



Consilium Securities

## Conflict of Interest Policy

Consilium Securities (Pty) Ltd  
A Member of the JSE Limited

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## A. GLOSSARY OF TERMS

This policy is owned by Consilium Securities (Pty) Ltd, a Member of the JSE Limited (hereunder referred to as “Consilium”).

### **Consilium Group**

Includes Consilium and all subsidiaries and companies affiliated with Consilium.

### **Associate**

In relation to an Employee includes all children, step-children, adopted children, parents, step-parents, spouses, life partners, civil union partners of the Employee or any of the Employee’s family mentioned above and will also include a person who is in a commercial partnership with the Employee.

In relation to Consilium means all subsidiaries of Consilium and any controlling shareholders in relation to Consilium.

### **Client**

A client of the Consilium.

### **Compliance Officer**

Alex Naicker

[Alex@consiliumsec.co.za](mailto:Alex@consiliumsec.co.za)

Chad Germanus

[Chad@consiliumsec.co.za](mailto:Chad@consiliumsec.co.za)

### **Conflict of Interest**

Any situation in which Consilium or a Representative has an actual or potential interest that may, in rendering a financial service to a client:

- influence the objective performance of his, her or its obligations to that client; or
- prevent an FS Company or Representative from rendering an unbiased and fair financial service to that client, or from acting in the best interests of that client.

### **Distribution Channel**

Distribution channel shall include:

- any arrangement between a product supplier or any of its associates and one or more FS Company’s or any of its associates in terms of which any support or services provided to the FS Company or FS Companies in rendering a financial service to a client;
- any arrangement between two or more FS Companies or any of their associates which facilitates, supports or enhances a relationship between the FS Companies and a product supplier;
- any arrangement between two or more product suppliers or any of their associates which facilitates, supports or enhances a relationship between FS Companies and a product supplier.

### **Employee**

Any person who, for and on behalf of Consilium, renders any financial services to a client in terms of such person’s conditions of employment and included in the generality of this definition are full time employees, temporary employees, independent contractors and employees of entities in the

Consilium Group. (Employees are incorporated in the definition of Representatives for the purposes of this policy.)

**Financial Interest**

Any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship or other incentive or valuable consideration (other than any such interest with a monetary value which does not exceed R1 000,00 in any calendar year from the same third party).

**FS Company**

A Company that provides financial services.

**FAIS**

Financial Advisory & Intermediary Services Act 2002.

**Managing Director:**

The Managing Director of Consilium.

**Ownership Interest:**

Any equity or proprietary interest (other than equity or a proprietary interest held as an approved nominee on behalf of another person) and includes any dividend, profit share or similar benefit derived from that equity or ownership interest.

**Representative:**

Any person who, for or on behalf of Consilium, renders a financial service to a client in terms of a mandate or similar arrangement and included in this are employees, temporary employees and independent contractors of such service providers and in this policy document, the term Representative includes a reference to Employees.

**SSA**

The Securities Services Act, 2004.

**Third Party**

Includes a product supplier, another FS Company, an associate of a product supplier or an FS Company, a distribution channel or any person who, in terms of an agreement or arrangement with any such third parties provides financial interest to an FS Company or its Representatives.

## **B. BACKGROUND:**

Consilium is an authorised user (equities member) of the JSE Limited and is authorised to render trading services (as well as investment services) in terms of the Rules and Regulations of the JSE (“the Equities Rules”) promulgated in terms of the SSA.

Consilium Securities’ nominee company and wholly owned subsidiary, Sonset Nominees (Proprietary) Limited is an approved nominee company in terms of the Equities Rules and this company also has the necessary approval from the Registrar of Pension Funds and the Registrar of Long-Term Insurance to hold, in a nominee capacity, the assets of registered pension funds and registered long-term insurers, respectively.

In the financial services industry in which Consilium operates, conflicts of interest can be described as circumstances where some or all of the interests of clients to whom Consilium provides financial services are inconsistent with, or diverge from, some or all of the interests of Consilium or its Representatives.

Adequate conflicts management helps to minimise the potential adverse impact of conflicts of interests on clients. Without adequate conflicts management, FS Companies whose interests conflict with those of the client are more likely to take advantage of that client in a way that may harm that client and may diminish confidence in that FS Company and in the financial services industry as a whole.

While it is conceded that all potential conflicts of interest do not necessarily manifest themselves into actual conflicts, it is submitted that the very perception of bias is a negative one, and carries a negative impression of the industry.

## **C. PURPOSE OF THIS POLICY**

The purpose of this conflicts policy is to outline a suitable approach and response to the identification and management of conflicts of interest. Potential conflicts of interest are inherent in any business, therefore it is not possible in all circumstances to avoid a conflict of interest.

Given the nature of businesses in the Consilium Group and particularly that, within the Consilium Group, the activities of investment research, advice, proprietary trading and portfolio management are conducted, conflicts of interest may arise.

This policy should be read and understood by all affected Employees and Representatives. The guidelines and recommendations contained herein should be considered and applied where relevant, and Employees should raise any queries regarding potential conflicts of interest to their manager.

## **D. UNDERLYING PRINCIPLES**

Consilium and its Employees must at all times render financial services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry.

If a conflict of interest arises and it is possible to avoid it, that conflict of interest must be avoided. Where a conflict of interest cannot be avoided, that conflict must be mitigated. Disclosure of that conflict must be made to the client.

## E. TREATING CLIENTS FAIRLY

Consilium must treat its customers fairly. Consilium must:

- Not provide financial services that unfairly puts the interests of Consilium ahead of that of its clients;
- Not provide financial services in a way that unfairly puts the interests of one client ahead of the interests of other clients;
- Not use knowledge about clients in a way that is likely to advance its own interests without sufficient disclosure to affected clients. (Transparency in disclosure).

Consilium must manage conflicts between the interests of various clients (existing/potential) as well as conflicts between Consilium's own interests and those of its clients.

## F. MECHANISMS IN PLACE FOR IDENTIFYING CONFLICTS OF INTEREST

Consilium has the following arrangements in place to identify conflicts of interest affecting its business. These arrangements include the following mechanisms:

- **Register detailing potential Conflicts of Interest risks-** Management have put together a list of potential conflict risks that exist, has assessed them by business area and income stream as well with documented controls and appropriate response to those conflicts.
- **All Employees, including Consilium's Compliance Officer and management,** are responsible for identifying specific instances of conflict and are required to notify the Compliance Officer of any conflicts they become aware of. The Compliance Officer will escalate the conflict to the Managing Director to assess the implications of the conflict and how the conflict should be managed.
- **Avoiding Conflicts of Interest altogether-** if a serious potential impact on Consilium or a client exists, the conflict must be avoided altogether. Merely disclosing the risk and imposing internal controls is not enough.
- **Disclosing Conflicts of Interest appropriately-** Where a conflict of interest cannot be avoided, clear, concise and effective disclosure is essential so that client can make an informed decision. Appropriate disclosure to a client will depend on all facts presented and a number of circumstances including the level of financial literacy of the client, the extent to which other clients are likely to rely, directly or indirectly, on the service, how much the client already actually knows about the specific conflict and the complexity of the service being presented to the client.

## G. MANAGEMENT OF CONFLICTS

Where conflicts may arise, avoidance or declining to act for the client is the safest course of action but is often simply not a possible or practical solution.

The following procedure is followed in the event that a conflict of interest is identified:

- The Compliance Officer assesses each conflict, including whether the conflict is actual or perceived and whether it can be avoided. In doing so, the Compliance Officer must also

assess, where the conflict cannot be avoided, the value of the conflict or exposure and the potential reputational risk, irrespective of whether the conflict is actual or perceived.

- Compliance will then escalate the matter to management to agree on the controls that need to be put in place to manage the conflict.
- In such cases disclosure to the client must be made.

Consilium has various internal controls to manage and mitigate Conflicts of Interests, including:

- Information barriers (“Chinese Walls”) - Restrictive access control to certain areas; separate IT systems and IT folders, IT access control policy and “Clean Desk” policy.
- Internal Policies and Procedures: systems and controls to minimise the impact that any conflict is likely to have on the client’s interest.
- Disclosure: disclosing an interest to a client where the conflict cannot be avoided.

Specific instances of conflict may require management intervention in addition to the documented controls already in place. These can include escalation to the Board of Directors for a decision on how the conflict should be managed, if it cannot be avoided, for instance, by disclosure or declining to act.

Consilium additionally has various internal policies to manage and mitigate Conflicts of Interests, including:

- Personal Account Dealing Policy;
- Gifts and Entertainment Policy.

Compliance maintains records of all conflicts of interests identified and their resolution, including the persons involved and the controls used.

## **H. STEPS TO MITIGATE CONFLICTS OF INTEREST**

It is not always possible to avoid all conflicts of interest regardless of impact. However, all conflicts of interest must be adequately assessed for impact, reported to the compliance function and/or senior management who will then decide how to proceed.

If it is decided to proceed, the conflict can be normally managed by a combination of internal controls and appropriate disclosures.

Depending on the circumstances and the nature of any given conflict, it may be appropriate to:

1. Where the conflict of interest cannot be eliminated, disclose the conflict of interest to the client;
2. Allocate another Representative to provide the service to the client;
3. Decline to provide a service to the client;
4. Initiate internal/external disciplinary action (referring matter to regulator for instance) where warranted.

What constitutes an appropriate response to a given conflict of interest will always depend on the circumstances and facts of the case.

## **I. AVOIDING CONFLICTS OF INTEREST**

Certain conflicts have such a serious potential impact on an FS Company or its clients that the only way to adequately manage those conflicts will be to avoid them. In these cases simply disclosing them and imposing internal controls may be inadequate.

Examples:

1. Consilium staff are not permitted to offer to publish or give positive advice about a particular financial product issuer, or include their product on a recommended list, solely in return for benefits or continuing business from that issuer;
2. Consilium Employees may not disclose pending client orders to third parties associated with Consilium (which would enable the third party to trade ahead of the client);
3. Discretionary FS Companies should not permit 'late trading' by some of their clients; and
4. Where Consilium is significantly affected by conflicts of interest for particular financial product advice, Consilium may need to decline to provide the advice.

## **J. OTHER OBLIGATIONS**

Other obligations already exist in and outside of FAIS, which deal with or relate to conduct potentially affected by conflicts of interest, including:

- Consilium must act with due care and skill and in their clients' best interest. This includes numerous statutory contact stage disclosures, which includes conflicts of interest. The obligation to operate with due care and skill and in the best interest of the client is interconnected to the obligation to manage conflicts of interest;
- The obligation to have adequate risk management systems in place;
- The obligation to comply with all financial services laws;
- The obligation to have adequate compliance arrangements;
- A range of prohibitions, including for misleading or deceptive conduct in the provision of a service, and insider trading;
- The duties of a responsible entity of a registered collective investment scheme, including duties to act in the best interests of the members of the scheme and, if there is a conflict between the member's interests and its own interest, to give priority to the members' interests.

## **K. REMUNERATION**

Consilium must continually review its remuneration practices (including non monetary) as part of ensuring that they operate efficiently, honestly and fairly.

When charging fees based on funds under management, Consilium should consider how to ensure they address any tendency to act other than in the best interests of their clients.



Disclosure to clients is an adequate mechanism for controlling conflicts of interest arising from remuneration practices.

Remuneration practices that place the interests of Consilium in direct and significant conflict with those of its clients should be avoided (and not merely disclosed).

When providing advice to clients, Consilium is specifically obliged to ensure the advice is appropriate (regardless of remuneration).

#### **L. DISCLOSURE OBLIGATION REGARDING CONFLICT OF INTEREST**

Each Representative must, in writing, at the earliest reasonable opportunity:

- disclose to a client any conflict of interest in respect of that client;
- inform a client of this conflict of interest management policy and how it may be accessed.

That disclosure is compulsory and must be made if the conflict of interest cannot be avoided.

Such disclosure must be in writing and must include information regarding:

- the measures taken, in compliance with this policy, to avoid or mitigate the conflict;
- the ownership interest or financial interest that Consilium or the Employee may be or become eligible to receive; and
- the nature of any relationship or arrangement with a third party that gives rise to a conflict of interest.

This written disclosure must be in sufficient detail to a client to enable the client to understand the exact nature of the relationship or arrangement and the conflict of interest.

#### **M. TIMELY, PROMINENT, MEANINGFUL DISCLOSURE**

Such disclosure should:

- Be timely, prominent, specific and meaningful;
- Occur at the earliest reasonable opportunity and specifically must occur before the service is provided, at a time that allows the client a reasonable time to assess its effect.

Disclosure should refer to the specific service to which it relates, and should be clear enough for the client to fully understand its implication.

#### **N. DISCLOSURES FOR FINANCIAL PRODUCT ADVICE**

Where a conflict of interest cannot be avoided in relation to financial product advice, such disclosure document should disclose:

- The extent to which Consilium (or any associate of it) has a legal or beneficial interest in the financial products that are the subject of the advice should be inputted in the Letter of Introduction at contact stage;

- The extent to which Consilium (or any associate of it) is related to or associated with the supplier of the product that are the subject of the advice;
- The extent to which Consilium (or any associate of it) is likely to receive financial or other benefits depending on whether the advice was followed or not.

Where a conflict of interest cannot be avoided and while such conflict of interest may not necessarily cause the advice to be compromised, it should still be brought to the client's attention.

## **O. WHEN DISCLOSURE BECOMES INAPPROPRIATE**

There are times when disclosing a conflict may be inappropriate. Conflicts that arise may be confidential, and even amount to 'inside information' under insider trading rules. In situations like these Consilium will need to assess, on a case-by-case basis, whether any disclosures can be given and whether the conflict can be adequately managed through other mechanisms. In such cases the conflict needs to be avoided altogether.

## **P. SENIOR MANAGEMENT, EMPLOYEE AND REPRESENTATIVE RESPONSIBILITIES**

Senior management are responsible for the creation, implementation and oversight of appropriate processes and procedures for the effective management of conflicts of interest within their organisations.

In summary:

- Senior management must engage fully in all aspects of conflict of interest identification and management and take a broad view of the risks posed to their business. Controls to mitigate conflicts need to be reviewed on a regular basis.
- Senior management are responsible for ensuring that the broad spread of conflict risk to which their business is exposed is addressed, including latent and emerging conflicts. They need to make informed judgments about the materiality of the conflict risk.

All Employees/Representatives responsibilities:

- The obligation to avoid a conflict of interest applies to every Employee and every Representative of the Consilium Group (other than persons rendering clerical, technical, administrative, legal, accounting or other services in a subsidiary or subordinated capacity provided that those services do not lead a client to any specific transaction in respect of a financial product in response to general enquiries).
- The obligation:
  - to render financial services honestly, fairly, with due skill, care and diligence, and in the interest of clients and the integrity of the financial services industry;
  - to avoid conflicts of interest where possible and where not possible mitigate them; and
  - to disclose conflicts of interests in terms of this policy to the client in writing,

is an obligation of every Employee and Representative referred to above.

Annexure A sets out examples of conflicts of interest which Employees and Representatives should be aware of and where possible, avoid.

**Q. DOCUMENTATION AND RECORD KEEPING**

Records should be kept for at least 5 years of:

- Conflicts identified and actions taken;
- Any reports given to Consilium's senior management about matters relating to conflicts;
- Copies of written conflicts of interest disclosures given to clients.

**R. CONSEQUENCES OF NON-COMPLIANCE WITH THE POLICY BY THE PROVIDER'S EMPLOYEES AND REPRESENTATIVES**

Non-compliance by Employees with this policy will constitute a breach by the Employee of the terms of his employment and expose the Employee to the risk of disciplinary procedures depending on the nature and severity of such breach.

Any breach of this policy by a Representative who is not an Employee and who is subject to a contract or mandate must be assessed in the light of the severity of such breach and the contractual rights of Consilium under such mandate.

**S. QUALIFICATION BY REPRESENTATIVES FOR A FINANCIAL INTEREST**

- n/a

**T. LIST OF ASSOCIATES OF CONSILIUM**

- **Sonset Nominees(Pty) Ltd**
  - M I Sonik
  - A De Aguiar
- **CCSA Properties (Pty) Ltd**
  - M I Sonik
  - A De Aguiar
- **Consilium Securities (Pty) Ltd**
  - M I Sonik
  - A De Aguiar
- **CoCap SA (Pty) Ltd**
  - M I Sonik

**U. THIRD PARTIES IN WHICH CONSILIUM OR THE CONSILIUM GROUP HOLDS AN OWNERSHIP INTEREST**

- Sonset Nominees(Pty) Ltd (100%)

**V. THIRD PARTIES OWNING AN INTEREST IN CONSILIUM**

Consilium Capital SA (Pty) Ltd (100%)

**EXAMPLES OF CONFLICTS**

**INTERESTS AND AFFILIATIONS**

*A conflict of interest exists if an Employee or Representative is in a position to make or influence a decision about whether and how to proceed with the proposed transaction, and has an affiliation with any other party to a business transaction. An apparent conflict is one that a sceptical viewer might reasonably believe might cause the relevant person's decision to be tainted by self-interest.*

In order to ensure proper corporate governance, and the accountability and transparency of our organisation, Employees and Representatives are required to declare any private interests that might affect the carrying out of their duties. They are also required to take steps to resolve any conflicts that arise in a way that protects the public interest. To fulfil this requirement, any relevant interests must be declared on the Register of interests. These are personal or business interests that might influence their judgement, deliberation or action as Employees of the financial services provider, or which might be perceived by a reasonable member of the public as doing so.

Employees and Representatives must consider whether they need to disclose personal involvement with persons or organisations which members of the public might reasonably think could influence their judgement.

Where there is uncertainty about whether a particular interest should be declared, advice should be sought from the Compliance Officer.

**1. Moonlighting**

Employees of Consilium may not engage in any employment or activity other than for Consilium or in any business in which Consilium is engaged or contemplates engaging. While employed at Consilium, each Employees' full business energies and time should be devoted exclusively to Consilium's business. If one wishes to pursue a second job with any other entity or to participate in an outside business venture ("Moonlighting"), one must ensure that the engagement in such activity does not create a conflict with the interests of Consilium or in any way use or risk disclosure of the confidential information of Consilium. Any outside activity should be strictly separated from Consilium's employment and should not harm one's job performance at Consilium. To avoid problems in this area, each Employee is required to disclose and receive approval from compliance/senior management prior to engaging in any such activity. Employees who are executive officers of Consilium should obtain such prior approval from the Board of Directors (the "Board").

**2. Service on Boards and Committees**

Employees must obtain approval prior to accepting any position to serve on a board of directors, an advisory board or on a committee of any entity. Employees who are not executive officers should obtain approval from relevant persons before accepting any board or committee position. Consilium is at any time able to rescind prior approvals to avoid a conflict or appearance of a conflict of interest for any reason deemed to be in the best interests of the company.

**3. Self Dealing transactions**

Consilium should not engage in any self dealing. Generally speaking, sales of property, goods, or services; exchanges and loans between Consilium and a disqualified person (such as a director or officer or a member of their families); payment of compensation to a disqualified

person; and use of Consilium's assets by or for the benefit of a disqualified person constitute self-dealing and should be prohibited as a matter of course.

#### **4. Gifts and improper personal**

No Employee should obtain any material personal benefits or favors because of his or her position with Consilium.

Directors, advisors, and staff members, and members of their families, may not knowingly receive or accept any pecuniary gain or anything else of value (including gifts, honoraria, loans, and entertainment) from recent, current, or potential grantees, vendors, suppliers, consultants, or others who have existing or proposed business or grantor-grantee relationships with Consilium. It is permissible to accept gifts of nominal value, meals, and social invitations that are in keeping with good business ethics and do not obligate the recipient to take or refrain from taking any action or decision on behalf of Consilium. Where it would be awkward to decline a gift, it should be accepted on behalf of Consilium, and senior management should be consulted as to its disposition.

#### **5. Provisions Specific to Staff and investment in private companies**

A Consilium Employee's private interest cannot interfere with the interests of Consilium. Employees of Consilium have a full-time responsibility to Consilium and may not engage in activities that would interfere with the discharge of this responsibility. No Employee may have business dealings with the Consilium beyond receipt of salary and personnel benefits and reimbursement of authorized expenses.

Permission will be granted only when it is determined that the interests of Consilium are not compromised by the service to the other organization. Full disclosure of the relationship should be a requirement. If any recommendation goes forward, the disclosure must be presented to the Board and recorded in the Board minutes.

Employees may find themselves in a position to invest in clients of Consilium, partners or suppliers. It is imperative that Employees presented with such opportunities understand the potential conflict of interest that may occur in these circumstances. Investing in private companies with which Consilium has an actual or potential business relationship may not be in the best interests of Consilium. The following guidelines are intended to cover such circumstances:

#### **6. Non Cash Incentives And Indirect Considerations**

*Non-cash incentives offered and/or other indirect consideration payable by another provider, a product supplier or any other person to Consilium could be viewed as a potential conflict of interest*

Material benefits are any forms of non-cash incentives or benefits that are R500.00 or more in value for any single item or part thereof, including benefits that are passed to an Employee and/or an Employee's associate or to a Representative and/or to a Representative's associate by a product supplier; and also includes such non-cash incentives or benefits that amount to more than R1000 per natural person (and/or such person's associates) from a single product supplier over any calendar year.

Non cash incentives include (non-exhaustive list)

- Overseas trips-incentivised;
- Domestic trips-incentivised;
- Sponsorships by product suppliers for financial services providers;

- Gifts that amount to material benefits-motor vehicles, gift vouchers, loans on more favourable terms;
- Payment or provision of all or part of the costs of any business service or other business expense, including but not limited to: Office rental; Computer hardware and commercial software;
- Entertainment;
- Domestic educational or professional development conferences;
- Sponsorship of domestic provider events, including conferences, by a product supplier;
- Accommodation and travel costs where Consilium is invited as a speaker at a domestic conference/professional development event held by a product supplier;
- Access to preferential, differentiated service and/or training and/or advice facilities, and the like;
- Shareholdings, equity entitlements, sales quota obligations or performance fee entitlements that they, or an entity in which they have an interest, have in the product suppliers of the products or administrative financial services providers that Consilium and/or its Representatives recommend to clients;
- The fact that during the preceding 12 month period, Consilium received more than 30% of total remuneration, including commission from the product supplier;
- Benefits that are not material and are not in the form of cash or gift vouchers;
- Professional development conferences/courses that meet the following criteria: eg. The conference may be for no longer than three days and two nights.