

GRANATE
ASSET MANAGEMENT



Part of RMI
Investment Managers

CONFLICT OF INTEREST MANAGEMENT POLICY

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A. INTRODUCTION

1. This document embodies the Conflict of Interest Management Policy for Granate Asset Management (Pty) Ltd ('GRANATE').
2. "Conflict of interest" (COI) means any situation in which Granate Asset Management or its representatives 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 Granate Asset Management or its representatives 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 ("third party" means
 - a. a product supplier,
 - b. another provider,
 - c. an associate of a product supplier or a provider;
 - 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 a provider or its representatives.)
3. The primary objectives of this Policy are:
 - i. To provide guidance on the behaviors expected in accordance with Granate Asset Management standards;
 - ii. To promote transparency and to avoid business-related COI;
 - iii. To ensure fairness in the interests of employees and Granate Asset Management;
 - iv. To document the process for the disclosure, approval and review of activities that may amount to actual, potential or perceived COI;
 - v. To provide a mechanism for the objective review of personal outside interests.
4. Granate Asset Management is committed to ensuring that all business is conducted in accordance with good business practice. To this end Granate Asset Management conducts business in an ethical and equitable manner and in a manner, that safeguards the interests of all stakeholders to minimize and manage all real or potential conflict of interest (COI). Granate Asset Management and its representative must therefore avoid

(or mitigate where avoidance is not possible) any COI between Granate Asset Management and a client or its representative and a client.

B. DEFINITIONS

FINANCIAL INTEREST

1. Granate Asset Management or its representatives may only receive or offer financial interest from or to a third party as determined by the Registrar of Financial Services Providers from time to time, and as set out in Annexure A hereto.
2. “Financial interest” means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic and foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, other than -
 - i. an ownership interest
 - ii. training, that is not exclusively available to a selected group of providers or representatives on products and legal matters relating to those products; general financial and industry information; specialized technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training.
- b. “Immaterial financial interest” means any financial interest with a determinable monetary value, the aggregate of which does not exceed a predetermined value in any calendar year from the same third party in that calendar year. This value is currently R1 000 as per BN 58 of 19 April 2010.
3. Granate Asset Management may not offer any financial interest to its representatives for giving preference to the quantity of business secured for the provider to the exclusion of the quality of the service rendered to clients; OR giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; OR giving preference to a specific product of a product supplier, where a representative may recommend more than one product supplier to a client.

GIFTS

1. Includes items, goods, services, information or money in whatever form, from which the recipient may receive benefit, as well as any other benefit or gratuity.

C. MECHANISMS FOR IDENTIFYING COI

1. Regular meetings between compliance, risk and business committees/ teams to review processes.
2. Feedback and complaints from clients or any other stakeholder.
3. Reporting of gifts received/provided and maintaining a gift register in respect thereof.
4. Performance management of employees.

D. RESOLVING COI

1. The first and most important line of defense against COI or commitment must be by the key individuals and representatives themselves. All staff are expected to comply with the principles outlined in this document.
2. Once a conflict of interest has been identified it needs to be appropriately and adequately managed. The compliance officer, together with the FSP assess each conflict, including whether the conflict is actual or perceived, what the value of the conflict or exposure is and the potential reputational risk.
3. Compliance and Management then agree on the controls that need to be put in place to manage the conflict.
4. Specific instances of conflict may require management intervention in addition to the documented controls already in place.

E. POTENTIAL COI THAT COULD AFFECT GRANATE ASSET MANAGEMENT

1. The following are potential COI that could affect Granate Asset Management:
 - i. Directorships or other employment;
 - ii. interests in business enterprises or professional practices;
 - iii. share ownership;
 - iv. beneficial interests in trusts;
 - v. personal Account Trading;
 - vi. professional associations or relationships with other organizations;
 - vii. personal associations with other groups or organizations, or family relationships;
 - viii. Front running;
 - ix. Rebates;
 - x. Kickbacks; and
 - xi. Commission

F. MEASURES TO AVOID COI:

1. Training
2. Publication of this policy

3. Segregation of duties
4. Where avoidance is not possible, this will be dealt with on a case by case basis by the Granate Asset Management Audit and Risk Committee (Board)

G. DISCLOSURE OF COI:

1. At the earliest reasonable opportunity, Granate Asset Management and its representative must, in writing, disclose to a client any COI in respect of that client including -
 - i. Measures taken to avoid or mitigate the conflict;
 - ii. Any ownership interest or financial interest that the provider or representative may be or become eligible for;
 - iii. The nature of the relationship or arrangements with a third party that gives rise to a COI in sufficient detail to enable the client to understand the exact nature of the COI.
2. At the earliest reasonable opportunity, Granate Asset Management and its representative must, in writing, inform a client of the Conflict of Interest Management Policy and how it may be accessed.
3. Notification of an actual or potential COI should be made to a person with responsibility for the issue or area, such as the relevant management team, supervisor, head of the department or key individual.
4. In accordance with an employee's obligation to act in the best interest of his or her employer, it is not permissible for employees to engage in conduct that would amount to a COI with Granate Asset Management.
5. Staff that fail to disclose a potential or actual COI in accordance with this policy may be liable to disciplinary procedures as governed by relevant industrial awards or agreements.

H. PROCESSES, PROCEDURES AND INTERNAL CONTROLS TO FACILITATE COMPLIANCE WITH THE POLICY

1. Every staff member must have a copy of the Conflicts of Interest Management Policy.
2. If a potential COI arises, the transaction must first be discussed with management before entering into the transaction.
3. Financial interest

Neither Granate Asset Management nor its employees will accept or offer a financial interest other than interest below R1 000.00 in value from or to a third party other than that of commission or fees as prescribed by legislation unless such fees have been agreed to with the client for a financial service at arm's length in writing and the client has the discretion to stop the fees. The fees or

remuneration for any service provided to or received from a third party must be reasonably proportionate and fair to such service being rendered.

4. Gifts

No gift may be offered to or accepted which in aggregate exceeds R1 000 in any calendar year from the same third party.

No gift may be offered or accepted in respect of a service performed which forms part of a service that is generally rendered by Granate Asset Management.

Only gifts of a modest value (e.g. umbrellas, company pens) may be offered or accepted. All gifts must be declared and approved by Granate Asset Management Audit and Risk Committee (Board) prior to the event or on receipt of the item.

Gifts with a value more than R1 000 may not be accepted unless pre-approved by Granate Asset Management Audit and Risk Committee (Board) and allowed for under the FAIS code of conduct.

5. Cash gifts

Cash and stock gifts (or any financial instrument) are strictly forbidden.

6. Inducements

An employee may not offer or accept any inducement (be it in the form of a gift, entertainment, or benefit) where the intention, or perceived intention, of the offer is to bribe or obligate the recipient into performing or not performing certain actions. Any employee receiving the offer of a bribe must immediately advise the Compliance Officer and record the circumstances surrounding the bribe, the amount or nature of the bribe and as far as possible the exact words of the person offering the bribe.

7. Entertainment and group hospitality

Entertainment can enhance, develop and improve business relationships, and generally takes the form of a sporting, social or dinner events. Business related meals are partially excluded from the requirements as set out below as they are deemed necessary and useful to promote or enhance business relationships.

Entertainment must be appropriate and the following issues must be considered:

- the purpose or reason for the entertainment;
 - who will host the event and whether they will be in attendance;
 - whether the employee is or feels under any obligation to accept;
 - whether the employee will be or will feel obliged to return the favor; and
 - whether the employee will feel compromised after the event.

Where entertainment is provided on a regular basis the invited attendee/employee must be rotated. Entertainment cost for or from third parties may not exceed R1000

in any year from or to the same third party in that calendar year received by Granate Asset Management or an employee of Granate Asset Management.

Granate Asset Management reserves the right to request that employees make a personal contribution in respect of corporate entertainment or hospitality received. The employee may be asked to contribute personally to the cost of hotel accommodation or travel.

8. Solicitation

It is strictly prohibited for an employee to directly or indirectly solicit a gift, entertainment or benefit from any client, counterparty, supplier or business related third party, either for the benefit of themselves or for the benefit of other employees.

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

1. Non-compliance with this policy and the procedures described in it may be considered to be misconduct and employees may be subject to disciplinary action that may lead to dismissal.

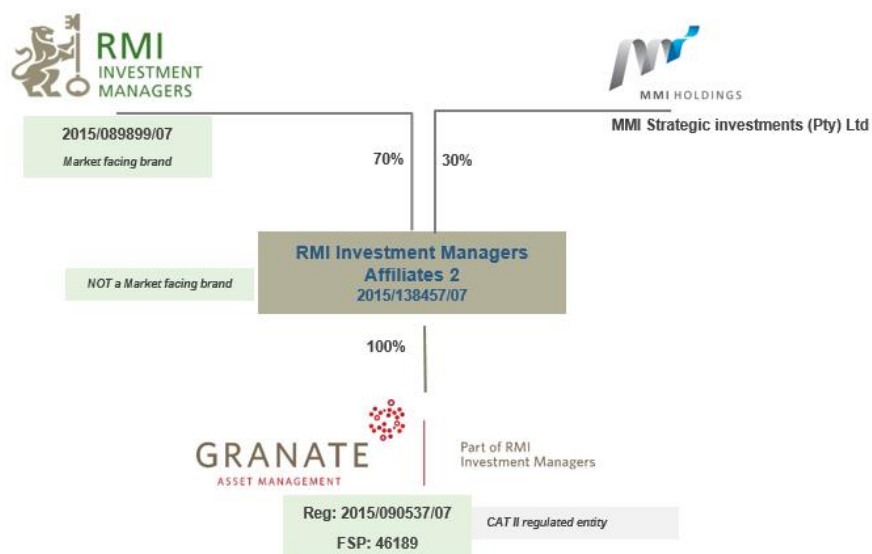
Failure to adhere to this Policy by any employee will constitute misconduct and could result in disciplinary action being taken. In serious cases, such disciplinary action may result in termination of employment. If a criminal offence that has resulted from the actions of failing to adhere to this Policy; additional consequences could be faced by all parties involved. The maximum penalty for failing to comply with Prevention of Combating of Corrupt Activities Act is an unspecified fine (in addition to what a court of law may impose in terms of a fine that can be equal to five times the value of the gratification involved in the offence) or life imprisonment. The maximum penalty in terms of FAIS for any person who in the execution of duties gives an appointed auditor or compliance officer information which is false, misleading or conceals any material fact is guilty of an offence and is, on conviction, liable to a fine not exceeding R1, 000, 000.00 or to imprisonment for a period not exceeding 10 years, or both such fine and such imprisonment. A court convicting a person of an offence relating to the procuring or withdrawal of tenders may additionally order that a person be entered into the Register for Tenders Defaulters. This will potentially prohibit the offender from doing business with government.

J. LIST OF ALL *Granate Asset Management* ASSOCIATES

1. RMI Investment Managers Group
2. RMI Investment Managers Affiliates 2

3. MMI Strategic Investments

4. MMI Holdings



K. NAMES OF ANY THIRD PARTIES IN WHICH THE PROVIDER HOLD AN OWNERSHIP INTEREST

1. *Refer to diagram above*

L. NAMES OF ANY THIRD PARTIES THAT HOLDS AN OWNERSHIP IN THE PROVIDER

1. *Refer to diagram above*

M. INCLUDE THE NATURE AND EXTENT OF THE OWNERSHIP INTEREST REFERRED TO IN PARAGRAPHS K AND L

1. *Refer to diagram above*

ANNEXURE A - FINANCIAL INTEREST

The Registrar of Financial Services Providers issued Board Notice 58 of 2010 (BN 58) under section 15 of the Financial Advisory and Intermediary Services Act, 2002 (FAIS). BN 58 amends the General Code of Conduct for Authorized Financial Services Providers and Representatives under FAIS and determines that a financial services provider or its representatives may only receive or offer financial interest from or to a third party as follows:

- i. Commission authorized under the Long-term Insurance Act or Short-term Insurance Act;
- ii. Commission authorized under the Medical Schemes Act;
- iii. Fees authorized under the Long-term Insurance Act, the Short-term Insurance Act or the Medical Schemes Act, if those fees are reasonably commensurate to a service being rendered;
- iv. Fees for the rendering of a financial service in respect of which commission or fees referred to in sub-paragraph (i), (ii) or (iii) is not paid, if those fees
 - aa. are specifically agreed to by a client in writing; and
 - ab. may be stopped at the discretion of that client.
- v. 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;
- vi. subject to any other law, an immaterial financial interest*;
- vii. a financial interest, not referred to under sub-paragraph (i) to (vi), for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

Note

* “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 its representatives, aggregates the immaterial financial interest paid to its representatives.

