

# COMPLIANCE POLICIES

SEPTEMBER 2015

## BUSINESS CONFLICT OF INTEREST

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### SUMMARY

As a global professional services firm providing advice and solutions in the areas of risk, strategy and human capital, Marsh & McLennan Companies, Inc. (“[Marsh & McLennan](#)”) has a broad and diverse client base. From time to time Marsh & McLennan operating companies will inevitably find themselves in a position where the interests of a client may conflict with the interests of:

- the operating company or another Marsh & McLennan operating company; or
- another client of the operating company or a client of another Marsh & McLennan operating company.

This policy establishes a framework for managing business conflicts of interest across Marsh & McLennan operating companies and specifically in Marsh (Pty) Ltd and Marsh Africa (Pty) Ltd (collectively “[Marsh](#)”). The shareholding of Marsh and its various licensed Financial Service Providers is depicted in Annexure “A”.

The policy also describes the process by which conflicts will be resolved as required by General Code of Conduct for Authorised Financial Service Providers and Representatives published in Board Notice No. 80 of 2003 (as amended by Board Notice No. 43 of 2008) (“[the Code](#)”) issued under the Financial Advisory and Intermediary Services Act, 2000 (Act No. 37 of 2002) (“[FAIS](#)”) which require financial service providers to have a Conflict of Interest Management Policy in place.

### SCOPE

This policy applies to all employees, directors, officers and agents of Marsh, including those that are registered as representatives and/or key individuals in terms of FAIS, collectively referred to as Colleagues.

### PURPOSE

The purpose of this Policy is to assist Colleagues to identify potential business conflicts of interests by providing measures and a framework to identify, manage and avoid conflict of interest as set out the Code, including but not limited to a financial interest, an ownership interest, or any relationship with a third party.

### What is a business conflict of interest?

A business conflict of interest is a situation in which an engagement with a client results in an interest that is contrary to the interests of Marsh, or any client of Marsh. This conflict may be real or apparent.

Types of business conflicts of interest include:

- (a) intra-company conflicts and
- (b) inter-company conflicts that exist between Marsh and another Marsh & McLennan operating company.

FAIS expands the definition of conflict of interest to include any situation in which a provider of 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 or 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 –
  - a financial interest;
  - an ownership interest; or
  - any relationship with a third party.

Potential business conflicts of interest must be identified and managed promptly and clients must be treated fairly in the process.

## DEFINITIONS

The following expressions bear the meanings assigned to them below and cognate expressions bear corresponding meanings:

- **affiliation** means close involvement with a product supplier or service provider on the part of the employee, the employee's family, or friends of business associates of the employee including serving as a board member, employee, consultant or advisor to a current or potential product supplier or service provider;
- **authorised financial services provider or provider** means a person who has been granted an authorisation as a financial services provider by the issue to that person of a licence under section 8 (of the FAIS Act);
- a **"Benefit"** includes, but is not limited to, vouchers, gifts, service, advantage, discount, meals, entertainment, domestic or foreign travel, lodging, hiring a person, giving work or a contract to a person or entity, or making a donation, contribution or sponsorship, or other incentive or valuable consideration, whether tangible or intangible, other than -
  - (a) an ownership interest,
  - (b) training, that is not exclusively available to selected group of providers or representatives on:

- products and legal matters pertaining to those products;
- general financial and industry information;
- or specialised technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training;

Giving a Benefit to a person includes giving a Benefit to someone else at the person's request and accepting a Benefit includes directing a Benefit, which otherwise would have come to oneself, to someone else.

- **financial interest** shall bear the same meaning as that assigned to a "**Benefit**".
- **immaterial financial interest** means any financial interest with a determinable monetary value, the aggregate of which does not exceed **R1 000** in any calendar year from the same third party in that calendar year received by—
  - (a) a provider who is a sole proprietor; or
  - (b) a representative for that representative's direct benefit;
  - (c) a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives;
- **key individual** means any natural person responsible for managing or overseeing the activities of Marsh relating to the rendering of financial services, who has been so registered with the Financial Services Board.
- **nepotism** the appointment, employment, promotion or advancement of a family member or relative in a position, or the advocacy of such actions by any employee, where that employee is able to influence, directly or indirectly, the decision relating to these specified actions.
- **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.

## COLLEAGUE RESPONSIBILITIES

### Identification of Conflicts

Colleagues must fully communicate and disclose any conflict of interest (including affiliation and nepotism as defined) which could impair or be perceived to impair their ability to act with integrity or objectivity or affect the impartial fulfilment of their role in the affairs of Marsh to their Practice Leader and the Compliance Officer.

In identifying business conflicts of interest, Colleagues should consider the factual circumstances. Although not an exhaustive list, examples to take into account include whether:

- Marsh could make a financial gain or avoid a financial loss at the expense of a client;
- Marsh has an interest in the outcome of a service provided to the client, which is distinct from the client's interest in the outcome;
- The interest of the client is different from the interest of another client of Marsh, or a client of another Marsh & McLennan operating company, in the same matter;
- The product or service provided to the client will require Marsh to investigate, offer an opinion, or question the work of another Marsh & McLennan operating company.

### Management and Mitigation of Conflicts

A conflict can be managed by a number of means. However, the resolution must reflect the nature of the risk and be consistent with any regulatory requirements relating to the management of conflicts of interest. Based on the circumstances, one or more of the following procedures may provide potential resolutions for a conflict:

- disclosing the relationships to the relevant parties;
- obtaining consent from the party at risk;
- establishing information barriers (ethical walls); or
- declining the engagement.

Once a potential conflict has been identified, the affected Colleague must clear the proposed resolution with the responsible Practice Leader and Compliance Officer. In the event that a Colleague is unsure whether a situation represents a business conflict of interest, he or she should contact the Compliance Officer or legal resource assigned to their Practice.

### Receipt of Financial Interest

Marsh may not offer any financial interest to its representatives for giving preference to the quantity of business secured for Marsh to the exclusion of the quality of services rendered to clients. The only financial interest Marsh and/or its representatives may receive from, or offer to a third party, is the following:

- Commission, in accordance with the Short-term Insurance Act, 1998 (Act No. 53 of 1998) (“**the STIA**”) and Long-term Insurance Act, 1998 (Act No 52 of 1998) (“**the LTIA**”);
- Fees as provided for in the STIA and the LTIA;
- Fees for rendering a financial service in respect of which neither commission nor the fees provided for in the STIA and LTIA are payable provided the client has specifically agreed to the fees in writing and has discretion to stop them at any time;
- Fees for services rendered to a “third party”, provided the fees are reasonably commensurate with the services rendered;

- Any financial interest for which the provider or FAIS representative has paid fair value or remuneration reasonably commensurate to the financial interest;
- Training that is not restricted to a selected group of providers and FAIS representatives on –
  - products and legalities thereof;
  - general financial and industry information;
  - specialised technological systems (of a third party) necessary rendering a financial service.

The acceptance, authorisation, disclosure and giving of any financial interest, other than those listed above, shall be dealt with in accordance with the procedures as outlined in the [Marsh Gift and Entertainment Policy](#).

### **Contingent Commissions**

The receipt of volume over-riders or profit commissions, collectively known as “contingent commissions”, could be perceived as the firm placing its own interest above that of its client. Marsh’s position is that where we act as agent of the client we will not negotiate or accept any contingent commissions.

### **Compliance with Section 3A(1)(b)**

Colleagues may be financially incentivised to secure new business. However, under no circumstances should they ignore the requirements of their own operating standards and that of the Code in this process. The onus is on Colleagues to ensure that they obtain competitive quotes for clients and do not steer, or are perceived to steer, business to a given supplier or to a specific product of that product supplier.

## **MANAGEMENT RESPONSIBILITIES**

### **Board of Directors**

The Marsh Board of Directors (“the Board”) is responsible for approval and implementation of the Policy. The Board delegates certain responsibilities to the Executive Committee, Key Individuals and/or Practice Leaders or to the Compliance Officer as set out below.

### **Executive Committee (“ExCo”)**

The ExCo shall be responsible for:

- ensuring that all Colleagues are made aware of the contents of this Policy including the training and/or education in this regard; and
- ensuring that Marsh’s policy on the management of business conflicts is published in appropriate media and is easily accessible for inspection at all reasonable times.

### **Key Individuals**

The responsibilities of a key individual in terms of this Policy are the same as those of the ExCo and include the maintenance of a conflict of interest register, wherein all declaration forms completed by Colleagues are recorded and retained.

### **Practice Leaders**

Every Practice Leader is responsible for administering the Policy as it applies to Colleagues under their control. This includes the implementation of procedures to support this Policy. Practice Leaders should coordinate these tasks with the Compliance department and may not delegate these responsibilities.

### **Compliance Officer**

The Compliance Officer's responsibilities shall include:

- reporting on the implementation, monitoring compliance with, and the accessibility of the Policy in the annual compliance reports to be submitted to the Registrar of Financial Service Providers in terms of FAIS;
- assisting the ExCo in discharging their responsibilities including arranging appropriate training of all Colleagues; and
- on an "*ad hoc*" basis, call for declarations from all representatives and key individuals to confirm their conformance with this Policy.

## **DOCUMENTATION**

### **Conflict Register**

A conflicts register is to be established and maintained by each Practice. The information will be used to share examples of potential conflicts of interests experienced by different Practices so as to enable Colleagues learn how to successfully manage potential conflicts of interest.

The Register should be in the format in Appendix "B".

### **Records**

Adequate records of the action taken to manage a conflict must be maintained. These records may include correspondence with a client in any form, including e-mail or disclosures in contracts. These records should be maintained in accordance with the Document Retention Policy.

## MONITORING, TRAINING AND AWARENESS

Risk and Compliance will provide training and communications related to this policy. Colleagues are required to attend and/or complete any training assigned to them by Marsh or Marsh & McLennan Companies, Inc.

Risk and Compliance and/or Internal Audit will conduct periodic reviews and/or audit to monitor compliance with this Policy and related company procedures and report its findings to Management and the Board (as deemed appropriate).

## POLICY COMPLIANCE

Colleagues must note that, while Marsh as a juristic entity is regulated by FAIS, they are also individually responsible for compliance with the requirements of the Act and its regulations and notices. Failure to comply with this Policy, and, where applicable, failure to supervise other Colleagues' compliance with this Policy, may result in disciplinary action in accordance with local law and/or internal procedure up to and including enforcement of section 14 of FAIS relative to the Debarment of Representatives and termination of employment.

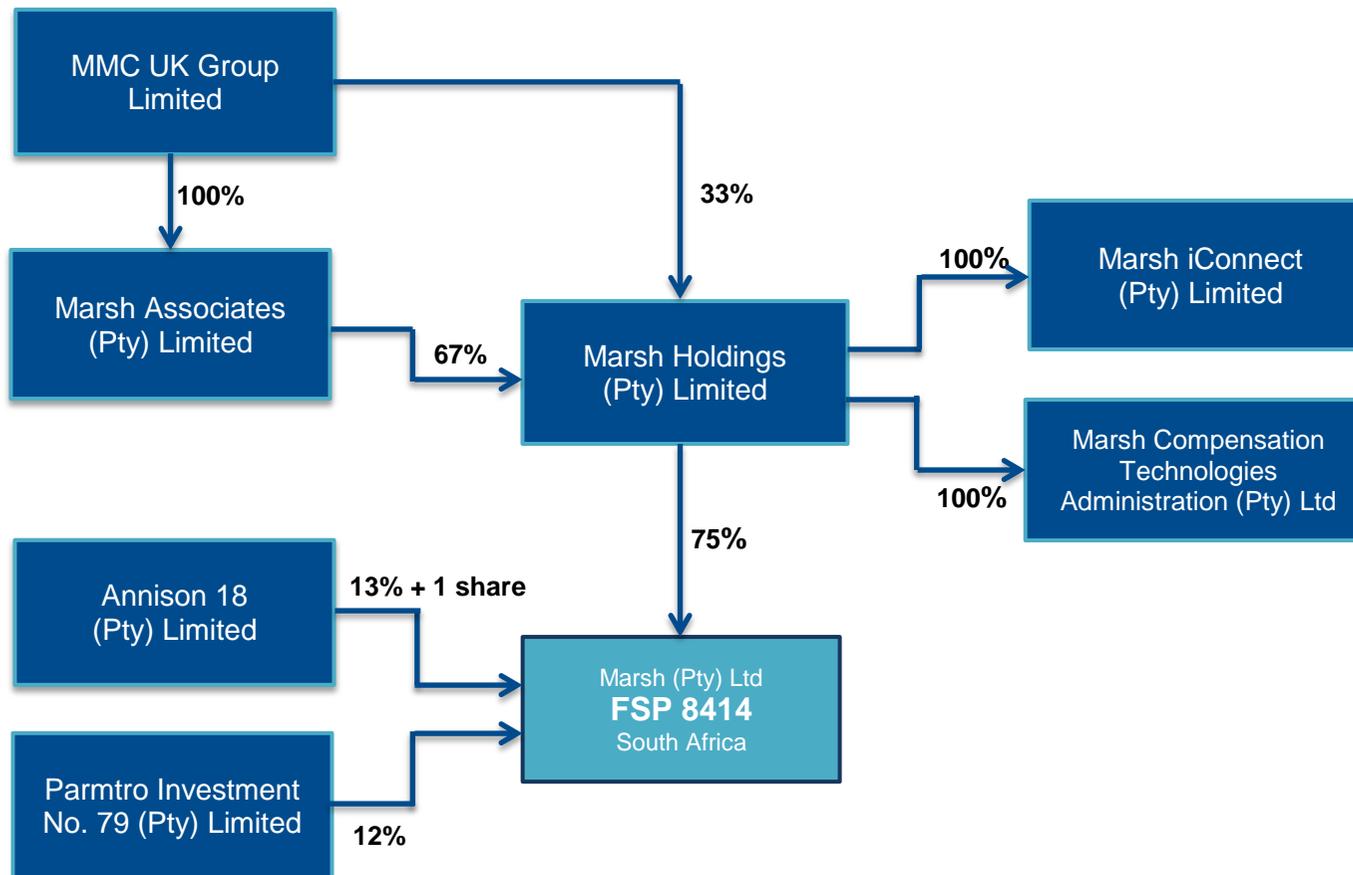
## RESOURCES

In addition to this Policy, Colleagues should refer to the following Company Policies:

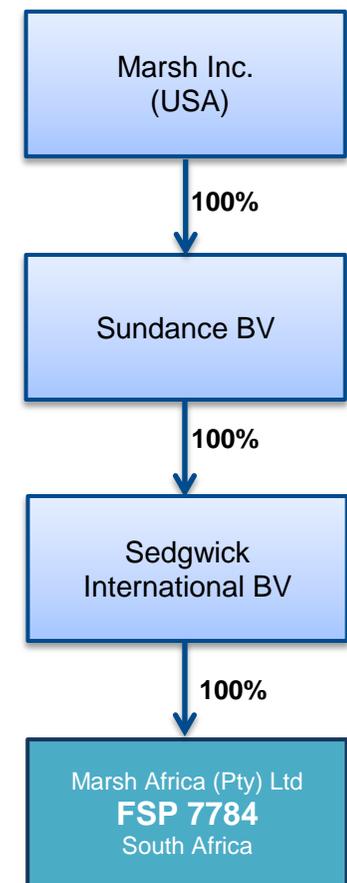
- Insurance Compensation and Disclosure;
- Gifts and Entertainment;
- Competition; and
- Record Retention

ANNEXURE "A"

MARSH (PTY) LIMITED  
 SHAREHOLDING STRUCTURE



MARSH AFRICA (PTY) LIMITED  
 SHAREHOLDING STRUCTURE



ANNEXURE “B”

CONFLICT OF INTEREST REGISTER FOR [INSERT NAME OF DIVISION]							
Name	Position	Date advised of interest	Interest disclosed	Nature of potential conflict and estimated value (if known)	Action taken / recommendations	Date implemented	Review / comments
<b>Case Study</b> Trevor Smith	Client Executive	01/08/2019	Wife is MD of the Tender Board for the Municipality.	Trevor is running the tender process for the Municipality His wife is the MD for the Tender Board and therefore can financially benefit from a successful tender.  R500k Fees	Due to the close family connection and to remove any potential biased perception on decision-making, the management of this tender should be assigned to someone other than Trevor.	20/08/2019	Trevor had no involvement in the decision making and a successful tender was chosen under a fair and transparent process