



**Clientèle**

**CLIENTÈLE LIMITED INSURANCE GROUP**

**Conflict of Interest Management Policy**



## Table of Contents

1. Glossary of Terms .....	3
2. Introduction.....	3
3. Policy Statement.....	3
4. Roles and Responsibilities.....	3
5. Policy Implementation.....	4
5.1. Identifying Conflicts of Interest .....	4
5.2. Dealing with Conflicts of Interest .....	5
5.2.1. Avoidance of Conflicts of Interest .....	5
5.2.2. Unavoidable Conflicts of Interest .....	5
5.3. Disclosure of Conflicts of Interest.....	6
5.3.1. Disclosure of Gifts.....	6
5.4. Compliance Measures .....	7
5.4.1. Financial Interest to Representatives .....	7
5.4.2. Training to Providers .....	7
5.5. Consequences of Non-Compliance .....	8
6. Review of Policy .....	8
7. Sign Off .....	8
Annexure A.....	9
Annexure B.....	12



## 1. Glossary of Terms

Please refer to Annexure A for full list of terms.

## 2. Introduction

In line with the Prudential Standard Governance and Operational Standard for Insurance Groups (GOG 1), Clientèle Limited is the controlling company of the Clientèle Limited Insurance Group (“hereafter referred to as Clientèle”). Clientèle established an effective governance framework that provides for sound and prudent management of Clientèle’s business, including adequate protection of the interests of policyholders of insurance that are part of the insurance group. Clientèle established this governance framework across the insurance group, covering both regulated and non-regulated entities. This framework allows for the prudential and legal obligations of individual entities within the insurance group, to be met and appropriately balance any divergence in governance requirements applying between different entities within the insurance group.

Clientèle, with registration number 2007/023806/06, includes:

- Clientèle Life Assurance Company Limited (“Clientèle Life”) (and its subsidiaries), a licensed insurer in terms of the Insurance Act 18 of 2017 (“Insurance Act”) and, which is also an Authorised Financial Services Provider (FSP No: 15268) in terms of the Financial Advisory and Intermediaries Services Act, 37 of 2002 (“FAIS Act”);
- Clientèle General Insurance Limited (“Clientèle General”), a licensed insurer in terms of the Insurance Act 18 of 2017 (“Insurance Act”) and, which is also an Authorised Financial Services Provider (FSP No: 34655) in terms of the Financial Advisory and Intermediaries Services Act, 37 of 2002 (“FAIS Act”);
- CBC (Pty) Ltd (“CBC”); and
- Clientèle Mobile (Pty) Ltd (“Clientèle Mobile”).

Clientèle is in the process of being licensed as the controlling company of the insurance group in terms of the Insurance Act.

This Policy will apply to the Clientèle; Clientèle Life (and its subsidiaries), Clientèle General, CBC and Clientèle Mobile.

The objective of the Conflict of Interest Management Policy (the Policy), as required by the General Code of Conduct for Authorised Financial Services Providers and Representatives, issued under the Financial Advisory and Intermediary Services Act, 2000 (Act No. 37 of 2002) (“FAIS”) as amended from time to time, and Board Notice 58 of 2010, is to provide a framework within which to address areas where conflicts of interest may arise. It establishes broad, high-level principles and guidance. This policy furthermore specifically addresses the requirements of the FAIS Act and its associated Regulations and has specific application to the authorised financial services providers within the Clientèle Limited Insurance Group.

Clientèle is committed to ensuring that all business is conducted in accordance with the standards of good corporate governance, including integrity and ethical behaviour. This Policy aims to emphasise the interests of all stakeholders by minimising and managing all actual or potential conflicts of interest. This Policy sets the high-level standards for Clientèle. Clientèle formulated,



documented and implemented detailed measures to proactively ensure compliance with these standards, having due regard for the specific business environment. No person or Clientèle may avoid, limit or circumvent, or attempt to avoid, limit or circumvent compliance with this Policy directly or via an associate or an arrangement involving an associate.

### **3. Policy Statement**

Clientèle is committed to avoid, and where this is not possible, mitigate any conflict of interest that may arise between itself, as a financial service provider (and/or its representatives), and its policyholders when rendering financial services. This Policy sets out the measures to ensure the proper disclosure of any conflicts of interest and to establish processes, procedures and internal controls to facilitate compliance with the Policy together with an understanding of consequences of non-compliance.

### **4. Roles and Responsibilities**

The Board is ultimately responsible to ensure that Clientèle complies with this Policy.

The Group Compliance Function will assist the Board in fulfilling this responsibility.

Risk management is the responsibility of the management team of the department/business function. The department/business function will be responsible to ensure that risk management is conducted in line with the scope and objectives of the department/business function and ensure that both a risk register is kept and updated on a regular basis and that internal controls are implemented and actions are taken to mitigate risk. A risk register, must be kept and updated on a regular basis. In addition to this, all operational risk incidents also need to be reported to the Risk Function in a timeous manner.

### **5. Policy Implementation**

#### **5.1 Identifying Conflicts of Interest**

The primary responsibility for the identification of a conflict of interest rests with the representatives, employees and individual members of the Excom of Clientèle. Throughout the process of rendering a financial service to a client, a representative must apply his or her mind to answering the following questions:

- is there any situation that exists that influences the objective performance of the representatives obligations to the client?
- is there any situation that exists that prevents the representative from rendering an unbiased and fair financial service to my client?
- is there any situation that exists that prevents the representative from acting in the best interest of the client?



If the answer to all three questions is “no”, then there is no conflict of interest associated with the financial service and the representative may proceed. If the answer to any one of the three questions is “yes”, the representative must proceed to answer the following additional questions:

- is the situation caused as a result of an actual or potential relationship with a third party? (see definition of “third party”).
- is the situation caused by an actual or potential financial or ownership interest? (see definition of “financial interest” and “ownership interest”).

If the answer to any one of these question is “yes”, an actual or potential conflict of interest will have been identified.

Clientèle and its employees and or representatives may only receive or offer the following financial interest from or to a third party:

- **Commission** authorised in terms of the Long-term Insurance Act (No. 52 of 1998).
- **Fees** authorised in terms of the Short and Long-term Insurance Act, if those fees are reasonably commensurate to a service being rendered.
- **Fees** for the rendering of a financial service in respect of which commission or fees referred to above is not paid, if those fees are specifically agreed to by a client in writing; and may be stopped at the discretion of the client.
- **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.
- **An Immaterial financial interest** (subject to any other law).
- **A financial interest not referred to above**, for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid by Clientèle or its representatives at the time of receipt thereof.

## 5.2. Dealing with Conflicts of Interest

In order to ensure compliance with the standards contained in this policy, Clientèle should adhere to the following:

### 5.2.1. Avoidance of conflicts of interests

Once an actual or potential conflict of interest has been identified, the following procedures will be followed in order to determine whether the conflict of interest is avoidable:

- The Group Compliance Function, in consultation with Excom, will evaluate the actual or potential conflict of interest in an open and honest manner. All information that’s led up to and resulting in, or causing the actual or potential conflict of interest will be disclosed to the Group Compliance Function and Excom.
- The Group Compliance Function, together with Excom, will apply its mind and whether Clientèle is in a position to avoid the actual or potential conflict of interest.
- During the evaluation process, the following possible outcomes prior to a finding in favour of unavailability:



- The possible negative impact it will have on Clientèle's clients where the actual or potential conflict of interest is deemed to be unavoidable.
- The possible negative impact it will have on the integrity of the financial services industry where the actual or potential conflict of interest is deemed to be unavoidable.
- Where it is determined that the actual or potential conflict of interest is in fact avoidable, the following processes will be followed:
  - The underlying cause or situation that results in the actual or potential conflict of interest will be removed as soon as reasonably possible.
  - Any immediate negative impact or prejudice towards clients pending the removal of the actual or potential conflict of interest will be kept to a minimum.
  - The reasons why the actual or potential conflict of interest was determined to be avoidable will be recorded in Clientèle's Conflict of Interest/Gift Register.
  - Similar circumstances that has led up to the actual or potential conflict of interest will be avoided in the future.

#### **5.2.2. Unavoidable Conflicts of Interest**

- Where it is determined that the actual or potential conflict of interest is unavoidable, the following processes will be followed:
  - The Group Compliance Function and Excom will convene and determine the measures that will be implemented in order to mitigate the actual or potential conflict of interest as far as reasonably possible.
  - The reasons why the actual or potential conflict of interest was considered to be unavoidable will be recorded in Clientèle's Conflict of Interest/Gift Register.
- Any measures implemented towards mitigating the actual or potential conflicts of interest will include the following arrangements:
  - The status of whether the actual or potential conflicts of interest's is still deemed to be unavoidable shall be reassessed on a continuous basis.
  - Where a previously deemed unavoidable actual or potential conflicts of interest is subsequently deemed to be avoidable, such actual or potential conflict of interest shall immediately be avoided.
  - All representatives will be notified of any actual or potential conflicts of interest as well as the reasons for its unavoidability.
  - When rendering financial service a representative shall be required to disclose to the client in writing that an actual or potential conflict of interest exist.

The Group Compliance Officer shall report on the status of the actual or potential conflict of interest in Clientèle's compliance report to be submitted to the Financial Sector Conduct Authority.



### **5.3. Disclosure of Conflict of Interest**

Clientèle, its employees and/or its representatives must at the earliest reasonable opportunity disclose to a client any conflict of interest in respect of that client. The disclosure must be made in writing to the client at the earliest reasonable opportunity and contain the following information which includes, but is not limited to:

- Informing the client of the existence of this Policy and how same may be accessed.
- The measures taken, in accordance with this policy, to avoid or mitigate the conflict.
- Any ownership interest or financial interest, other than an immaterial financial interest, that Clientèle or its employees may become eligible for; and
- The nature of any relationship or arrangement with a third party that gives rise to a conflict of interest.
- Sufficient detail in terms of the nature and extent of the relationship that creates or gives rise to the conflict should be disclosed to the client. Such disclosure should enable the client to make a reasonable assessment as to whether to proceed with a transaction.
- All employees are responsible for identifying specific instances of conflict and are required to notify the Group Compliance Function of any conflicts they become aware of through the Gift Registry on the intranet.
- The manner in which each disclosed conflict will be assessed, including whether the conflict is actual or potential, what the value of the conflict or exposure is and the potential reputational risk.

#### **5.3.1. Disclosure of Gifts**

In order for Clientèle to combat any potential conflict of interest, every employee which includes:

- All full-time employees or representatives of Clientèle or any associate of Clientèle; or
- All full-time employees or representatives of a juristic representative of Clientèle,

is required to declare gifts received through the gift declaration system which can be found on the intranet at the earliest reasonable opportunity. This declaration is for every gift received as an employee or representative.

### **5.4. Compliance Measures**

Clientèle has adopted the following internal controls and processes:

- The Group Compliance Function shall ensure that this Policy is kept up to date and shall ensure that all relevant staff and where appropriate, associates are made aware of the contents of this Policy, and shall provide staff with training and educational material where deemed appropriate. The Group Compliance Function shall further ensure that all Conflict of Interest declarations are signed by the relevant staff on an annual basis.
- Clientèle shall ensure that appropriate training and awareness interventions regarding this Policy and the logging of conflict of interests/gifts are implemented for existing employees as well as new recruits.



- Clientèle shall continue to maintain a Conflict of Interest/Gift Register and shall ensure that **all** gifts above and below the aggregate annual value of R1000, received from a third party or offered to a third party by the same employee or representative of Clientèle, are recorded in the Gift Register.
- Clientèle shall further ensure that the proper disclosures are made to the client regarding actual or potential conflicts of interest.
- Where an employee or representative has any concerns whether or not an actual or potential conflict of interest might arise in a particular situation, the employee or representative will be required to refer his or her concern to the Group Compliance Function.
- The Group Compliance Function shall ensure that a list of all Clientèle's associates, including parties in which Clientèle holds an ownership interest as well as parties which hold an ownership interest in Clientèle is annexed to this Policy and that a review of the list shall be conducted annually.
- This Policy will be made available on the Clientèle intranet as well as the website to ensure that it is easily accessible by employees, clients and third parties at all reasonable times.

#### **5.4.1. Financial interest to Representatives**

Clientèle shall not offer any financial interest to its representatives for:

- Giving preference to the quantity of business secured 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 of that product supplier to a client.

#### **5.4.2. Training to Providers**

Clientèle shall only provide bona fide training to providers on:

- Products or legal matters relating to those products;
- Life financial and industry information;
- Specialised technological systems of a third party necessary for the rendering of a financial service;
- Clientèle may provide reasonable costs directly related to the training provided, such as venue costs, speaker fees and meals. The reasonable costs associated with providing meals and refreshments should be regarded as part of immaterial financial interests, and should accordingly not be recorded.
- Clientèle or its associates may not provide for the travel and accommodation associated with the training and may not offer the training to an exclusive group of Financial Services Providers or its representatives only.
- Other forms of training not mentioned in this clause, may be provided, subject to a consideration or remuneration (based on fair value) being paid for the training, provided to Financial Services Providers (or their representatives) receiving the training.





### 5.5. Consequences of non- compliance

- Violation of this Policy by an employee may result in disciplinary action taken against the employee, in accordance with the Clientèle Disciplinary Code as amended from time to time.
- Disciplinary procedures provide for the investigation of any potential breach of this policy by employees or representatives and determine appropriate sanctions for actual breaches.
- Employees' or representatives failure to provide disclosures will be seen as a transgression.
- Certain transgressions of this Policy may result in civil or criminal prosecution.

### 6. Review of Policy

This Policy must be updated at least once a year but more frequently as circumstances may necessitate. It should be approved by the Board.

### 7. Sign Off

This policy is herewith approved by the following signatories:

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**B.W Reekie**  
Clientèle Group Managing Director  
Date:

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**G.Q Routledge**  
Chairman of the Board  
Date:

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**N Hoosen**  
Clientèle General Managing Director  
Date:

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**H Louw**  
Clientèle Life Managing Director  
Date:

\* Board-approved during May 2020

## Annexure A

### Glossary of Terms

- **Associate:**
  1. In relation to a natural person, means –
    - a. person who is recognised in law or the tenets 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.
  2. In relation to a juristic person, means –
    - a. Which is a company, means any other subsidiary of that 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 (Act No. 69 of 1984), means any member thereof as defined in section 1 of that Act.
    - c. which is not a company or a close corporation as referred to in subparagraphs (a) or (b), means another juristic person which would have been a subsidiary or holding company of the first mentioned juristic person-
      - had such first-mentioned juristic person been a company; or
      - 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.
  3. In relation to any person, means –
    - 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.
- **The Board:** The Directors of the Company.
- **Clientèle Limited Insurance Group:** means Clientèle Limited, registration number 2007/023806/06 which includes Clientèle Life Assurance Company Limited, FSP No: 15268



(and its subsidiaries), Clientèle General Insurance Limited, FSP no. 34655, Clientèle Benefits Company (Pty) Limited and Clientèle Mobile (Pty) Ltd.

- **Conflict of interest:** means any situation in which a person has an actual or potential interest that may, in rendering a financial service to a client:-
  - a. influence the objective performance of their obligations towards such client; or
  - b. prevent a person 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.
    - any relationship with a third party.
- **Excom:** means the Clientèle Executive Committee.
- **FAIS:** means the Financial Advisory and Intermediary Services Act, No. 37 of 2002
- **Fair value:** means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction (as set out in the reporting standards adopted in terms of the Companies Act (Act no 61 of 1973).
- **Financial Interest:** means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, other than –
  - a. an ownership interest.
  - b. training, that is not exclusively available to a selected group of providers or representatives, on
    - products and legal matters relating to those products.
    - Life financial and industry information.
    - specialised technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training.
- **FSCA:** means the Financial Sector Conduct Authority (previously known as the Financial Services Board).
- **Financial Services Provider:** means any person, other than a representative, who as a regular feature of the business of such person –
  - a. furnishes advice; or
  - b. furnishes advice and renders any intermediary service; or
  - c. renders an intermediary service.
- **GCO:** means the Clientèle Group Compliance Officer.

- **Immaterial Financial Interest:** means any financial interest with a determinable monetary value, the aggregate of which does not exceed R1000 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.
  
- **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 an 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.
  
- **Provider:** means an authorised Financial Services Provider registered as such with the FSCA.
  
- **Representative:** means any person, including a person employed or mandated by such first-mentioned person, who renders a financial service to a client for or on behalf of a financial services provider, in terms of conditions of employment or any other mandate, but excludes a person rendering clerical, technical, administrative, legal, accounting or other service in a subsidiary or subordinate capacity, which service-
  - a. does not require judgment on the part of the latter person; or
  - b. does not lead a client to any specific transaction in respect of a financial product in response to Life enquiries.
  
- **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.”



**ANNEXURE B**  
**List of Associates**

Clientèle Life Assurance Company Limited (and its subsidiaries): 100% Shareholding

Clientèle General Insurance Limited: 100% Shareholding



## Document Information and History

Document Information	
Policy	Clientèle Group Conflict of Interest Policy
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