



# **SANTAM FAIS CONFLICT OF INTEREST POLICY**

Prepared by

HEAD: COMPLIANCE CONTROL FUNCTION

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**PREFACE**

Santam will use its reasonable endeavours to ensure that it complies with the prohibitions and limitations prescribed in the General Code of Conduct for Authorised Financial Service Providers and Representatives (“the Code”), whilst it influences and awaits the review and amendment of the Code with a view of making it more practical.

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## **1. Purpose**

- 1.1. The Code issued under the Financial Advisory and Intermediary Services Act, 2000 (Act No. 37 of 2002) (“FAIS”), requires financial service providers to have a Conflict of Interest Management Policy in place to ensure that conflict of interest is managed appropriately in the business.
- 1.2. The purpose of this policy is to assist Santam Ltd and its employees to identify potential and actual conflict of interest and manage it appropriately.

## **2. Policy Statement**

Santam is committed to avoiding, and where this is not possible, mitigating any conflict of interest that may arise between Santam, as a product supplier, and its financial service providers (“FSPs”) or their representatives, when rendering financial services to policyholders.

## **3. Who is subject to the Policy?**

Santam Ltd, Santam employees, FSPs and representatives employed by FSPs (“FAIS representatives”) are bound by this policy.

## **4. What is a conflict of interest?**

- 4.1. “Conflict of interest” is any situation, including financial interest, ownership interest, or any relationship with a third party, in which a provider or FAIS representative has actual or potential interest that may:
  - 4.1.1. influence the objective fulfilment of obligations to a client;
  - 4.1.2. influence the offering of unbiased and fair advice or service to a client; or
  - 4.1.3. prevent the provider or FAIS representative from acting in the best interests of a client.
- 4.2. This may include:
  - 4.2.1. real or perceived financial gain resulting from recommendations to our clients that prejudice the client;
  - 4.2.2. an outcome of service delivery or transaction that may not best serve the interests of the client;
  - 4.2.3. non-cash incentives that may be received by the business as a result of affecting any predetermined transaction and/ or product; and
  - 4.2.4. effecting a transaction and/ or product that may benefit a party other than the client.
- 4.3. The table below lists financial interest that is allowed; financial interest that is allowed, but subject to prior approval and the total expenditure not exceeding R1000.00 per FAIS representative during any one year; financial interest that is disallowed; and financial interest that is not subject to the Code and therefore does not require any prior approval in terms of this Policy.

	<b>Financial interest allowed</b>	<b>Financial interest disallowed</b>	<b>Financial interest allowed, but subject to prior approval and total expenditure not exceeding R1000.00 per FAIS representative in any one year</b>	<b>Financial interest not subject to the Code and therefore not requiring prior approval</b>
1	Commission, in accordance with the Short-term Insurance Act, 1998 (Act No. 53 of 1998) (“the STIA”)	Financial interest to a FAIS representative for giving preference to a quantity of business to the exclusion of quality to the policyholder, preference to a specific product supplier, or preference to a specific product.	Sporting events, e.g. golf days	“Pay your own way” entertainment or functions
2	Fees as provided for in the STIA	Cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, and any other incentive or valuable consideration not mentioned above, including travel and accommodation associated with allowed training.	Gifts	Compassionate flowers
3	Fees for rendering a financial service in respect of which neither commission nor the fees provided for in the STIA are payable, provided the client has specifically agreed to the fees in writing and has a discretion to stop them at any time.	Training that is restricted to a select group of providers or FAIS representatives and that does not meet the conditions in item 8 under the “Allowed Column”	Promotional items	Personal/ private expenditure with FAIS representatives
4	Fees for services rendered to a “third party”, provided the fees are reasonably commensurate with the service rendered.		Meals, except meals provided during training that is allowed	Marketing and advertising, provided a fair value for the service, as would have been charged elsewhere, is charged
5	Any financial interest with a determinable monetary value not exceeding R1000.00 per FAIS representative in any given year.		Weekends away	Provision of electronic tools and services without which an FSP cannot service Santam, e.g. Persetel, underwriting services, call centre services, etc
6	Financial interest for which the provider or FAIS representative has paid fair value or remuneration reasonably commensurate to the financial interest.			Provision of discount mandates to brokers who manage their books well
7	Ownership interest			
8	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.			

## **5. Mechanisms for identifying conflicts of interest**

- 5.1. The “trust test” must be applied to identify and establish conflict of interest. The “trust test” entails enquiring whether one’s clients or the public would trust one’s judgment if they knew that one was involved in a particular situation or activity. If the answer to this enquiry is “yes”, then the situation or activity does not give rise to a conflict of interest. However, if the answer is “no” or “maybe”, then that particular situation or activity is likely to give rise to an actual or potential conflict of interest.
- 5.2. Irrespective of the “trust test”, a conflict of interest will be deemed to have arisen if Santam provides “disallowed financial interest” as listed above or incurs expenditure in excess of R1000.00 per FAIS representative per annum.

## **6. Measures for avoidance or mitigation of conflicts of interest**

- 6.1. All expenditure incurred that forms part of “immaterial financial interest” will require the written consent of the Manager of the relevant Business Unit and must be recorded in relevant conflict of interest register. “Immaterial financial interest” is a financial interest with an aggregate value of R1000.00 or less, given to or received from the same FAIS representative, in any given year.
- 6.2. Examples of expenditure that form part of “immaterial financial interest” and that will be subject to specific approval and recording in the conflict of interest register include items listed in the “allowed, but subject to approval” column in the table above.
- 6.3. In exercising his discretion, the Manager must have regard to:
  - 6.3.1. the relevant conflict of interest register;
  - 6.3.2. any commission regulations or other laws which may be breached by the receipt of such gift or entertainment; and
  - 6.3.3. a written statement from the giver explaining the reason for and purpose of the entertainment or gift that must accompany any request for authorisation.
- 6.4. If it has been established that a particular situation or activity gives rise to a conflict of interest, one must avoid that situation or refrain from that activity. However, if it is not possible to avoid the situation or refrain from the activity that gives rise to a conflict of interest, as confirmed by the Head of the affected Santam Business Unit, the Head of that Business Unit shall, prior to approving the relevant situation or activity:
  - 6.4.1. establish the extent to which a specific intermediary is conflicted, i.e. the extent to which the intermediary acts on behalf of both Santam whilst also acting on behalf of a Santam policyholder;
  - 6.4.2. establish the extent to which Santam’s reputation would be damaged, if the situation or activity giving rise to a conflict of interest were to be brought to the public’s attention;
  - 6.4.3. establish the estimated direct financial impact that a particular situation or activity would have on Santam;
  - 6.4.4. consider how the financial interest is likely to affect the policyholder; and
  - 6.4.5. consider whether Santam has an appetite to assume the risk, in light of the answers to the above considerations.

- 6.5. Decisions pertaining to particular potential conflict of interest situations that fall within the definition of a “material conflict” of interest must be taken in consultation with the Executive Head of the affected Business Unit. “Material conflict” is a conflict of interest whose monetary value exceeds R10 000.00 or that will directly impact Santam’s reputation.
- 6.6. Once it is decided that a conflict of interest is inevitable, the Head of the affected Business Unit must ensure that the effect of such conflict is mitigated by putting mitigation measures in place, including:
  - 6.6.1. cost-sharing; or
  - 6.6.2. delivering a written communication to the relevant FSP, bringing the conflict of interest to the FSP’s attention; and/ or
  - 6.6.3. requesting that the FSP puts mitigating measures in place, including proactively disclosing the inevitable conflict to affected policyholders, in line with its conflict of interest management policy or in accordance with the Code if the policy is not yet in place.
- 6.7. Each FAIS representative has a duty to track any immaterial financial interest given to him or her by Santam, and to advise his or her Relationship Manager accordingly, as soon as Santam’s expenditure reaches R1000.00 in that particular year.
- 6.8. Where a conflict is identified and a decision is made in respect of the management thereof, the nature of the decision must be communicated to the FSP in writing as soon as possible. The FSP must in turn disclose the conflict to the policyholder. This applies regardless of whether the decision was made to cease with the relevant activity or continue therewith despite the existence of the conflict or potential conflict. It is important for the preservation of the corporate integrity of Santam Limited that these disclosures are made at all times.

## **7. Conflict of interest internal controls**

- 7.1. To manage conflicts of interest, Santam must maintain a central conflict of interest register.
- 7.2. Santam must designate one of its employees to maintain the register, and will from time to time, through the Legal Compliance Function, advise all staff of the name and contact details of the designated employee.
- 7.3. Santam employees must disclose, to the person designated in accordance with paragraph 7.2 above, any immaterial financial interest or financial interest, as defined above, received from or given to a FAIS representative. This disclosure must be made within one week after the relevant activity has taken place. Details regarding supporting documentation, such as receipts, must also be disclosed and recorded in the conflict of interest register.
- 7.4. The person responsible for the maintenance of the conflict of interest register must record disclosures made in accordance with paragraph 7.3 above in the register, without delay, and must advise his Business Unit Head and Santam’s Legal Compliance Function immediately upon establishing that activities disclosed in respect of a particular FAIS representative have reached the annual monetary limit.
- 7.5. The Legal Compliance Function must communicate the above fact to all staff without delay.

- 7.6. The conflict of interest registers will be audited by Santam's Legal Compliance Function annually for the purpose of determining whether any financial interest given or received exceeded the aggregate value of R1 000.00 per FAIS representative.

## **8. Reporting of conflicts of interest**

- 8.1. The outcome of the conflict of interest register audit shall be reported to the Chief Executive Officer, the FAIS compliance officer and the FAIS-appointed key individuals of Santam.
- 8.2. Heads of Business Units who have engaged in activities that have given rise to conflict of interest situations are obliged to disclose to the Santam Executive Committee the detail pertaining to such activities, including the mitigation measures taken. This will be done on a quarterly basis and must include recommendations regarding steps that will be taken to avoid a recurrence of such conflict of interest situations.
- 8.3. Discussions regarding conflicts of interest by the Executive Committee during their committee meetings must be recorded in the minutes of such meetings. The relevant extracts of the minutes must be made available to the FAIS compliance officer upon request, for the purpose of enabling the FAIS compliance officer to report on compliance with this Policy, as required by the Code.

## **9. Consequences of not adhering to the Policy**

Violation of this Policy by a Santam employee may result in disciplinary action being taken against the employee, in accordance with Santam's Disciplinary Code as amended from time to time. Violation by an FSP may result in termination of the business relationship with the particular FSP.

## **10. Consequences of withholding information or giving inaccurate information**

Provision of false or misleading information or concealment of material facts relating to activities logged or that must be logged in a conflict of interest register is, in addition to being a disciplinary action, a punishable offence. Such conduct can, on conviction, lead to a fine of up to R1 million or imprisonment for up to 10 years.

## **11. Santam's Associates and Third Parties**

Conducting business with or via an "associate" or a "third party", as defined in the Code, may inherently give rise to a conflict of interest, thus Santam is required by the Code to make a list of its associates and third parties available to interested parties, together with this policy. A list of Santam's associates and third parties is attached as Annexure "A".

## **12. Staff training and general awareness**

- 12.1. All the company's staff must be trained on this policy.
- 12.2. A copy of the policy must be provided to each staff member and FSP, and updated versions must be circulated as and when they are updated.
- 12.3. Moreover, all the company's clients – existing and future, must be made aware of the existence of this policy. The policy must be made available by Santam for easy access.



### **13. Review of the Policy**

This policy shall be reviewed by Santam Compliance annually, or as necessitated by amendments to legislation, and any changes to this policy shall be communicated to all staff and FSPs.

## Document properties

<b>Entity</b>	Santam Group and Santam Limited
<b>Policy Owner</b>	Santam Group Compliance Enterprise Risk and Compliance Management
<b>Policy Editor / Author</b>	[Santam Group Compliance
<b>Policy Name</b>	Santam Group Compliance Policy
<b>Document Path</b>	J:[...]
<b>Classification</b>	Group and entity Policy

## VERSION CONTROL AMENDMENTS

Version	Date	Name	Summary of Amendments and Rationale
1.0	01/10/2011	Riaan van Wyk	New Compliance Policy.
2.0	12/11/2012	Riaan van Wyk	No amendments
3.0-8.0		Riaan van Wyk	No amendments
9.0	01/11/2019	Riaan van Wyk	Replaced Corporate Legal Services with Santam Compliance

## REVIEWS PERFORMED

Version	Date	Who	Summary of Review Feedback
1.0	01/10/2011	Riaan van Wyk	New Policy
9.0	27/11/2019	Board	Approved