



CONSEQUENCE

PRIVATE WEALTH

Page 1 of 8

Consequence Private Wealth (Pty) Ltd

FAIS Policy and Procedure

Conflict of Interest Policy and Procedure

Private and Confidential

Updated September 2018

Compiled by Company Directors & Key Individuals Michael Furter & Jeffrey Middelmann

Consequence Private Wealth (Pty) Ltd (Reg 2009/005302/07)

Authorised Financial Services Provider: 39659 **Directors:** Michael Furter, Jeffrey Middelmann

Address: 1st Floor, Newlands Quarter, Cnr Main & Dean Street, Newlands, Cape Town, 7725

Ph: 021 674 2222 **Fax:** 086 653 4999 **Email:** info@consequence.co.za **Web:** www.consequence.co.za



CONFLICTS OF INTEREST

1. Background

The aim of this document is to provide clear and concise guidelines about good corporate governance and conflict of interest within the financial services provider and its representatives.

The FAIS Act 37 of 2002, read together with Board Notice 58 of 2010, and the General Code of conduct, requires that the interest of the client be protected and that any conflict of interest or potential conflict of interest is disclosed and mitigated. In the financial services industry, “conflict of interest¹” 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;

1. Influence the objective performance of the obligation to the client.
2. Prevent the representative or provider from rendering an unbiased and fair financial service to that client or from acting in the best interest of that client, including but not limited to:
 - a. Financial interest²
 - b. Ownership interest³
 - c. Any relationship with a third party⁴

Therefore, adequate conflict of interest management must ensure that quality of financial services is not compromised, that professionalism levels will be maintained, and that clients will receive best advice.

Consequence Private Wealth (Pty) Ltd (also referred to hereafter as “the business”) must therefore avoid and, where that is not possible, mitigate any conflict of interest between themselves and their clients or representatives of its clients.

Consequence Private Wealth (Pty) Ltd will disclose to its clients in writing any conflict of interest, including any measures taken according to this policy and procedure to mitigate a conflict of interest, any ownership or financial interest, as well as the nature of any relationship or arrangement with a third party that may give rise to a conflict of interest, in sufficient detail to enable a client to understand the exact nature of the relationship that may give rise to a conflict of interest.

Consequence Private Wealth (Pty) Ltd understands that taking “all reasonable steps to ensure fair treatment of the client” means avoiding conflicts wherever possible and managing and disclosing conflicts where avoidance is

¹ As defined by BN 58 of 2010

² Any cash, cash equivalent, voucher, gift, service advantage, discount, domestic and foreign travel, hospitality, sponsorship or accommodation (for full definition see “financial interest” in BN 58 of 2010)

³ Any equity or proprietary interest, for which fair value was paid by the owner, other than equity held by a nominee of behalf of an owner and includes any dividend, profit share derived from such ownership

⁴ Product supplier, another provider, associate of product supplier, distribution channel, any person in terms of an agreement with persons mentioned *infra* who provides a financial interest to a provider or its representatives.



not possible or where conflicts may be perceived but not necessarily exist (and therefore avoidance is not necessary, but full disclosure allows a potential client to decide whether in their view, a conflict situation may indeed be biasing advice).

2. Policy

The Conflict Management Policy is implemented and understood by everybody in the organisation and monitored on an ongoing basis.

A conflict of interest may exist when an officer/ director or employee is involved in an activity or has a personal interest that might interfere with their objectivity in performing business duties and responsibilities. Such conflicts may appear as favouritism or otherwise damage the reputation of the business or its employees.

An actual conflict of interest does not need to be present to constitute a violation of this procedure. Activities that create the appearance of a conflict of interest must also be avoided to ensure that the reputation of the business and its employees are not harmed.

Personal interests of employees must not influence or appear to influence business transactions. This procedure provides the requirements for managing, avoiding and disclosing potential conflicts of interest and the process for obtaining a conflict of interest review.

The purpose further of this document is to provide our clients with appropriate information in relation to the policies we have in place to manage conflicts of interest.

Currently, there are no principal conflicts that exist in our business.

3. Identifying conflict of interest

To adequately manage conflicts of interest, the business must identify all relevant conflicts timeously.

Two levels of identification are employed:

1. Business level: The managing Executive team will annually identify an index of potential conflict risks. The index is updated with all new conflicts identified, and to ensure completeness, is reviewed on an annual basis;
2. Staff member level: All employees, including compliance officers, are responsible for identifying specific instances of conflict and are required to notify their manager of any conflicts they become aware of.

4. Management of Potential or Actual conflict of Interest

In managing conflicts of interest, our procedure is to:



1. Identify the conflicts of interest;
2. Assess and evaluate those conflicts; and
3. Decide upon, and implement, an appropriate response to those conflicts.

The following is a list of possible management strategies to manage the potential or actual conflict of interest:

- Avoid the conflict of interest.
- Mitigate the impact.
- Where this is not possible, full disclosure of the conflict of interest.

Material conflicts:

Where a conflict will have a serious potential impact on our clients or our business, it must be avoided. The Executive team may make the final decision regarding a material conflict.

Directors and employees must avoid representing the business in any transaction with others with whom there is any outside business affiliation or relationship. Directors and employees must avoid using their business contacts to advance their private business or personal interests at the expense of the business, its clients or associates.

Directors, and employees of the business must never permit their personal interests to conflict, or appear to conflict, with the interests of the business, its clients or associates. This may include but is not exclusive to:

Real or perceived financial gain resulting from recommendations to our clients at a cost to the client;

- An outcome in service delivery or a transaction that may differ from the real interest of the client;
- Any non-cash incentives that may be received by the business from affecting any transaction and / or product;
- Effecting a transaction and / or product that may result in a benefit to another party other than the client.

5. Lesser Conflict of Interest

When any staff member of the business suspects a potential conflict of interest, that person must discuss the matter with his/her immediate superior. The content of the discussion as well as any decision made must be recorded in the appropriate format. The superior and staff member will accept joint responsibility for the decision taken unless the decision is put forward for ratification to a more senior person in the business. In assessing whether a conflict is material or of a lesser nature, regard must be had to the impact that such a conflict will have on the business's reputation, financial loss and internal erosion of ethical standards.

Decisions regarding conflicts must be reported as and when they occur by Mr Michael Furter.



6. Disclosure and Record Keeping

Our business policy is to avoid all possible conflicts of interest, but if this is not possible, then full disclosure of this conflict is made in writing to our clients.

Our clients will be adequately informed about any conflicts of interest that might affect the provision of financial services to them. This means providing clear, concise and effective disclosure so that clients can make an informed decision about how the conflict might affect the relevant service.

Where a conflict is identified, and a decision made, the nature of the decision must be communicated to the third party in writing as soon as possible. This applies regardless of whether the decision was made to stop doing business or continue with the business, despite the existence of the conflict.

Written records of how conflicts of interest are managed, together with all reports referred to, must be kept for a period of 5 years and be available for inspection by the compliance officer on request, for example, records of disclosures made, and actions taken over any breaches of policies and procedures.

7. Management and Mitigation

The executive team of the business will review all conflicts as and when they occur and make recommendations regarding steps to avoid a recurrence of those aspects.

Michael Furter will accept responsibility for the implementation of all steps necessary. Notice of the attention paid to conflict of interest must be contained in the minutes of the meetings of the executive team and the relevant extracts of the minutes must be made available to the business's compliance officer on request, to enable the compliance officer to report on compliance with this policy.

8. Gifts and Inducements

The official policy of the business is as follows: No bribes, kickbacks or other similar remuneration or consideration shall be given to any person or organisation to attract or influence business activity. Directors and employees shall avoid gifts, gratuities, fees, bonuses or excessive entertainment, to attract or influence business activity.

Any gifts or gratuities over the value of R1,000 (annual calendar year total) from any other person or their associate as defined in Financial Services Board Notice 58 of 2010 may not be accepted by any person in the organization and neither may such gifts or incentives be given by any person in the business or to any third party. No gifts or gratuities may be accepted or given without written consent from Executive Management and all such gifts must be registered in the non-cash incentive/ gifts register.



In exercising discretion, Executive Management must have regard to any commission or fees regulations or other laws which may be breached by the receipt of such gift. A written statement from the giver explaining the reason for and purpose of the gift must accompany any request for authorisation. This provision also applies to invitations to any functions, including lunches, dinners, training interventions and prize-givings.

The gifts register shall be a book with fixed pages and all entries must be made in chronological order in the book. No pages may be removed from the book. Alternatively, an electronic register may be kept provided that the risk of tampering is mitigated. The gifts register shall be audited by the Compliance Officer once a quarter to determine whether any gifts or incentives exceeded the aggregate value of R1,000. The results of the audit shall be communicated in the quarterly report which is discussed at the Board Meeting.

9. Examples of Conflicts of Interest

- Personal interests may include working relationships and/or financial interests with immediate family members or relatives.
- Activities include outside employment in areas similar to those in which the Business is involved.
- Outside work for clients, suppliers, vendors, or competitors of the business.
- Operating as a supplier to the business.
- Activities that have the potential to affect the staff member's objectivity.
- Activities that could reflect negatively on the reputation of the business and its employees.
- Holding a financial interest in a business concern that is a supplier, client, partner, subcontractor, or competitor of the business constitutes a conflict of interest under certain conditions.
- Incentive remuneration for placing a quantity of business with only 1 supplier, or for only 1 product of a supplier where a choice is available.
- Participating in any activity that might lead to or give the appearance of unapproved disclosures of the business' confidential information or client confidential information.
- Using an official position to obtain special privileges or advantages from individuals or businesses.
- An employee or director may serve on external non-profit, governmental or for-profit governance boards, however if such service in any way could create an actual or perceived conflict of interest, the services must be disclosed, and approved by the governing body of the business.
- No person may receive or solicit outside employment, including paid service on a governance board, or compensation that would impair the independence of judgment of the individual in performing duties as an employee of the business.

10. Activities Requiring Full Disclosure

We, or some other person connected with us, may have an interest, relationship or arrangement that is material to the service, or transaction concerned.

To manage such conflicts, we require our staff members to fully disclose, and disregard when dealing with our clients:

1. Financial interest in any supplier, client or competitor entity.



2. If they are acting as an employee, officer, director, consultant, representative, or agent for a supplier, client, partner, subcontractor, or competitor.
3. If they are engaging in any activity that could create the appearance of a conflict of interest, which may impair the reputation of The Business for impartiality and fair dealing.

11. Insider Trading

Directors and employees of the business will often come into contact with, or have possession of, proprietary, confidential or business-sensitive information and must take appropriate steps to assure that such information is strictly safeguarded.

This information – whether it is on behalf of our business or any of our clients or affiliates – could include strategic business plans, operating results, marketing strategies, client lists, personnel records, upcoming acquisitions and divestitures, new investments, and manufacturing costs, processes and methods. Proprietary, confidential and sensitive business information about this business, other companies, individuals and entities should be treated with sensitivity and discretion and only be disseminated on a need-to know basis.

No disclosure of confidential information is permitted without written permission of the client or the most senior manager of this business. Misuse of material inside information in connection with trading in the business's securities can expose an individual to civil liability and penalties. Under current legislation, directors, officers, and employees in possession of material information not available to the public are "insiders."

Spouses, friends, suppliers, brokers, and others outside the business who may have acquired the information directly or indirectly from a director, officer or employee are also "insiders." The Act prohibits insiders from trading in, or recommending the sale or purchase of, the business's securities, while such inside information is regarded as "material", or if it is important enough to influence you or any other person in the purchase or sale of securities of any business with which we do business, which could be affected by the inside information. The following guidelines should be followed in dealing with inside information:

- Until the material information has been publicly released by the business, an employee must not disclose it to anyone except those within the business whose positions require use of the information.
- Employees must not buy or sell the business's securities when they have knowledge of material information concerning the business until it has been disclosed to the public and the public has had sufficient time to absorb the information.
- Employees shall not buy or sell shares of another corporation, the value of which is likely to be affected by an action by the business of which the employee is aware and which has not been publicly disclosed.



Officers, directors and employees will seek to report all information accurately and honestly, and as otherwise required by applicable reporting requirements. Officers, directors and employees will refrain from gathering competitor intelligence by illegitimate means and refrain from acting on knowledge which has been gathered in such a manner. The officers, directors and employees of the business will seek to avoid exaggerating or disparaging comparisons of the services and competence of their competitors.

12. Staff Training and General Awareness

All staff must be trained on this policy. A copy of the policy will be provided to each staff member at inception of that staff member's duties and updated versions must be circulated as and when they are updated.

It is the responsibility of Michael Furter to ensure that the provisions of this paragraph are complied with.

It is our policy to inform all clients of the existence of this policy, and make it available to such clients in the following manner:

13. Posting on Websites

This shall be monitored by Executive Management Violation of this Code can result in disciplinary action being taken against the person, including possible termination of services. The degree of discipline relates in part to whether there was a voluntary disclosure of any ethical violation and whether or not the violator cooperated in any subsequent investigation.

September 2018

Michael Furter