Make detailed written disclosures to clients of any conflict of interest and the measures taken to avoid or mitigate the conflict; and
- iii) Adopt and implement a written conflict of interest management policy.

To whom does this policy apply?

- i) Directors
- ii) Managers
- iii) Permanent Staff
- iv) Contract and/or temporary staff

FACTORS OR CIRCUMSTANCES DEEMED TO BE A CONFLICT OF INTEREST

FAIS gives us the foundation for our policy. It defines a conflict as;

"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, -

- a) *influence the objective performance of his, her or its obligations to that client; or*
- b) *prevent a provider or representative from rendering an unbiased and fair financial services to that client, or from acting in the interests of that client,*

including, but not limited to –

- i) *a financial interest*
- ii) *an ownership interest*
- iii) *any relationship with a third party"*

PERMISSIBLE FINANCIAL INTERESTS

An FSP or its representative who offers or receives “financial interests” may do so if such financial interest falls into one of the following categories, namely:

- Commission authorised under the Long-Term or Short-Term Insurance Acts or the Medical Schemes Act;
- Fees authorised under the Long-Term or Short-Term Insurance Acts or the Medical Schemes Act if those fees are reasonably commensurate to the service being rendered;
- Fees or commissions for the rendering of a financial service where such fee or commission is specifically agreed to by a client in writing and may be stopped at the discretion of the client;
- Fees or remuneration for the rendering of a service to a third party where such fee or remuneration is reasonably commensurate to the service being rendered;
- Financial interests received from the same third party with an aggregate monetary value in any calendar year of not more than R1 000, received by an FSP or representative who is a sole proprietor or received by a representative for that representative’s direct benefit or received by an FSP who, for its benefit or that of some or all of its representatives, “aggregates” the financial interest “paid” to its representatives; and
- Other than as contemplated above, a financial interest for which consideration that is reasonably commensurate to the value of the financial interest is paid by the FSP or representative at the time of receipt of such financial interest.

IDENTIFICATION OF POTENTIAL CONFLICT SITUATIONS

The following (potential) conflict scenarios can arise:

- With insurers with whom there is a business/ownership relationship
- With other FSP's with whom there is a business/ownership relationship
- With Distribution channels with whom there is a business/ownership relationship
- With any other persons with whom there is a business/ownership relationship
- With any service providers with whom there is a business/ownership relationship

Any of the above could be deemed Associate companies or 3rd party companies with whom we may have an ownership interest in them or by them. These companies, if applicable, are listed in separate annexure to this policy.

- With us as a result of employment contracts and remuneration policies
- With any other relevant relationship that may exist within the company

INITIAL CONFLICT OF INTEREST ASSESSMENT

To assess what conflict situations we had we firstly identified all the situations that may have led to a conflict. This was an initial once off exercise but our compliance policy is such that these key indicators are reviewed, at the very least annually and BEFORE any new relationships is entered into because a new relationship may well demand avoidance, mitigation steps or additional disclosures.

The situations that we scrutinised included;

1. What Associate company relationships do we, or our staff, have?
 - i.e. In simple terms companies with whom there is a relationship based on common shareholding, management control or family (in its widest context) members are involved and subsidiary or holding company status
2. What Third Party relationships did we, or our staff, have? These included;
 - i. Product suppliers (insurers) including any of their associates
 - ii. Other FSP's including any of their associates
 - iii. Distribution channels
 - iv. Any other person who in terms of an agreement or arrangement with any of these provides a financial interest is due to us or one of our representatives, for example assessors.
 - v. Suppliers outside the insurance environment, for example; stationery, IT, accounting etc.
3. Was there any ownership interest within these relationships?
 - And would this create a conflict of interest?
4. Was there any financial interest paid from or to the entities within these relationships?
 - And would this create a conflict of interest?
5. Was there any immaterial financial interest paid from or to the entities within these relationships?
 - If so are we monitoring the frequency and extent?
6. What are our staff remuneration policies?

The process allowed us to assess all of our relationships, including those of our staff and including financial aspects, and to document these fully. The data collected was then reviewed to determine, if a potential conflict had been identified, and then we had to assess how best to deal with this. The options open to us included;

- i) Avoidance i.e. take away the situation that creates the conflict, OR
- ii) Mitigate i.e. put measures in place that acknowledge the conflict situation but implement measures to reduce its potential impact, AND/OR
- iii) Disclosure i.e. formally provide details of the situations that are there and what has been done, if anything, about these to reduce or eliminate the situation itself

Any solution we have established could be a combination of all three e.g. Avoid some, Mitigate others and Disclosure of what we have done and will continue to do.

Our general strategy was, where possible, to avoid such conflicts i.e. prevent them by physically removing the conflict situation.

Where we could not avoid the conflict situation, actual or potential, needed to be mitigated i.e. we had to put controls in place to reduce the likelihood of a conflict arising.

Where disclosure of conflicts, which includes potential ones, involved clients the standard adopted demands a higher level of formality. It demands formal disclosure "at the earliest reasonable opportunity" which is deemed to be when providing you with the initial advice/quote.

Our disclosures are clear, concise and effective, in our opinion although we constantly strive to ensure we are achieving this lofty ideal.

Our disclosures include;

1. What conflicts we have
2. What measures we have been taken to avoid or mitigate these
3. Ownership interests that may become due to us – these include shareholdings, dividends, profit share and similar payments. This includes ownership of and payments from associated companies that can include administrators, cell captives and insurers
4. Financial interests (these are things we actually pay for that are made available by other FSP's or insurers as part of the relationships that exist) that may become due. These include vouchers, benefits, travel, hospitality, accommodation, sponsorships and other incentives.
5. Details of relationships and/or arrangements that exist that create the (potential) conflict.
6. How to obtain our Conflict of Interest Management Policy

IDENTIFYING AREAS OF CONFLICT OF INTEREST

- During the marketing meeting held on the first Friday of every month, an opportunity will be provided for each marketer/underwriter to discuss and/or disclose material conflicts of interest.
- An accurate register will be kept and updated for these disclosures, signed off by the chairperson of the meeting.
- Management will be required to provide their attention to significant or other relationships with brokers and/or clients that may give rise to a conflict of interest situation. These relationships are to be discussed and noted.
- These disclosures will be assessed by management to determine if they create a conflict or potential conflict of interest.
- Should the scenarios present a conflict situation, a decision will be taken as to whether the conflict should be avoided or mitigated. This decision shall be recorded accordingly.
- These sections are reviewed as part of the ongoing monitoring process followed by our external compliance officer on a quarterly basis and forms the basis of an ongoing reporting strategy to both ourselves and should the need arise, to the FSB, the ultimate authority governing the financial services sector.

COMPLIANCE ASSESSMENT – appointment of a Compliance Champion

- This policy hereby appoints as the Conflicts of Interest Compliance Officer, Graham Patrick Charlton (financial manager), and the Top Management Custodian, Andrew John Charlton (director).
- The requirements of the Compliance Officer and Custodian are to identify and set Standards and Policies of which the representatives of Consort will be bound by.
- These Standards and Policies are to be authorised by the board of directors.
- The Compliance Officer is to ensure adequate disclosure of any conflicts of interest, should there be a situation that these conflicts cannot reasonably be avoided.

CONTROL SHEETS / CONFLICTS REGISTER

- Conflict of interest registers reside on the Consort server under the following folder:
\\con-fs-01\FS Company Data\Consort\General Office\Conflict of interest Policy and Forms
- These forms are available on a “share-file” basis and is available for any employee to enter details thereon
- The registers have been categorised to account for both financial and non-financial conflicts of interest
- The financial conflicts of interest have been further categorised to account for:
 - Gifts/entertainment provided TO a third party
 - Gifts/entertainment received FROM a third party
- The non-financial conflicts of interest register has been allocated to the “Other” conflicts of interest folder
- The “other” conflicts of interest register will be reviewed on a monthly basis and will be used during the marketing/underwriting meetings to document conflicts and potential conflicts identified
- An e-mail reminder will be sent to each marketer/underwriter on a monthly basis, requesting them to review and complete their portion of the register. These e-mail reminders will be reviewed and approved by the Compliance Officer and/or Custodian
- Reimbursement of entertainment claims will only occur upon the satisfactory completion and submission of the financial conflicts of interest register relating to the claim.

ASSESSMENT OF MATERIALITY OF CONFLICT

- The nature and content of the conflict on interest disclosures are to be reviewed on the first Friday of every month by the Compliance Officer and Custodian
- An assessment is to be made on the reasons for and impact/s of the conflicts of interests identified
- This assessment will include determining the materiality of the conflicts of interests and whether they will impact on the overall disclosure policy on Conflicts of Interests
- Should the conflict be determined to be material, a decision will be made to avoid the conflict situation. The reason for avoiding the conflict will be documented in the Register of Conflicts of Interest.
- Should the conflict of interest be determined not to be material, disclosure thereof will be made available on the Consort website.

HOW DO WE ENSURE THAT THIS POLICY IS UNDERSTOOD AND ADHERED TO BY ALL ROLEPLAYERS?

1. This policy has been developed in conjunction with and formally approved by management. The adherence to and breaches of are a standing item on the board meeting/agenda/management meetings
2. This policy is published within the company and is readily available to all staff, clients and other interested parties
3. All staff have been provided with a copy of this policy and have been given awareness training by our compliance department
4. Compliance with this policy is an integral part of our employment contract and subject to review on at least an annual basis. This includes breaches of the policy which are seen as an issue subject to the company's disciplinary procedures.
5. All staff complete and annually update a Conflict of interest Questionnaire.
6. All management and staff sign a formal declaration relating to the understanding of an agreement to adhere to this policy
7. Our compliance program ensures a constant review of our standards which includes an obligation to report non-compliance to the authorities if corrective action is not taken.

CONCLUSION AND APPROVAL

Application of this policy within Consort will ensure compliance with the FSB regulation avoiding any material conflict of interest, and should a conflict of interest be considered immaterial, full disclosure thereof will be made available for public perusal.

Accepted and implemented this 26TH day of FEBRUARY 2013.



P A Charlton
Managing Director



A J Charlton
Director



G P Charlton
Director