

Legal Expenses Insurance Southern Africa Group **Conflict of Interest Management Policy**

As required by the Financial Advisory and Intermediary Services Act, 2002 (FAIS act no. 37 of 2002),
and General Code of Conduct.



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Policy Owner:	Chief Executive Officer (CEO)	Issuing Authority:	Board of directors
Policy Administrator:	Group Compliance Manager	Frequency of Review:	Annually
Applicable principle regulation:	Board Notice 58 of 2010 Board Notice 146 of 2014	Effective date of regulation:	19 April 2011

This policy has to be signed by the Board before it is considered approved.

Approved by the Board on 24 October 2017

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1. INTRODUCTION

The Legal Expenses Insurance Southern Africa Group (the Group) places a high priority on its policyholders' interests. As conflicts of interest could undermine the integrity and professionalism of its business, any conflict situations must be identified as early as possible. If conflict situations cannot be avoided, they must be mitigated and managed equitably and in the policyholder's interest.

Detecting actual or potential conflicts of interest that could compromise the interests of its policyholders, and managing and limiting the impact of conflicts of interest, constitute an integral part of management's duties, obligations and on-going commitment to treat policyholders fairly.

This policy also addresses gifts and hospitality. The acceptable purpose of gifts and hospitality in commercial settings is to create goodwill and sound working relationships, rather than to gain any unfair business or personal advantage. Reasonable business hospitality and gifts of immaterial financial interest are permitted provided that it is in line with normal business practice and this Policy, and is not seen as a bribe or other undue payment.

This conflict of interest policy provides for measures to identify, manage and avoid existing and potential conflicts of interest¹.

2. DEFINITIONS:

Associates	<p>1. in relation to a natural person, means –</p> <ul style="list-style-type: none"> a. a person who is recognised in law or the tenets (rules) of religion as the spouse, life partner or civil union partner of that person, b. a child of that person, including a stepchild, adopted child and a child born out of wedlock, c. a parent or stepparent of that person; d. a person in respect of which that person is recognised in law or appointed by a court as the person legally responsible for managing the affairs of or meeting the daily care needs of the first mentioned person, e. a person who is the spouse, life partner or civil union partner of a person referred to in subparagraphs (b) to (d), f. a person who is in a commercial partnership with that person. <p>2. in relation to a juristic person –</p> <ul style="list-style-type: none"> a. which is a company, means any subsidiary or holding company of that company, any other subsidiary of that holding company and any other company of which that holding company is a subsidiary, b. which is a close corporation registered under the Close Corporations Act, 1984, means any Member thereof, c. which is not a company or a close corporation, means another juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person – <ul style="list-style-type: none"> i. had such first-mentioned juristic person been a company, or ii. in the case where that other juristic person, too, is not a company, had both the first-mentioned juristic person and that other juristic person been a company, d. means any person in accordance with whose directions or instructions the board of directors of or, in the case where such juristic person is not a company, the governing body of such juristic person is accustomed to act. <p>3. in relation to any person –</p> <ul style="list-style-type: none"> a. means any juristic person of which the board of directors or, in the case where such juristic person is not a company, of which the governing body is accustomed to act in accordance with the directions or instructions of the person first-mentioned in this paragraph, b. includes any trust controlled or administered by that person
Company	<p>means – an entity in the Group, consisting of the companies in the list of associates of the Group in Annexure A, excluding the Hollard Insurance Company Limited.</p>

¹Measures are set out in the Board Notice 58 of 2010 of the Financial Advisory and Intermediary Services Act no. 37 of 2002

<p>Conflict of interest</p>	<p>means –</p> <p>any situation in which a provider (i.e. a financial services provider) or a representative has an actual or potential interest that may, in rendering a financial service to a policyholder –</p> <ol style="list-style-type: none"> 1. influence the objective performance of his, her or its obligations to that policyholder, or 2. prevent a provider or representative from rendering an unbiased and fair financial service to that policyholder, or from acting in the interests of that policyholder, including, but not limited to – <ol style="list-style-type: none"> a. a financial interest, b. an ownership interest, c. any relationship with a third party. <p>In addition to the above, it is Group policy that conflict of interest also includes a situation where an employee, associate, representative or independent contractor of an entity in the Group:</p> <ol style="list-style-type: none"> 1. is likely to make a financial gain, or avoid a financial loss, at the expense of a policyholder, supplier or an entity in the Group, 2. has an interest in the outcome of a service provided to or by a policyholder, supplier or an entity in the Group, has a financial or other incentive to favour the interests of one policyholder or supplier over the interests of another policyholder or supplier, other than the legislated commission or reasonable fee for that service.
<p>Financial interest</p>	<p>means –</p> <p>any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration.</p> <p>Financial interest excludes:</p> <ol style="list-style-type: none"> 1. an ownership interest, 2. training, that is not exclusively available to a selected group of providers or representatives, on: <ol style="list-style-type: none"> a. products and legal matters relating to those products, b. general financial and industry information, c. specialised technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training. 3. Conferences for panel attorneys to discuss essential business matters, including reasonable travel and accommodation associated with those conferences.
<p>Immaterial financial interest</p>	<p>means –</p> <p>any financial interest with a determinable monetary value, the aggregate (total) of which does not exceed R1,000 in any financial year from the same third party received by –</p> <ol style="list-style-type: none"> 1. a representative for that representative's direct benefit, 2. a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives. <p>In addition to the above, it is Group policy that entities in the Group and/or their employees are not allowed to give or receive gifts and/or hospitality in excess of R1, 000 to or from the same third party in any financial year, with the exception of isolated instances approved by the CEO / MD / managing executive, subject to the conditions set out later in this document.</p>
<p>Ownership interest</p>	<p>means –</p> <ol style="list-style-type: none"> 1. 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 2. includes any dividend, profit share or similar benefit derived from that equity or ownership interest.

Representative²	<p>means –</p> <p>any person who renders a financial service to a Member for or on behalf of a financial services provider, in terms of conditions of employment or any other mandatory agreement, but excludes a person rendering clerical, technical, administrative, legal, accounting or other service in a subsidiary or subordinate capacity, which service –</p> <ol style="list-style-type: none"> 1. does not require judgment on the part of the latter person, or 2. does not lead a Member to any specific transaction in respect of a financial product in response to general enquiries. <p>Note: "Representatives" with regards to the Group refers to those independent contractors who introduce long term insurance products and who are also registered as FAIS representatives. <u>It is not applicable to all independent contractors</u> who introduce long term insurance products, and is also not applicable to the Group's short term insurance environment.</p>
Subsidiary	<p>means –</p> <p>a subsidiary as defined in the Companies Act 71 of 2008.</p>
Third party	<p>means –</p> <ol style="list-style-type: none"> 1. a product supplier, 2. another provider, 3. an associate of a product supplier or a provider, 4. a distribution channel, 5. any person who in terms of an agreement or arrangement with a person referred to in paragraphs (1) to (4) above provides a financial interest to a provider or its representatives.

3. SCOPE

Purpose

The objective of this policy is to provide a framework with regard to the avoidance and management of conflicts of interest in the Group, in order to:

1. Ensure that Group business practices are in line with our commitment to provide quality service and to avoid any situation in which an entity in the Group has an actual or potential interest that may, while rendering a financial service to a policyholder:
 - a. Influence the objective performance of its obligations to that Member, or
 - b. Prevent itself from rendering an unbiased and fair financial service to that Member, or from acting in the best interests of that Member,
2. Avoid legal liability and reputation risk arising from conflicts of interest, and
3. Ensure compliance with the Financial Advisory and Intermediary Services (FAIS) Act and other applicable regulatory requirements.

It is important to note that the definition of conflicts of interest for the purpose of this policy is not limited to the definition and provisions set in the General Code of Conduct to the FAIS Act.

The Group does not regard over-reliance on disclosure, without adequate consideration as to how conflicts may appropriately be managed, as acceptable.

Scope

This policy applies to all entities in the LEZA Group. Policy application includes, but is not limited to, directors and employees of entities in the Group (permanent, temporary and contract employees), independent contractors, shareholders, suppliers, policyholders and representatives.

It applies to any situation where a conflict of interest or a potential conflict of interest exists.

The following applies with regards to financial interests:

Entities in the Group, as providers of financial services, will not offer any financial interest to a representative for:

1. Giving preference to a specific product supplier (the Group's long term insurance license holder), where a representative may recommend more than one product supplier to a policyholder, or

²Definition as per the Financial Advisory and Intermediary Services Act 37 of 2002 as amended

2. Giving preference to a specific product of a product supplier, where a representative may recommend more than one product of that product supplier to a policyholder.

This policy is applicable to entities in the Group, as providers of financial services, and in its relationship with a third party, where the same legal entity is a product supplier and a provider.

The Group or its representatives may only receive or offer the following financial interest from or to a third party:

1. Commission authorised under the Long-term Insurance Act³ or the Short-term Insurance Act⁴,
2. Fees authorised under the Long-term Insurance Act² or the Short-term Insurance Act³, if those fees are reasonably commensurate to a service being rendered,
3. 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,
4. Subject to any other law, an immaterial financial interest, and
5. A financial interest, not referred to under subparagraph (1) to (4), 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.

Availability

This policy document is available on the websites and intranet of material Group entities, or from the Group Company Secretary.

4. POLICY APPLICATION

4.1 IDENTIFICATION OF A CONFLICT OF INTEREST

In determining whether a conflict of interest situation occurs, we need to ascertain whether an employee, associate or representative of an entity in the Group –

1. Is likely to make a financial gain, or avoid a financial loss, at the expense of a policyholder, supplier or an entity in the Group,
2. Has an interest in the outcome of a service provided to or by a policyholder or supplier;
3. Has a financial or other incentive to favour the interests of one policyholder or supplier over the interests of another policyholder or supplier; receives or will receive from a person other than the policyholder or supplier, an inducement in relation to a service provided to or by the policyholder or supplier in the form of monies, goods or services, other than the legislated commission or reasonable fee for that service.

Measures for the identification of conflict of interest

The Group has implemented mechanisms for the identification of conflicts of interest. These include:

1. **Internal guidance and training on conflicts of interest.** The Group expects employees to act independently in the face of an identified conflict of interest that may arise between the Group and third parties or between the Group and its policyholders and / or between policyholders. This requires that employees:
 - a. Be competent to identify conflicts that may arise in the conduct of their normal work responsibilities,
 - b. Refrain from treating any policyholder in a manner that unfairly favours or prejudices that policyholder based on specific information held about an entity in the Group or another policyholder, and
 - c. Promptly notify the Group Compliance Manager where there is any uncertainty as to the existence of a perceived conflict or as to how to deal with a conflict. The Group Compliance Manager will provide the necessary guidance.
2. **Employee obligation to report conflicts arising.** The Group requires all employees to report identified conflicts of interest to the Group Compliance Manager as soon as a conflict or potential conflict has been identified or at least annually.
3. **The adoption of a policy and procedures to manage conflicts of interest.**
4. **A conflict of interest and gift declaration form and register** which will identify, record and manage potential conflicts.
5. **Disclosure.** Employees are required to disclose the following (including on-going financial interests) to the individual entities in the Group annually:
 - a. Ownership interests held e.g. any outside employment or other interests from which remuneration is received as well as any directorships held. Disclosure of shares held in associated companies (both locally and internationally) is also required of employees. Disclosure and pre-approval must be obtained from the employees' general manager and the Group compliance function,
 - b. Financial interests (such as gifts and hospitality received),
 - c. Any interest that employees or their associates have in the outcome of services provided to or by a policyholder, supplier or an entity in the Group, and
 - d. Disclosure of ownership and financial interests is also required at every Board meeting, and Board Committee meetings.

³Long-term Insurance Act, 1998 (Act. No. 52 of 1998) ⁴ Short-term Insurance Act, 1998 (Act No. 53 of 1998)

4.2. AVOIDANCE AND MITIGATION OF CONFLICTS OF INTEREST

It is always best to avoid a conflict of interest situation. All employees and representatives must avoid being in a position where there is a conflict between their own interests and the interests of Members and/or the interests of the Group.

Should a conflict or potential conflict of interests arise, a disclosure will be required. Employees must refer to the most recent approved conflict of interest management procedure as published on their company intranet.

Employees and representatives are not allowed to:

- > Give or receive gifts and/or hospitality in excess of R1,000 to or from the same third party in any financial year,
- > Give or receive gifts and/or hospitality if there is an expectation or obligation (actual or perceived) to do something (an action) or not do something (an omission) in exchange, or
- > Give or receive cash / vouchers redeemable for cash.

In exceptional circumstances the Chief Executive Officer / Managing Director of an entity in the Group may approve the giving or receipt of a gift and/or hospitality in excess of R1,000 but not exceeding R5,000 to or from the same third party in any financial year. Such approval is subject to the following:

- > The gift / hospitality given or received has to be declared fully on the approved form and signed off before the gift / hospitality is utilised,
- > The gift / hospitality is reasonable, not excessive, and in line with normal business practice,
- > The gift / hospitality is not likely to influence business decisions,
- > The gifts / hospitality does not influence the objective performance of the entity's obligations to its policyholders, or from acting in the best interests of its policyholders, and
- > The completed and signed gift / hospitality declaration form is logged and filed in line with the entity's conflict of interest procedure.

All gifts and/or hospitality received need to be declared, as per the applicable conflict of interest management procedure.

4.3. CONSEQUENCES OF NON COMPLIANCE WITH THIS POLICY

A full investigation, taking into account relevant labour laws, will be conducted into allegations of non-compliance with this policy. That could result in disciplinary action being taken against employees.

After full investigation into any alleged misconduct, key individuals and representatives may be debarred if found guilty of misconduct. Non-compliance will be reported to the Financial Services Board.

4.4. LIST OF ASSOCIATES

See Annexure A for a list of associates of Legal Expenses Insurance Southern Africa Ltd (LEZA Company).

4.5. NAMES OF THIRD PARTIES IN WHICH THE PROVIDER HOLDS AN OWNERSHIP INTEREST AND THE EXTENT OF THE OWNERSHIP INTEREST

The names of third parties in which the provider holds an ownership interest will be disclosed by the CEO upon request.

4.6. NAMES OF THIRD PARTIES THAT HOLD AN INTEREST IN THE PROVIDER AND THE EXTENT OF THE OWNERSHIP INTEREST

The names of third parties that hold an interest in the provider will be disclosed by the CEO upon request.

4.7. POLICY GOVERNANCE

Management are responsible for the application of the policy in their respective areas. The Group compliance function will facilitate where necessary and will monitor the application of the policy.

Management have certain responsibilities for their business areas in terms of this policy. The conflict of interest management procedure documents of the entities in the Group set out the procedures that need to be followed.

5. REMEDIAL ACTION

Instances of inappropriate behaviour or wrongdoing could be harmful and costly to entities in the Group.

Any person who fails to comply with internal policies, procedures and other requirements or who does not actively comply with legislation could be subject to disciplinary procedures that could ultimately lead to their dismissal.

6. REVIEW SCHEDULE FOR THIS POLICY

The policy shall be reviewed at least annually by the Board and is subject to modification based on significant changes in the regulatory environment as well as significant changes in the Group's governance structures.

Minor amendments to this policy, such as changes to the formatting applied, designations used, grammar or spelling errors may be formally authorised by the Chief Executive Officer (CEO) in the capacity of CEO, and such changes will result in the existing policy being superseded.

All other amendments to this policy (other than minor amendments), will follow the same process outlined for initial issuance and be

reviewed and authorised by the Board.

A copy of the most recently approved policy is to be kept centrally filed by the Group Company Secretariat.

7. LINK TO PROCEDURES

The conflict of interest / gift declaration procedure is set out in the conflict of interest management procedure documents of the material companies in the Group.

Annexure A
List of Associates of LEZA Company

Description of Company	Shareholding
Family Expenses Southern Africa (Pty) Limited t/a LifeWise	100%
LegalWise Australia (Pty) Limited	100%
Legal Expenses Insurance Botswana (Pty) Ltd t/a LegalWise Botswana	100%
Legal Expenses Insurance Namibia (Pty) Ltd t/a LegalWise Namibia	100%
Scorpion Legal Protection (Pty) Limited	100%
Yes Loans (Pty) Limited	100%

Group Holding Company

Legal Expenses Group Africa Ltd	89% shareholding in LEZA Company
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The Hollard Insurance Company Limited

The Hollard Insurance Company Limited has a shareholding in Legal Expenses Group Africa Ltd