



METROPOLITAN
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MMI Group Limited trading as Metropolitan

Conflict of Interest Management Policy

INDEX	PAGE
1. Why does Metropolitan have a Conflict of Interest Management Policy?	3
2. What are the objects of a Conflict of Interest Management Policy?	3
3. What is a Conflict of Interest?	3
4. Who is responsible for the Conflict of Interest Management Policy?	3
5. To whom does the Policy apply?	4
6. How is Conflict of Interest identified within Metropolitan?	4
7. To whom must Conflict of Interest be reported?	4
8. What steps are taken when a Conflict of Interest is identified?	5
9. When a Conflict of Interest is discovered, what must be communicated to the client?	5
10. What is a financial interest?	6
11. What are the rules about giving and receiving a financial interest?	6
12. What is an immaterial financial interest?	7
13. How are immaterial financial interests monitored to ensure the limits are not exceeded?	7
Annexure A – Definitions	8
Annexure B – List of MMI Holdings subsidiaries	11

MMI GROUP LIMITED trading as METROPOLITAN (FSP NO. 44673)

Conflict of Interest Management Policy

For the purposes of this Policy, “MMI GROUP LIMITED trading as METROPOLITAN” is referred to as Metropolitan.

Terms appearing in capital letters are defined in Annexure “A”.

1. Why does Metropolitan have a Conflict of Interest Management Policy?

Before the introduction of FAIS, financial services were mostly unregulated. The Government, in line with a general move towards greater consumer protection, passed FAIS in an effort to upgrade the Financial Services Industry by improving the standard of the advice given to clients of FSPs.

FAIS introduced the General Code of Conduct. The code is binding on all FSPs. Amongst other things, the General Code of Conduct sets out the way FSPs are expected to deal with Conflicts of Interests. An FSP is required to draw up a Conflict of Interest Management Policy and to make this available to all its customers.

Although, by putting into a place a Conflict of Interest Management Policy, Metropolitan is fulfilling its legal obligation, Metropolitan acknowledges that protecting the interests of its customers is of the highest importance and fully supports the aims of a Conflict of Interest Management Policy.

2. What are the objectives of a Conflict of Interest Management Policy?

It is Metropolitan’s responsibility to, wherever possible, avoid Conflict of Interest. Where it is not possible to avoid Conflict of Interest it must be effectively controlled. The objective of the Conflict of Interest Management Policy is to establish the principles to be used in the identification of any Conflicts of Interest and, once identified, how they are to be managed.

3. What is a Conflict of Interest?

A Conflict of Interest occurs when Metropolitan or one of its REPRESENTATIVES has an actual or potential interest that may, when providing a financial service to a client, influence Metropolitan or a REPRESENTATIVE not to act fairly, independently and/or objectively towards that client

4. Who is responsible for the Conflict of Interest Management Policy?

The policy is approved by the MMI Holdings Limited Executive Committee and adopted by the Board of Directors of MMI Group Limited which is a wholly-owned subsidiary of MMI Holdings Limited. Metropolitan’s Compliance and Legal Services Departments are responsible for the drafting of the policy and making any amendments that become necessary.

The policy is reviewed annually and any amendments needed must be approved by MMI Group Limited’s Board of Directors.

Metropolitan’s Retail Executive Committee is responsible for the maintenance and implementation of this policy within Metropolitan.

5. To whom does the policy apply?

The policy applies to all employees. "Employees" includes all permanent or temporary employees, directors, officers, agents or independent contractors of Metropolitan. All REPRESENTATIVES of Metropolitan or brokers entering into agreements with Metropolitan must sign a REPRESENTATIVE agreement or broker agreement, as the case may be, in terms of which they will explicitly confirm adherence to this policy.

Metropolitan or its REPRESENTATIVES may not avoid, limit or circumvent compliance with this Conflict of Interest policy through an ASSOCIATE or an arrangement involving an ASSOCIATE. See Annexure "B" attached hereto for a list of Metropolitan's ASSOCIATES.

It is the duty of all employees to know what is contained in the policy and to report on any actual or potential Conflicts of Interest. All reports of Conflict of Interest will be treated in the strictest confidence.

Failure to report any Conflict of Interest uncovered or failure to comply with this policy in general, may result in disciplinary action.

6. How is Conflict of Interest identified within Metropolitan?

Ongoing training is provided to enable all Metropolitan employees to identify Conflicts of Interest.

Where:

- (a) the interests of an employee and/or Metropolitan are not aligned with the needs of the client, or
- (b) the employee is not acting independently, objectively and/or professionally towards a client, or
- (c) the employee is acting in his own interests or those of Metropolitan or some other party but not in the interests of the client

a Conflict of Interest or potential Conflict of Interest exists.

7. To whom must Conflicts of Interest be reported?

Cases of Conflict of Interest must be reported to Metropolitan Retail's Compliance Department. The Compliance Department itself will constantly monitor compliance with this policy. They will submit a quarterly report to Metropolitan Retail's Executive Committee on the state of compliance with the Conflict of Interest Management Policy. This report will highlight all instances of non-compliance with the policy and the inherent risk incurred by the non-compliance.

Complaints relating to Conflict of Interest will be dealt with by Metropolitan's Complaints Resolution and Reservation Department who are required to escalate any unresolved complaints to the Retail Executive Committee.

8. What steps are taken when a Conflict of Interest is identified?

When a Conflict of Interest or potential Conflict of Interest is identified, the following steps must be taken:

- (a) the Conflict of Interest must be evaluated to establish:
 - (i) if it can be avoided and if so how can this be done
 - (ii) if it cannot be avoided, the reasons why
 - (iii) what can and has been done to control the conflict (mitigation)
 - (iv) how the mitigation steps will lessen the effects of the conflict
 - (v) what, when and how the client or clients need to be told about the conflict.
- (b) if the conflict can be avoided, the appropriate steps to end the conflict must be taken
- (c) if it is not feasible to avoid the conflict, the following will be developed:
 - (i) control measures to reduce any negative impact on the client, and
 - (ii) a policy on how to notify the client or clients about the conflict, the possible negative impact the conflict may have on the client(s) and what steps Metropolitan has taken to minimize the risk to the client(s).

9. When a Conflict of Interest is discovered, what must be communicated to the client?

Metropolitan and its REPRESENTATIVES must at the earliest reasonable opportunity disclose in writing to a client any Conflict of Interest in respect of that client and supply the following information:

- (a) reference to this policy and how it may be accessed
- (b) any financial interest, other than an immaterial financial interest or OWNERSHIP INTEREST that Metropolitan, its REPRESENTATIVES or any other employees may become eligible for due to any relationship with that client
- (c) sufficient details of any relationship with a THIRD PARTY which may give rise to a Conflict of Interest
- (d) details regarding the basis on which a REPRESENTATIVE will qualify for a financial interest that Metropolitan may offer a REPRESENTATIVE and motivate how the financial interest complies with this policy
- (e) the measures taken to avoid or mitigate the Conflict of Interest.

The above information must be given in sufficient detail to allow the client to make an informed decision as to whether to enter into an agreement or transaction. All disclosures made in terms of this policy will be retained for a period of 5 years as required by FAIS.

For the purposes of (a) above this policy will be posted on Metropolitan's website and also available internally on Metropolitan's intranet site.

10. What is a financial interest?

A financial interest is any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or value consideration, other than:

- (a) an OWNERSHIP INTEREST;
- (b) training, that is not exclusively available to a selected group of FSPs 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.

11. What are the rules about giving and receiving a financial interest?

Metropolitan or its REPRESENTATIVES may only receive or offer the following financial interests from or to a THIRD PARTY:

- (a) Commission authorised under the Long-term Insurance Act, 1998 (Act No. 52 of 1998);
- (b) Commission authorised under the Medical Scheme Act, 1998 (Act No.131 of 1998);
- (c) Fees authorised under the Long-term Insurance Act, 1998 or the Medical Scheme Act, 1998, if those are reasonably commensurate to a service being rendered;
- (d) Fees for the rendering of a financial service in respect of which commission or fees referred to in subparagraph (a), (b) or (c) is not paid, if those fees –
 - (i) are specifically agreed to by a client in writing;
 - (ii) may be stopped at the discretion of the client;

- (e) Fees or remuneration for the rendering of a service to a THIRD PARTY which fees or remuneration are reasonably commensurate to the service being rendered;
- (f) Subject to any other law, an immaterial financial interest;
- (g) A financial interest, not referred to in subparagraph (a) to (f) for which a consideration, FAIR VALUE, or remuneration that is reasonably commensurate to the value of the financial interest, is paid by that FSP or REPRESENTATIVE at the time of receipt thereof.

Any policy decisions regarding the basis of remuneration, or the payment of any reward or bonus in terms of financial services rendered, will be referred to the Metropolitan Retail Executive Committee for consideration in accordance with this policy.

Metropolitan must ensure that no financial interest will be offered to a REPRESENTATIVE for:

- (h) giving preference to the quantity of business secured for Metropolitan to the exclusion of the quality of the services rendered to clients; or
- (i) giving preference to a specific product supplier, where a REPRESENTATIVE may recommend more than one product supplier to a client, or;
- (j) giving preference to a specific product of Metropolitan, where a REPRESENTATIVE may recommend more than one product to a client.

12. What is an immaterial financial interest?

Any financial interest from a THIRD PARTY that has a determinable monetary value, the aggregate of which does not exceed R1000 in any calendar year received by:

- (a) an FSP who is a sole proprietor; or
- (b) a REPRESENTATIVE for that REPRESENTATIVE's direct benefit;
- (c) an FSP, who for its benefit or that of some or all of its REPRESENTATIVES, aggregates the immaterial financial interest paid to its REPRESENTATIVES.

Metropolitan may provide for reasonable costs associated with training, including but not limited to subsistence costs of attendees, speaker or trainer fees and venue costs. These costs are not defined as immaterial financial interests and accordingly recorded as such.

13. How are immaterial financial interests monitored to ensure the limits are not exceeded?

Metropolitan maintains a register of all immaterial financial interests paid to THIRD PARTIES to ensure that the legal limits are not exceeded. The register of immaterial financial interests is managed in accordance with the rules drawn up for it.

Annexure A

Definitions

“ASSOCIATE”

- (a) In a relation to a natural person, means –
- (i) a person that 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 subparagraphs (ii) to (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 close corporation registered under the Close Corporations Act, 1984 (Act No. 69 of 1984), means any member thereof as defined in section 1 of that Act;
 - (iii) which is not a company or a close corporation as referred to in subparagraphs (i) or (ii), means any other juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person –
 - (aa) had such first-mentioned juristic person been a company; or
 - (bb) in the case where that other juristic 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) includes any trust controlled or administered by that person.

“FAIS” means the Financial Advisory and Intermediary Services Act, No. 37 of 2002.

“FAIR VALUE” means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction as set in the reporting standards adopted in terms of the Companies Act No. 61 of 1973.

“FSP” means an authorised financial services provider.

“OWNERSHIP INTEREST” means –

- (a) any equity or proprietary interest, for which FAIR VALUE was paid by the owner at the time of acquisition, other than equity or a proprietary interest held as an approved nominee on behalf of another person and
- (b) includes any dividend, profit share or similar benefit derived from that equity or OWNERSHIP INTEREST.

“REPRESENTATIVE” means any person, including a person employed or mandated by such first-mentioned person, who renders a financial service to a client for or on behalf of Metropolitan, in terms of conditions of employment or any other mandate, but excludes a person rendering clerical, technical, administrative, legal, accounting or other service in a subsidiary or subordinate capacity, which service –

- (a) does not require judgment on the part of the latter person; or
- (b) does not lead a client to any specific transaction in respect of a financial product in response to general enquiries.

“THIRD PARTY” means –

- (a) a product supplier;
- (b) another FSP;
- (c) an ASSOCIATE of a product supplier or an FSP;
- (d) a distribution channel;

- (e) any person who in terms of an agreement or arrangement with a person referred to in paragraphs (a) to (d) above provides a financial interest to an FSP or its REPRESENTATIVES.

List of MMI Holdings Subsidiaries

THIRD PARTIES