



# **BUSINESS INTEGRITY POLICY**

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# SECTION 1: INTRODUCTION AND SCOPE

## 1.1. INTRODUCTION

Santam is committed to protecting the interests of policyholders and all relevant stakeholders' by mitigating the risk of misconduct. Santam has developed a framework with supporting policies to effectively manage and respond to incidents of misconduct.

This policy is based on principles outlined in King IV, the Companies Act, Board Notice 158 of 2014 issued by the Financial Services Board, other relevant and applicable legislation impacting Santam and the Santam Group Business Ethics and Anti-Insurance Crime policy.

This policy must be read with Santam Code of Ethics, Santam Disciplinary Code, Santam Response Plan and the Santam Group Compliance policy.

## 1.2. PURPOSE OF THIS POLICY

The purpose of this policy is to outline Santam's approach in deterring, detecting, preventing, responding and redressing misconduct.

## 1.3. POLICY STATEMENT

### IN IMPLEMENTING THIS POLICY:

#### **We are committed to instituting and maintaining a misconduct free environment within Santam**

- We will not tolerate misconduct within Santam or within the entities with which it interacts
- Reducing misconduct is a concern of all governing and independent structures
- We acknowledge the contribution of all employees and stakeholders who assist in combating misconduct and the prosecution of fraudsters

#### **We are committed to understanding and managing our risks**

- Our misconduct risks are reviewed regularly
- Cognisance of misconduct risk is taken in all procedural implementations and changes
- Internal controls and audit measures are in place to identify and manage misconduct risk

#### **We are committed to proactively defending our resources and assets**

- We actively and continuously search for evidence of misconduct through appropriate prevention and detection mechanisms
- We monitor direct and indirect losses incurred as a result of misconduct through effective information and communication
- We encourage an open and ethical workplace and promote a culture which facilitates the disclosure of information by employees relating to misconduct in the workplace in a responsible manner
- We also recognise and encourage the reporting of misconduct by non-employees
- We react swiftly when misconduct is reported or uncovered
- We are committed to reacting swiftly and appropriately when misconduct is reported or uncovered, indicating our complete commitment to zero tolerance

## 1.4. DEFINITIONS

For the purposes of this policy, the words or phrases defined below shall bear the meaning assigned to them wherever they appear in this policy:

- 1.4.1. Santam refers to all entities and business units that underwrites and or associated with the Santam insurance license.
- 1.4.2. Business Integrity refers to the values of respect, truthfulness, honesty, consistency and transparency with which Santam conducts its business. It encompasses Santam's commitment to adhering to good governance and compliance with all laws and regulations.
- 1.4.3. Business partner refers to any person or entity that renders a service on behalf of Santam. It will refer to but not limited to:
  - 1.4.3.1. All intermediaries (e.g. brokers)
  - 1.4.3.2. All third parties rendering an outsourced service (e.g. binder holders, underwriting managers, online brokers)
  - 1.4.3.3. Service providers – shall mean but not limited to contractors, panelbeaters, tow truck operators, retailers, external assessors, builders, plumbers, salvage dealers, security and cleaning services
- 1.4.4. Misconduct is defined as behaviour not conforming to any of the following:
  - 1.4.4.1. Santam values and standards, Code of Ethics or generally accepted good business practices
  - 1.4.4.2. Legal and regulatory obligations
- 1.4.5. Insurance crime is defined as any criminal activity that affects or negatively impacts the short-term insurance industry and includes fraud, theft, corruption, money laundering and computer crime.
- 1.4.6. Fraud is the unlawful and intentional making of a misrepresentation which causes actual prejudice, or has the potential to cause prejudice to another person. For purposes of this policy and for ease of reference, fraud includes activities involving dishonesty and deception such as the following (this is not an exhaustive list):
  - Misstatements of qualifications, experience and other material facts on job applications and CV's for recruiting purposes
  - Misstatements of material facts on tender documents, proposal or quotation documentation (including BEE ownership)
  - Identity theft
  - Forgery and uttering
- 1.4.7. Theft is the unlawful, intentional appropriation of a moveable, corporeal object which:
  - a. belongs to, and is in the possession of, another
  - b. belongs to another, but is in the perpetrator's own possession; or
  - c. belongs to the perpetrator him- or herself, but is in another's possession in circumstances under which the possessor has a particular right to possession of the object in question provided that the intention to appropriate the property includes an intention permanently to deprive the person entitled to the possession of such property.
- 1.4.8. Money laundering is defined as (Refer to The financial Intelligence Centre Act, No/. 38 of 2001 ("FICA")<sup>1</sup>: "an activity, which has or is likely to have the effect of concealing or disguising the nature, source, location, disposition or movement of the proceeds of unlawful activities or any interest which anyone has in such proceeds". The Prevention of Organised Crime Act, No. 121 of 1998 ("POCA") deals specifically with offences relating to the proceeds of unlawful activities and includes "Money Laundering", "Assisting another to benefit from the proceeds of unlawful activities" and the "acquisition, possession or use of proceeds of unlawful activities".

- 1.4.9. Offence of corruption generally refers to any situation where a person directly or indirectly accepts or offers to accept a gratification from another person/entity, or gives or agrees to give a gratification to any other person/entity for their benefit, or that of another. The giving or acceptance must be done in order to induce the other party to act in an improper manner, in the performance of that individual's/entities' duties. Corruption includes for example the following:
- Exercising preferential treatment in the awarding of tenders or contracting of service providers
  - Manipulating the procurement process
  - Disclosure of confidential information by an employee about his/her company/department and/or clients
  - Manipulating the value of assets
  - Performing favours for relatives and friends
  - Nepotism
  - Averting the legal consequences of unlawful acts or omissions
  - Avoiding compliance with laws and regulations
  - Intentional dereliction of duties as a result of payment or favours received from third parties.
- 1.4.10. Computer crime can be defined as any illegal act where a computer, computer systems network or electronic device with a memory and processing capability is:
- The object or target of a crime
  - The instrument used to commit a crime
  - Used as the repository of evidence relating to a crime, or
  - Any contravention of the Electronic Communications and Transactions Act, No. 25 of 2002.

## 1.5. APPLICABILITY OF POLICY

This policy applies to the following persons or entities:

- All entities and business units that underwrites and or associated with the Santam insurance license
- All employees whether permanent or on fixed-term contracts of Santam
- Contractors (including the employees (if any) of such contractors) of Santam
- Service providers of Santam
- Business partners of Santam
- Clients or policyholders (including prospective clients) limited to conduct relating to Santam's business.

# SECTION 2: SANTAM'S APPROACH TO MANAGING MISCONDUCT

## 2.1. INTRODUCTION

The insurance sector is highly vulnerable to the various forms of insurance crime and unethical conduct. The losses caused by insurance crime and unethical conduct negatively affect an insurer's financial soundness and it threatens the future affordability of insurance by policyholders. Santam is therefore committed to vigorously protecting its integrity, finances, resources and brand from insurance crime and unethical conduct.

Santam supports the Santam Group's principles of honesty and integrity, commitment to a structured approach, commitment to legislation and regulations, commitment to fairness and commitment to a zero tolerance approach towards misconduct.

Santam has incorporated the said principles within its framework.

Santam's framework consists of the following elements:

- Deterrence
- Detection
- Prevention
- Responding or investigating
- Recover and Redress
- Awareness and training

## 2.2. ZERO TOLERANCE

Santam subscribes to a zero tolerance approach to misconduct. In the event that *prima facie* evidence of criminal conduct is obtained against the offending party; Santam shall lodge a complaint with the relevant law enforcement agency for further prosecution. It is important to note that a criminal case will be reported irrespective of whether Santam suffered a financial loss or not.

Santam recognises that in certain instances the evidence gathered although not of a criminal nature may amount to contravention of standards, rules or regulations of a regulatory or a governing body. In such an instance Forensic Services shall also report such contraventions to the said regulatory or governing body. In addition thereto Forensic Services shall render such assistance as may be required by the relevant law enforcement agency, governing body or regulatory body for the successful prosecution of the offending party.

## 2.3. PROCEDURAL FAIRNESS

Forensic Services are bound by the provisions of the following to ensure fairness and consistency in its processes:

- Criminal law
- Criminal procedure and evidence
- Labour law
- Disciplinary code
- Santam's policies
- Contracts

## 2.4. KEY ELEMENTS

### 2.4.1. DETERRENCE

Deterrence consists of measures or initiatives taken to discourage the perpetration of misconduct and is designed to prevent misconduct before it starts. An important element of deterrence is the implementation of strong control measures and effective policies and a strong “tone at the top” which activity encourages ethical behaviour. The primary responsibility for establishing, maintaining and enforcing these controls and policies rests with all levels of management.

The policies which support deterrence include:

- Code of Ethics policies
- Disciplinary code
- Insurance crime response plan
- Gifts policies
- Zero tolerance

### 2.4.2. DETECTION

This entails the identification of misconduct before it happens, while it is happening or after it has happened. Detection mechanisms can be classified as either being complainant driven or intelligence driven. Complainant driven refers to situations where people have information about fraud and wish to report these incidents. There is a need to have channels that are easily accessible to these complainants to report information confidentially.

Santam has implemented various reporting channels such as a fraud hotline, short message service (sms), e-mail, WhatsApp and post.

All Santam employees have a general duty to act in the best interests of the company, which extends to the reporting of any suspicion regarding misconduct to Forensic Services. The company also encourages the general public, business partners, and the entire body of policy holders to report any suspicion of misconduct involving Santam to Forensic Services via the various reporting mechanisms.

Santam recognises the need to protect employees who make disclosures, and undertakes to protect the identities of employees who report misconduct as contemplated by the Whistleblowers Act.

All information reported to Forensic Services shall be treated as confidential and not be disclosed to any other individual other than for the purpose of conducting an investigation. The identity of any person who discloses information shall be kept confidential subject to the provisions of the Whistleblowers Act and/or any other law or legislation.

### 2.4.3. PREVENTION

Prevention is a component of risk management and includes creating an environment which inhibits misconduct.

It includes all initiatives which are aimed at stopping fraud from happening. It includes the implementation of processes and procedures to make it harder to commit misconduct. Preventative actions deals with reducing the opportunity factor and will include aspects such as segregation of financial functions, proper background checks, etc.

Santam understands that each part of the business is vulnerable to different types of misconduct risk. Line management and employees are encouraged to understand the types of misconduct risk their operations are exposed to and formulate strategies to counter such risk. It is suggested that a misconduct risk register be maintained and updated frequently by business units.

### 2.4.4. RESPONDING OR INVESTIGATING

Santam is committed to investigating all allegations of misconduct received in an independent and objective manner.

Forensic Services is primarily responsible for conducting all investigations relating to allegations of misconduct. Forensic Services shall prioritise any investigation, and determine the scope thereof, dependent on the size, nature and complexity of the matter reported.



*Investigation is a structured process which is focused on the gathering of sufficient reliable information to enable an investigator to either prove or disprove allegations received. The results of such an investigation will dictate further actions.*

Forensic Services shall also provide advice and guidance on matters relating to criminal prosecution.

#### **Suspension and termination of contracts**

Forensic Services may during an investigation recommend the suspension of employees or service providers. The suspension of employees and service providers will be in accordance with the delegation of authority and in terms of the process detailed in Santam Disciplinary Code and Grievances Procedure.

Upon finalisation of an investigation, Forensic Services may also recommend the termination of contracts with the offending party.

#### **2.4.5. RECOVER AND REDRESS**

Misconduct should not become profitable to the fraudster. Forensic Services will institute recovery action against any offending party to recoup all financial losses suffered by Santam.

Forensic Services is responsible for monitoring and tracking the progress of all cases reported to law enforcement agencies.

#### **2.4.6. TRAINING AND AWARENESS**

Training and awareness is a vital component of prevention. Santam recognises the importance of appropriate awareness and training campaigns in proactively contributing towards the prevention of misconduct and the promotion of an ethical organisational culture. Forensic Services shall co-ordinate various awareness and training initiatives aimed at educating employees, business partners and policyholders through print and electronic media.

##### **Industry initiatives**

Santam is committed to supporting industry initiatives aimed at deterring, detecting, preventing and investigating and redress of misconduct. Forensic Services will be responsible for co-ordinating such industry initiatives on behalf of Santam.

##### **Reward programmes**

Forensic Services is authorised to run such reward programmes as may be considered appropriate in encouraging the reporting and preventing of misconduct.

## **2.5. REPORTING OBLIGATIONS IMPOSED ON SANTAM**

Santam is committed to the strict adherence to both the letter and spirit of the laws of the various jurisdictions in which it operates. Various pieces of legislation create a reporting obligation and non-compliance could result in imprisonment, fines or both. Santam embraces these requirements and compliance by all employees is of great importance.

Some of the laws imparting reporting obligations include but is not limited to the following:

- The Prevention and Combating of Corrupt Activities Act No. 12 of 2004 (Corrupt Activities Act): Section 34
- Prevention of Organised Crime Act No. 121 of 1998: Section 4
- Financial Intelligence Act No. 38 of 2001: Sections 28, 28A and 29
- Foreign Corrupt Practices Act
- UK Bribery Act;
- Short-term Insurance Act; and
- Long-term Insurance Act

# SECTION 3: ACCOUNTABILITY AND RESPONSIBILITY

## 3.1. THE SANTAM BOARD

The Santam Board is ultimately accountable for the management of business integrity within Santam.

## 3.2. THE SANTAM RISK COMMITTEE

The Risk Committee (a subcommittee of the Board) assists the Board in carrying out its responsibilities. These responsibilities include oversight over this policy.

## 3.3. THE SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee assists the Board in carrying out its responsibilities.. The Social and Ethics Committee is responsible for:

- Reviewing, monitoring and reporting on Santam’s activities regarding Anti-corruption
- To ensure that Ethics are managed effectively in accordance with the recommendations of King IV
- To monitor ethical conduct of Santam, its Executives and Management
- To consider and make recommendations on any existing conflict or questionable situations of a material nature

## 3.4. SANTAM MANAGEMENT

Management is accountable to the Board for designing, implementing and monitoring the process of governance, compliance and risk management, including its integration into the day-to-day activities. These include ensuring that appropriate mechanisms are in place to mitigate the risk of misconduct and promoting.

Management is therefore responsible for ensuring that appropriate strategies, procedures and controls to deter, prevent, detect, report and remedy misconduct (which includes all insurance crime) are in place and that they are effectively managed to reduce the risks to Santam’s financial soundness and sustainability caused by these types of misconduct.

## 3.5. SANTAM FORENSIC SERVICES DEPARTMENT

THE SANTAM FORENSIC SERVICES DEPARTMENT IS RESPONSIBLE FOR:

- 3.5.1. The formulation of Santam standards in respect of the management of risks associated with misconduct
- 3.5.2. Ensuring that appropriate reporting channels are in place to allow employees to report all incidence of misconduct which includes non-compliance with company policies, any legal and/or regulatory obligations
- 3.5.3. Liaising and interacting with law enforcement agencies
- 3.5.4. Investigating and reporting of all forms of misconduct and all compliance issues/contraventions within Santam and reporting on the status of any associated investigations or other actions being taken to the Head of Compliance Control Function
- 3.5.5. Reporting to Santam Executive after consultation with the Head of Compliance Control Function:
  - any non-compliance to Santam standards in respect of misconduct; and
  - any material incidents or suspected incidents of misconduct

- 3.5.6. Ensuring that accurate record keeping of all reported incidents of misconduct that are investigated are maintained which records must as a minimum contain the following information:
  - 3.5.6.1. the nature of the alleged conduct, including the amount involved if any
  - 3.5.6.2. the person to whom the task of dealing with the report was assigned to, and any person or persons appointed to be engaged in the investigation of the allegations
  - 3.5.6.3. the issues to be dealt with in respect of the alleged misconduct
  - 3.5.6.4. the outcome of any investigation into the alleged misconduct
  - 3.5.6.5. all recommendations made in the findings of the investigations in respect of actions to be taken as a result of the alleged misconduct
  - 3.5.6.6. any actions taken as a result of the reported alleged misconduct; and
  - 3.5.6.7. any discrepancies between recommendations made in respect of action to be taken and the eventual action taken.

## SECTION 4: ADMINISTRATION AND REVIEW OF THE POLICY

The Head: Business Integrity and Compliance is responsible for the administration, revision, interpretation and application of this policy, which will be reviewed annually and revised as required.

