

CONSTANTIA UNDERWRITING AGENCY (PTY) LTD

CONFLICT OF INTEREST: MANAGEMENT POLICY

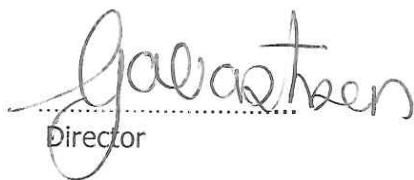
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Constantia Underwriting Agency (Pty) Ltd (CUA or the Company) recognises the importance of operating in an open and transparent manner in all aspects of its business, be it with clients, suppliers, service providers or members of the greater business community, be they directly a part of the financial services industry or not. Whilst legislative requirements may be the foundation of this policy, this statement is more practical in its application and utilizes basic business ethics and practices as its overall primary standard. This policy statement has been approved by the board of directors of CUA.

Signed on behalf of the board:

  
.....  
Director

  
.....  
Director

Date 1 May 2011

## 1. APPLICATION

This policy applies to all employees, which are deemed to include:

1. Directors, including non-executive, independent directors.
2. Members
3. Managers
4. Permanent staff
5. Contract and/or temporary staff.

## 2. DEFINITIONS

CUA has adopted the following definitions as set out in the General Code of Conduct (as amended by Board Notice 58 of 2010), as issued under The Financial Advisory & Intermediary Services Act, Act No 37 of 2002, and as applying to its policy and procedures.

**"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, -*

- (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 service 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"*

**"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 -*

- (a) *an ownership interest;*
- (b) *training, that is not exclusively available to a selected group of providers or representatives, on -*
  - (i) *products and legal matters relating to those products;*
  - (ii) *general financial and industry information;*
  - (iii) *specialised technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training;*



**“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”;

**“third party”** means “a product supplier, another provider, an associate of a product supplier or a provider, a distribution channel and any other person who in terms of an agreement provides a financial interest to a provider or its representatives”.

**“associate”** means –

- a) *in relation to a natural person, means –*
- i) *a person who is recognised in law or the tenets of religion as the spouse, life partner, or civil union partner of that person;*
  - ii) *a child of that person, including a stepchild, adopted child and a child born out of wedlock;*
  - iii) *a parent or stepparent of that person;*
  - iv) *a person in respect of which that person is recognised in law or appointed by a court as the person legally responsible for managing the affairs of or meeting the daily care needs of the first mentioned person*
  - v) *a person who is the spouse, life partner or civil union partner of a person referred to in (ii), (iii) and (iv)*
  - vi) *a person who is in a commercial partnership with that person*
- b) *in relation to a juristic person,*
- i) *which is a company, means any subsidiary or holding company of that company, any other subsidiary of that holding company and any other company of which that holding company is a subsidiary.*
  - ii) *which is a closed corporation registered under the Close Corporations Act, means any member thereof as defined in section 1 of that Act.*
  - iii) *Which is not a company or a closed corporation, means another juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person:*
    - *had such first-mentioned juristic person been a company; or*
    - *in the case where that other person, too, is not a company, had both the first-mentioned juristic person and that other juristic person been a company*
  - iv) *means any person in accordance with whose directions or instructions the board of directors of or, in the case where such juristic person is not a company, the governing body of such juristic person is accustomed to act.*
- c) *in relation to any person,*
- i) *means any juristic person of which the board of directors or, in the case where such juristic person is not a company, of which the governing body is accustomed to act in accordance with the directions or instructions of the person first-mentioned in this paragraph*
  - ii) *or administered by that person*



### **3. MANNER IN WHICH CONFLICT SITUATIONS ARISE**

Potential conflict of interest situations can arise from the company's business activities with:

1. insurers with whom there is a business/ownership relationship.
2. financial service providers (FSP's) with whom there is a business/ownership relationship.
3. distribution channels with whom there is a business/ownership relationship.
4. persons with whom there is a business/ownership relationship.
5. service providers with whom there is a business/ownership relationship.

*[Any of the above parties in which CUA or its holding companies has an ownership interest are deemed Associates of CUA. These associates along with relevant details, are listed in an annexure to this policy. (Note: Companies in the group which do not have an operational relationship with CUA are excluded)].*

6. CUA, or other group company, employees as a result of employment contracts, investments and remuneration polices.
7. any other relevant relationship that may exist within the company or other group companies.

### **4. ASSESSMENT OF POTENTIAL CONFLICT SITUATIONS**

CUA assesses whether there are conflict situations within its business through:

1. documenting the existing relationships and arrangements that are in place that are conflict or potential conflict situations,
2. assessing, before the commencement of any new transaction and when taking on a new business partner, whether or not this will create a conflict or potential conflict. If conflict exists, then a decision is taken as to whether this conflict is to be avoided or mitigated and the decision recorded accordingly.

These documented situations are reviewed regularly by the company's Management in conjunction its Compliance Officer as part of the ongoing monitoring process and forms the basis of an on-going reporting strategy the company's board of directors and should the need arise, to the Financial Services Board (which is the ultimate authority governing the financial services sector). Any potential conflicts identified are considered along with existing situations and processes to determine whether further avoidance, mitigation or additional disclosures are appropriate.

### **5. PROCESS TO BE FOLLOWED**

The process commences with the identification and documentation of relationships as follows:

1. Associate relationships when this is based on common shareholding or management control and where there is any subsidiary or holding company relationship. Companies in the wider CUA group which do not have an operational relationship with CUA are excluded.
2. Third party relationships which CUA or its staff may have with:



- 2.1 Product suppliers (insurers), which includes any of their associates.
  - 2.2 Other FSP's, including any of their associates.
  - 2.3 Product distribution channels
  - 2.4 Any other person who in terms of an agreement or arrangement with any of these providers has a financial interest which is due to CUA or one of CUA's representatives, such as, but not limited to panel beaters, assessors, and fitment centres.
  - 2.5 Suppliers outside the insurance environment, such as IT suppliers and security companies.
3. For each of the above relationships, ownership interests, financial interest paid from or to the identified parties and immaterial financial interest paid from or to the identified parties are regularly assessed.
  4. Staff remuneration policies are considered.

## **6. MITIGATION PROCESS**

The process outlined above allows CUA to assess its relationships, including those of its staff, and to fully document the process and conclusions. Once the situation has been assessed, the options available include;

1. Firstly, avoidance, which means to not enter into or to distance the company from the circumstance or situation that creates the conflict,  
*or*
2. Secondly mitigate, which means to acknowledge the conflict situation, but put in place measures that endeavour to reduce the impact of the conflict,  
*and*
3. Thirdly to disclose to the affected parties the details of the situations that are identified and the measures taken, if any, to reduce the conflict.

Any solution established could be a combination of all the above options. The approach is to firstly avoid where possible, mitigate others and disclose the position where the company has decided to continue the action or transaction.

Where disclosure of conflicts (including potential conflicts) involves clients, the standard approach to adopt is formal disclosure "at the earliest reasonable opportunity". Such opportunity is deemed to be when clients are provided with the initial advice/quote, which is undertaken by the broker.

## **7. RELATIONSHIPS WITH OTHER PARTIES IN THE INSURANCE SUPPLY CHAIN**

It is important to note that, as an Underwriting Manager, CUA does not interact with clients at the critical underwriting stage, and therefore disclosures are made to the broker, who, in turn, carries the responsibility to ensure that appropriate disclosure is made to the client.



## **8. DISCLOSURE REQUIREMENTS**

As a consequence of the underwriting manager relationships described above, CUA usually does not have direct contact with the insured client. In order to meet its disclosure obligations, specific disclosure documents are prepared and presented to our underwriting managers so that they are equipped to make the necessary disclosure. Similarly, disclosures are made to administrators who perform services on behalf of CUA. In instances where CUA interacts directly with brokers, a disclosure document is prepared specifically for those business relationships.

These obligatory disclosures include;

1. The conflicts or potential conflicts which may exist,
2. The measures taken to avoid or mitigate these conflicts
3. Ownership interests including shareholding, dividends, and similar payments.
4. Financial interests that may become due or paid to CUA, such as vouchers, benefits, travel, hospitality, accommodation, sponsorships and other incentives.
5. Details of the relationships and/or arrangements that exist that create the conflict or potential conflict.
6. Making available copies of this Conflict of Interest Management Policy.

A list is attached of associates and 3<sup>rd</sup> parties, along with any ownership interest by CUA and/or staff.

## **9. ADHERENCE TO THE POLICY**

Achieving adherence to this policy on Conflict of Interest is achieved by:

1. Including the adherence to and breaches of the policy as an agenda item on management meetings.
2. Making this policy readily available to all clients and other interested parties.
3. Providing a copy to all staff and associates and 3<sup>rd</sup> parties who are required to acknowledge receipt thereof.
4. Providing regular awareness training to all staff.
5. Including compliance with this policy as an integral part of CUA's code of employment and non-compliance as a likely disciplinary procedure.
6. Requiring all staff to complete, at least annually, a Conflict of Interest Questionnaire.
7. Requiring all staff to sign a formal declaration relating to the understanding and adherence to this policy.
8. Requiring management to include in its compliance program a regular review of CUA's ethical policies and standards. This includes an obligation on management and/or the compliance officer to report non-compliance to the authorities if appropriate corrective action is not taken.
9. It should be noted that neither CUA nor its related and exclusive product supplier, Constantia Insurance Company Ltd regard their relationship as constituting any Conflict of Interest on the basis of the Underwriting Management Agreement which is in place between CUA and the insurer. To this end, CUA shares in the profits of the business which CUA manages on behalf of Constantia Insurance Company Ltd.

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## 10. ANNEXURE

### ASSOCIATES OF CUA

#### Immediate and ultimate holding companies of CUA

100% held by Constantia Insurance Holdings (Pty) Ltd (Reg No 1989/006362/07),  
which is held 100% by Conduit Risk and Insurance Holdings (Pty) Ltd (Reg No  
1981/010851/07),  
which is held 100% by Copper Sunset Trading 186 (Pty) Ltd (Reg No 1998/010851/07),  
which is held 100% by Conduit Capital Ltd (Reg No 1998/017351/06)

#### Fellow subsidiaries of CUA

Transqua Administrative Services (Pty) Ltd (Reg No 1996/012887/07)  
TGI Investment Holding Ltd (Reg No 1994/002543/06)  
Truck and General Insurance Company Ltd (Reg No 1999/000768/06)  
Internetwork Property Services (Pty) Ltd (Reg No 2008/017825/07)  
Inventory and Risk Surveys (Pty) Ltd (Reg No 1999/005266/07)

#### Subsidiaries of CUA

Nil

#### 3<sup>rd</sup> Parties

Constantia Insurance Company Ltd, as the insurer, which is a subsidiary of the above  
mentioned Conduit Risk and Insurance Holdings (Pty) Ltd

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