



# Conflict of Interest Policy

## 1. INTRODUCTION

The General Code of Conduct for Authorised Financial Services Providers and Representatives (“General Code”) in terms of section 15 of the Financial Advisory and Intermediary Services Act 37 of 2002 (“FAIS”) requires of FSP’s to implement a Conflicts of Interest Policy, to make it available to Clients and to ensure controls are in place to avoid and/or manage all Conflicts of Interests. Some definitions have recently been amended with effect from 26 June 2021 and included in this Policy.

The directors, managers and employees of Thatch Risk Acceptances (Pty) Ltd (“TRA”) aspire to the highest level of ethical conduct in our work. TRA also values the knowledge gained from such individuals’ involvement with other organisations. Inevitably, from time to time, such affiliations may create or appear to create conflicts with the individual’s duty to the company. To ensure that the company’s decisions are free of any conflicts or other inappropriate influences, the Board has adopted the following policy concerning conflicts of interest and gifts.

We will constantly improve the quality of our services, products and operations and ensure that we maintain our reputation for honesty, fairness, respect, responsibility, integrity, trust and sound business judgment.

## 2. PURPOSE

This Policy provides clarity as to what constitutes a Conflict of Interest and the process to follow when a Conflict of Interest has been identified. Conflicts of Interest should be avoided as far as possible, if this is not possible then the FSP must implement mitigation controls to manage such risks and properly disclose such risks to Clients to ultimately ensure the fair treatment of Clients at all times.

The general principles of the regulations provide as follows:

- Financial Services Providers (FSPs) must avoid, and where this is not possible, mitigate conflicts of interest.
- All actual or potential conflicts of interest in respect of a client must be disclosed to that client in writing and must include: the disclosure of all ownership or financial interests (excluding immaterial financial interests) that the FSP or representative has or is eligible for, and the nature of any relationship or arrangement with a third party that gives rise to a conflict of interest

This policy is aligned and the words and expressions used in this policy will bear the meaning assigned to them in accordance with the Code. The control documents attached hereto will form an integral part of our conflicts management framework.

## 3. WHAT IS A CONFLICT OF INTEREST?

A Conflict of Interest means any situation in which a provider or a representative has an actual or potential interest that may, in the rendering a financial service to a client, either:

- influence the objective performance of his/ her obligations to that client; or
- prevent a provider or representative 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 (material financial interests excluding a maximum of a R1000 received by the FSP or per Rep per year; or provided by the FSP to an another FSP/ Rep per year);
  - ownership interest;
  - or any relationship with a third party.

Example: A Conflict of Interest may arise where a company, or one of its employees, is providing a financial service to its clients and such financial service may entail a material risk of damage to those client’s interests, and where the company or its employee:

- is likely to make a financial gain, or avoid a financial loss, at the expense of the Client;
- has an interest in the outcome of a service provided to the Client or of a transaction carried out on behalf of the Client, which is distinct from the Client’s interest in that outcome;
- has a financial or other incentive to favour the interest of another client, or group of clients, over and above the interests of the Client;
- carries on the same business as the Client; or
- receives or will receive from a person other than the Client, an inducement in relation to a service provided to the Client, in the form of monies, goods or services, other than the standard commission or fee for that service.

#### 4. DEFINITIONS

**"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:

- an ownership interest;
- 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, or specialised technological systems of a third party necessary for the rendering of a financial service (but excluding travel and accommodation associated with that training); or
- a qualifying enterprise development contribution to a qualifying beneficiary entity by a provider that is a measured entity.

**"Holding company"** has the meaning assigned to it in the Companies Act, 2008 (Act No. 71 of 2008).

**"Immaterial financial interest"** means any financial interest with a determinable monetary value, the aggregate of which does not exceed R 1 000 in any calendar year from the same third party in that calendar year received by:

- a provider who is a sole proprietor; or
- a representative for that representative's direct benefit,
- a provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.

**"Loyalty benefit"** means any benefit (including a so-called cash- or premium-back bonus) that is directly or indirectly provided or made available to a client by a provider or a product supplier or an associate of the provider or product supplier, which benefit is wholly or partially contingent upon:

- the financial product with that provider or product supplier remaining in place;
- the client continuing to utilise a financial service of that provider or product supplier;
- the client increasing any benefit to be provided under a financial product; or
- the client entering into any other financial product or benefit or utilising any related services offered by that provider, product supplier or their associates.

**"No-claim bonus"** means any benefit that is directly or indirectly provided or made available to a client by a product supplier in the event that the client does not claim or does not make a certain claim under a financial product within a specified period of time.

**"Related service"** means a service or benefit provided or made available by a product supplier or a provider or any associate of that product supplier or provider, together with, or in connection with, any financial product, financial service or benefit in respect of that financial product or financial service, and includes a loyalty benefit and a no-claim bonus.

**"Service Supplier"** means any person (whether or not that person is the agent of the provider), other than a representative, with whom a provider has an arrangement relating to the marketing, distribution, administration or provision of financial products, financial services or related services;

**"Sign-on bonus"** means any financial interest offered or received directly or indirectly, upfront or deferred, and with or without conditions, as an incentive to become a provider; and such "financial interest" includes but is not limited to-

- compensation for the potential or actual loss of any benefit including:
  - any form of income, or part thereof,
  - cost associated with the establishment of a provider's business or operations, including the sourcing of business, relating to the rendering of financial services; or
- a loan, advance, credit facility or any other similar arrangement;

**"Significant owner"** means a significant owner as described in section 157(1) and (2) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017).

**"Ownership interest"** means -

- 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
- includes any dividend, profit share or similar benefit derived from that equity or ownership interest;

**"Subsidiary"** means a subsidiary as defined in section 1 (3) of the Companies Act, 1973 (Act No. 61 of 1973);

**"Third party"** means a product supplier, another provider, an associate of a product supplier or a provider, a distribution channel, or 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

## **5. FINANCIAL INTERESTS THAT ARE ALLOWED**

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

- 5.1 Commission authorised under the Long-term Insurance Act, 1998, or the Short-term Insurance Act, 1998
- 5.2 Commission authorised under the Medical Schemes Act, 1998,
- 5.3 Fees authorised under the Long-term Insurance Act, 1998, the Short-term Insurance Act, 1998 or the Medical Schemes Act, 1998,
- 5.4 Fees for the rendering of a financial service in respect of which commission or fees referred to above is not paid if:
  - the amount, frequency, payment method and recipient of those fees and details of the services that are to be provided by the provider or its representatives in exchange for the fees are specifically agreed to by a client in writing; and
  - those fees may be stopped at the discretion of that client;
- 5.5 Fees or remuneration for the rendering of a service to a third party;
- 5.6 An immaterial financial interest (subject to any other law) and
- 5.7 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 that provider or representative at the time of receipt thereof.

## **6. FINANCIAL INTERESTS THAT THE FSP WILL BE PAYING/ RECEIVE**

<b>FINANCIAL INTEREST</b>	<b>DETAILS</b>
<b>Representatives' Remuneration</b>	The FSP shall remunerate its representatives as provided for in terms of the Conflict of Interest requirements as set out in clause 5 above and specifically as follows:  N/A
<b>FSPs Associates</b>	N/A
<b>Ownership Interest in Third Parties</b>	N/A
<b>Ownership Interest in FSP</b>	N/A

## **7. FINANCIAL INTERESTS THAT ARE NOT ALLOWED**

- 7.1 A provider may not offer any financial interest to a representative of a provider-
  - that is determined with reference to the quantity of business secured for the provider without also giving due regard to the delivery of fair outcomes for clients; or

- for giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; or
- for 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.

7.2 The FSP must be able to demonstrate that the determination of and entitlement to the financial interest takes into account measurable indicators relating to the-

- achievement of minimum service level standards in respect of clients;
- delivery of fair outcomes for clients;
- quality of the representative's compliance with this Act;

The aforementioned must be agreed between the FSP and the representative, and sufficient weight must be attached to such indicators to materially mitigate the risk of the representative giving preference to the quantity of business secured for the provider over the fair treatment of clients.

Where the FSP is a product supplier and a provider, then 7.1 applies to the entity and 7.2 to its representatives.

7.3 The FSP or its representatives may only receive or offer financial interests which are financial interests referred to in clause 5.3 to 5.5 above if-

- The fees are reasonably commensurate with the service being rendered, taking into account the nature of the service and the resources, skills and competencies reasonably required to perform it;
- the payment of fees does not result in the provider or representative being remunerated more than once for performing a similar service;
- any actual or potential conflicts between the interests of clients and the interests of the person receiving the fees are effectively mitigated; and
- the payment of fees does not impede the delivery of fair outcomes to clients.

7.4 Sign-on bonuses:

- A Category I provider that is authorised/ appointed to give advice may not receive a sign-on bonus from any person.
- No person may offer or provide a sign-on bonus to any person, other than a new entrant, as an incentive to become a Category I provider that is authorised or appointed to give advice.

7.5 The FSP and Representatives undertakes not to or attempt to avoid, limit or circumvent compliance with the FAIS Conflicts of Interest requirements including through an associate or any arrangement involving an associate.

7.6 The FSP shall not present itself as independent if –

- The FSP/ associate is a significant owner of a product supplier;
- A Product Supplier is a significant owner of the FSP/ associate; or
- If there is any relationship between the FSP and Product Supplier that constitutes a material Conflict of Interest.

## 8. EXAMPLES OF CONFLICT OF INTEREST

- Contracts, proposed contracts and similar transactions or arrangements: A conflict of interest may arise where an employee has a direct or indirect interest in a transaction. This may be where the employee has a connection with the other party to the transaction, or where the employee's family has a connection. The connection may be from a directorship, significant shareholding, employment or consultancy. The FSP requires disclosure of any connection which could or could be seen to have the effect of compromising the judgment of any of the FSP's employees. Key Persons/ Parties/Employees or the FSP itself. Directors, Key Individuals and Representatives are required to notify the FSP of any such potential conflicts of interest without delay. The latter identified parties of the FSP are also required to complete and sign annual declarations to enable the FSP to identify all Conflicts of Interests, assess them and then decide whether to avoid/proceed (together with mitigation controls and required disclosures to Clients) with such Conflict of Interest.
- Gifts, Hospitality & Inducements: Inducements, gifts and hospitality are all issues that could lead to potential Conflicts of Interest. All employees must act with the highest standards of integrity to avoid any allegations of Conflicts of Interest. Employees must not accept any cash payments, significant gifts or hospitality. Token gifts may be accepted, providing

they have not been solicited, have not been given as a business inducement and will not compromise >FSP Name< integrity. A register must be maintained for any gifts, or hospitality received. Employees cannot attend hospitality events, without their line manager's approval. Where an invitation could be construed as being a business inducement, it must be declined.

## 9. MANAGING CONFLICTS OF INTERESTS

There is the potential for a conflict of interest in any activity, relationship or process that FSP may be involved with.

Thatch Risk Acceptances will for the purpose of managing conflict of interests, deal with conflicts of interests as follows:

1. TRA will avoid and where this is not possible, mitigate any conflict of interest situations, as defined in the General Code of Conduct for Authorised Financial Services Providers and Representatives
2. TRA confirms that it will only offer a financial interest to other financial service providers in the form of:
  - 2.1 Commission authorised in terms of the Short-term Insurance Act, No 53 of 1998;
  - 2.2 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;

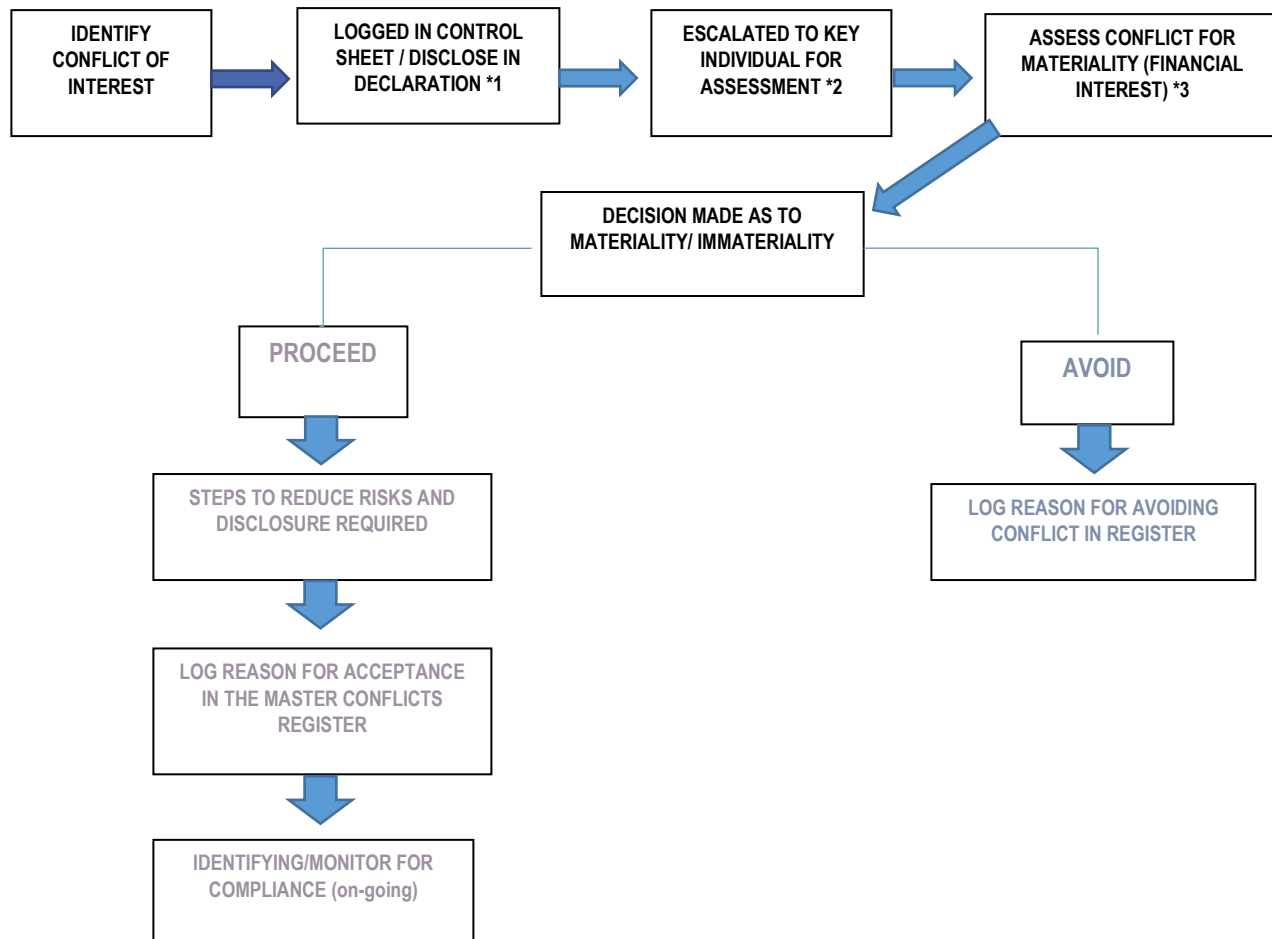
Any immaterial financial interest offered to a financial service provider must be fully disclosed in the company's electronic "All Immaterial Financial Interests Only" (Inbound & Outbound) registers.

3. TRA has assigned primary responsibility for identifying, recording and managing conflicts of interest to a Conflicts Officer to effectively manage conflict situations. The responsibilities of the Conflicts Officer are as follows:
  - 3.1 Advise all relevant staff of:
    - 3.1.1 the definition of 'conflict of interest';
    - 3.1.2 the main features; and
    - 3.1.3 examples or possible conflicts of interest that may emerge.
  - 3.2 Co-ordinate a questionnaire (annual) of directors and relevant staff, requiring them to assess all aspects of their responsibilities and their business relationships, with a view to identifying actual or potential conflicts (and circumstances that might be perceived as conflicts). Directors, managers and internal legal and compliance officers should attempt to identify conflicts across the business, while other staff will focus on their individual circumstances.

Even when individuals completing the questionnaire are confident that objective financial advice will be provided, in spite of a potential conflict, they should report the conflict: clients and regulators may not easily be persuaded that advice was objective.

- 3.3. Assess, together with compliance, the seriousness of identified possible conflicts, and will determine, in consultation with senior management, how the conflict should be managed. This can involve:
  - 3.3.1 If current disclosures constitute adequate management?
  - 3.3.2 What further disclosures would constitute adequate management?
  - 3.3.3 Whether or not disclosure alone can adequately manage the conflict. Where it cannot, all stakeholders can decide how the conflict should be avoided, or whether the conflict should be referred for prompt board consideration.
- 3.4. Will keep adequate records of the controls management process, from identification through to effective resolution of the conflict. The procedures are as follows:

Procedure diagram



Guide to Conflicts of Interest Procedure:

- \*1. Log the date and contents of the Conflict of Interest (real, existing or potential);
- \*2. Conflicts of Interest can be communicated via email/ disclosed in annual declarations but must be addressed in writing to the Key Individual/ Internal Compliance Contact Person ("Conflicts officer"). All correspondence relating to conflicts must be placed in the FSP's conflicts file and noted in the relevant register (material or immaterial);
- \*3. The Key Individual/ Internal Compliance Contact Person ("Conflicts officer") to liaise with the Compliance Officer (if required) to evaluate the conflict and to decide which mechanism to be used to manage the conflict (control, avoid or disclose). All material Conflicts of Interests should be brought to the attention of to the Board and the Compliance Officer.

*Note: If the conflict can't be resolved immediately then implement the required controls. The on-going status of the conflict is to be recorded in the register. If the conflict requires further clarity and investigation by any other party, insert comments as appropriate in the appropriate register.*

- \*4. The COI procedures and their efficacy in operation will be reviewed by senior management of the TRA in conjunction with compliance.

## 10. ROLES AND RESPONSIBILITIES

All employees of the FSP are obliged to report actual, perceived or potential conflicts of interest. The failure of employees to notify management to the potential conflict of interest may result in disciplinary action being taken against the affected individual/s.

In order to ensure proper corporate governance, and the accountability and transparency of our organisation, relevant persons are required to declare any private interests that might affect the carrying out of their duties. They are also required to take steps to resolve any conflicts that arise in a way that protects the public interest. To fulfil this requirement, any relevant interests must be declared on the Register of interests. These are personal or business interests that might influence their judgement, deliberation or action as employees of the financial services provider, or which might be perceived by a reasonable member of the public as doing so.

- The disclosure of interests will be completed by TRA, key individuals of TRA and the members of the management board of TRA.
- Relevant parties must consider whether they need to disclose personal involvement with persons or organization's which clients might reasonably think could influence their judgement.
- Any interest which comes to light should be declared prior to discussion at a Management Board meeting. It should take place irrespective of whether the interest has already been recorded in the register.
- Where there is uncertainty about whether a particular interest should be declared, advice should be sought from the compliance officer of the FSP.
- The interest disclosure should be intended as a record available to clients on request. All material conflicts of interest should however be disclosed to affected clients. An appropriate mechanism would be to disclose such conflicts in the initial disclosure documentation of the FSP, or other suitable means.
- It is each person's responsibility to inform the internal person responsible for conflicts of interest, including compliance, of any relevant changes as they occur and to register their interests in the register provided.
- The disclosure will be reviewed on an annual basis by Compli-Serve SA as your designated compliance officers.
- Where there is a complaint received about a failure of the FSP to disclose a relevant interest, the complaint should immediately be sent to compliance for evaluation and response.

## 11. IMPORTANT PRINCIPLES WHEN DEALING WITH CONFLICTS OF INTEREST

Thatch Risk Acceptances expects all Persons/ Employees/ Parties (as applicable) to maintain the highest standards in carrying out their business activities, adhering to legislative requirements and policies on business conduct. It further expects its employees to act professionally, honestly and ethically in all their dealings with clients, colleagues.

The following principles will be applied when dealing with Conflicts of Interest in the business of the FSP:

- Conflicts of Interest should always be avoided, wherever possible.
- If not possible to avoid, then to implement mitigation controls to reduce the risks and to ensure proper disclosure to Clients. The FSP will not tolerate non-disclosure by Key Persons/Parties/ Employees.
- This Conflict of Interest Policy will be enforced within the FSP to ensure that all Persons/ Employees/ Parties (as applicable) are aware of the FAIS Conflict of Interest requirements and the policy, controls and procedures put in place by the FSP as to deal effectively with conflicts of interests within the business.
- Conflicts of Interest Controls will be implemented as to manage conflicts of interests and to ensure compliance with the FAIS Conflict of Interest requirements with the ultimate aim as to treat Clients fairly.
- The Key Individual/ Compliance Contact Person will act as the person primarily responsible for identifying, recording and managing conflicts of interest within the business ("Conflicts Officer") and will be responsible to advise or train people in respect of Conflicts of Interests and Conflicts of Interest that may emerge.
- The Conflicts of Interest procedures and their efficacy in operations will be regularly reviewed by the FSP.
- Conflicts of Interests must become a standing agenda item at Board and Executive Management meetings. Procedures should be drafted and adopted to form part of the compliance documentation to ensure that Conflicts of Interest are properly addressed within the business.

## **12. COMPLIANCE**

1. TRA may not avoid, limit or circumvent or attempt to avoid, limit or circumvent compliance with this policy, including the General Code of Conduct for Authorised Financial Services Providers and Representatives, through an associate or an arrangement involving an associate.
2. This policy will be reviewed annually and updated, if applicable.
3. Any director, manager and employee who is in breach of this policy, including the provisions of the General Code of Conduct for Authorised Financial Services Providers and Representatives, will be subjected to disciplinary steps taken against him/her and if found guilty, may be summarily dismissed, and also face debarment in terms of FAIS, where applicable.