



## CONFLICT OF INTEREST MANAGEMENT POLICY

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### 1. INTRODUCTION

MiWay Insurance Limited ("MiWay") supports consumer protection and measures to improve the overall fairness to customers by taking the necessary steps towards compliance with consumer protection legislation. The General Code of Conduct ("Code") of the Financial Advisory and Intermediary Services Act, No.37 of 2002 ("FAIS"), requires financial services providers to have a Conflict of Interest Management Policy in place to ensure that conflict of interest is managed appropriately in business. This policy reflects MiWay's commitment to doing business ethically and honestly by acting in the interests of its policyholders. Any reference to a legislation shall be construed to be a reference to its amendment or replacement, as the case may be.

### 2. PURPOSE

The purpose of this policy is to address conflict situations that may arise between MiWay as a financial services provider and clients, or between MiWay representatives and a client. MiWay must avoid conflicts of interests in dealings with customers and where it is unable to do so, must mitigate the conflict and disclose the conflict to customers. This policy establishes a framework within which actual or perceived conflict of interest situations must be identified and reported and determines the appropriate steps required to manage or mitigate the risk associated with that conflict. This policy is intended to guide the decision-making and the behaviour of employees/representatives when faced with conflict of interest situations.

### 3. SCOPE

This policy applies to all employees and is incorporated into the terms and conditions of all employees' contract of employment with MiWay. The policy also applies to any third parties associated with MiWay. This policy must be read in conjunction with the "Giving and Receiving of Gratifications Policy".

### 4. CONFLICT OF INTEREST

A conflict of interest is defined as "any situation, including financial interest, ownership interest, or any relationship with a third party, in which a provider or FAIS representative or employee has actual or potential interest that may:

- influence the objective performance of that employee's or person's obligations to a client, or
- prevent the employee or party acting on behalf of MiWay from rendering an unbiased and fair financial service to that client, or
- prevent the employee or party acting on behalf of MiWay from acting in the interests of that client.

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. When interacting, irrespective with whom, it is imperative that parties acting on behalf of MiWay or employees ask themselves these questions:

- If the client knew this, would they still do business with me or complete the transaction?
- Am I acting independently, objectively and professionally towards the customer?
- Am I rendering an unbiased and fair financial service to the client?

If the answer to any of the above questions is "NO", there is probably a potential conflict of interest situation and this must be reported to the Compliance Department as soon as practically possible. The Compliance Officer will record every reported Conflict of Interest in a Conflict of Interest register.

A financial interest includes, but is not limited to:

- cash;
- a cash equivalent;
- a voucher;
- a gift;
- a service;
- an advantage;
- a benefit;
- a discount;
- domestic or foreign travel;
- hospitality;
- accommodation;
- sponsorship;
- any other incentive; or
- valuable consideration.

The receipt or the offer of such is prohibited where this interferes with or may interfere with the employee's ability or the ability of the party acting on behalf of MiWay to render a financial service to a client in an unfair, biased or subjective manner.

## 5. DEALINGS WITH POLICYHOLDERS

Employees and parties acting on behalf of MiWay may not receive from anyone nor may they offer anyone cash, a cash equivalent, a voucher, a gift, a service, an advantage, a benefit, a discount, domestic or foreign travel, hospitality, accommodation, sponsorship or any other incentive or valuable consideration related to the rendering of financial services on behalf of MiWay to a client.

## 6. Rules of Business Courtesy

The giving or receiving of modest items of appreciation as part of an expression of business courtesy **unrelated to a specific financial service or transaction** is permitted subject to the giving or receiving of such business courtesies being disclosed to the Compliance Department for recording in the gift register.

The Compliance Department considers the gifts declared to ensure that the nature and extent of business courtesies received or given does not create a climate in which policyholders' interests are prejudiced.

It is necessary for an employee to disclose both the receipt and the giving of a gift/business courtesy. The failure to accurately and timeously declare the gifts/ business courtesy received or given is an offence and could lead to disciplinary action.

## 7. DEALING WITH INTERMEDIARIES

To facilitate compliance with legislation and with this policy, all intermediaries are limited to earning from MiWay only the following:

- no more than Statutory Commission set out in the Short-term Insurance Act (STIA);
- fees authorized under the STIA, if those fees are reasonably commensurate with a service being rendered;
- fees for the rendering of a service to a third party where such fees are reasonably commensurate with the service being rendered;
- an immaterial financial interest that may not exceed R1,000 per annum (this may take the form of cash, a cash equivalent, a voucher, a gift, a service, an advantage, a benefit, a discount, domestic or foreign travel, hospitality, accommodation, sponsorship or any other incentive or valuable consideration).

### Entertainment of intermediaries

The entertainment of intermediaries is limited to a sum of R1,000 per annum. This limit applies to the individual representative at an FSP if the expense is for the direct benefit of the representative. If the benefit is for the direct benefit of the FSP, however, then no further benefit may be paid to that FSP or any representative of that FSP.

### Employees with an ownership interest in an intermediary

An employee who has an interest in an intermediary that transacts business with MiWay needs to disclose this interest. The disclosure of the interest does not necessarily 'cure' the conflict and MiWay may, at its discretion, require further steps from the employee.

## **8. PERMISSIBLE BUSINESS ACTIVITIES**

It is recognized that a number of legitimate and necessary business situations and circumstances do not involve the possibility of a conflict of interest. This may be because there is no policyholder interest at stake, or it may be that the valuable consideration in question is not capable of being meaningfully valued in monetary terms.

Such situations and circumstances include:

### **8.1. Advertising and Marketing**

Advertising includes any communication (written, printed, electronic or oral) which is directed to the general public or any section thereof, or to any client on request, which is intended primarily to call attention to the marketing or promotion of financial services offered by MiWay and which does not purport to provide detailed information regarding any such financial services.

Marketing means the rendering of financial services by way of telephone, internet, media insert, direct mail or electronic mail but excluding advertisements not containing transaction requirements.

### **8.2. Brand awareness/Brand building activity**

MiWay is entitled to promote and maintain awareness of its products and services with its business partners, service providers and customers. To this end, brand awareness and building is engaged in to periodically establish, renew and refresh the MiWay brand with business partners, service providers and customers.

Brand awareness and building is characterised by:

- Primarily aimed at drawing attention to MiWay's products and services – whilst other activities may take place around the brand building, the primary aim is to focus attention on the MiWay brand.
- Generality of application – in other words, promotional activity is undertaken with a group of business partners, service providers or customers in mind – not with an individual.

- Presence of the MiWay brand – the MiWay brand being promoted must be present and feature prominently in the activity being undertaken.
- Planned activity – brand building is not random but is a planned activity, is approved by senior management and is therefore not of a once-off nature.

Where these characteristics are present and where the activity in question thus constitutes brand awareness or building activity, there is no conflict of interest with policyholders, nor is there a financial interest that is readily reducible to a monetary value.

Therefore, all duly approved promotional activity can be undertaken and does not form part of the MiWay Policy on Conflicts of Interest.

### 8.3. Training

It is a legislative imperative for a product supplier to train its staff and its business partners, including intermediaries, on the products and services of the product supplier. It is also a logical and ethical imperative to conduct training as this reduces the risk of mis-selling. Training helps to protect the interests of policyholders by assisting employees, intermediaries and business partners in selling products that are appropriate to the needs of the policyholder.

Training can, and must, be undertaken with employees, intermediaries and with business partners, where relevant. Normal business courtesies associated with the training are permissible, however any travel or accommodation associated with the training is not permitted. Delegates are required to get to the training venue at their own cost and are required to pay for their own accommodation.

Normal business courtesy includes the provision of refreshments, snacks, food and beverages for delegates.

### 8.4. Corporate Social Responsibility - CSI

National legislation, such as BBBEE, Employment Equity and related imperatives require MiWay to invest in corporate social responsibility initiatives. MiWay views this as part of its commitment to being a responsible corporate citizen. Where such investments are made these will not constitute a breach of this policy.

### 8.5. Internal staff (employee) recognition awards

MiWay strives to develop a high-performance culture and therefore considers it important that individual performance is recognized and rewarded. The recognition and rewards

programme is based upon quantitative and qualitative criteria which are regularly reviewed by senior management to ensure appropriateness and effectiveness.

The recognition of staff by means of the programme does not constitute a conflict of interest since the recognition is unrelated to the provision of a service to a client.

#### 8.6. Enterprise Development

National legislation, such as BBBEE, Employment Equity and related imperatives require MiWay to invest in enterprise development of certain qualifying entities, which may include intermediaries. MiWay views this as part of its commitment to being a responsible corporate citizen. Where such investments are made these will not constitute a breach of this policy.

#### 8.7. Profit Share and other arrangements in terms of Binder Regulations

Remuneration practices permitted in terms of the binder regulations are part of national legislation and, as such, do not constitute a breach of this policy.

### 9. FINANCIAL INTEREST ALLOWED

These include:

- Commission in accordance with legislation such as the Short-term Insurance Act, 52 of 1998 (STIA).
- Fees as provided for in the STIA.
- 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.
- Fees for services rendered to a “third party”, provided the fees are reasonably commensurate with the service rendered.
- Any financial interest with a determinable monetary value not exceeding R1,000.00 per FAIS representative in any given year.
- Financial interest for which the provider or FAIS representative has paid fair value or remuneration reasonably commensurate to the financial interest.
- Ownership interest
- 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.

**Financial Interest allowed, but subject to prior approval and total expenditure not exceeding R1 000.00 per FAIS representative in any one year.**

Such situations and circumstances include:

- Sporting events, e.g. golf days
- Gifts
- Promotional items
- Meals, except meals provided during training that is allowed.
- Weekends away
- Provision of discount mandates to brokers who manage their books well

**Financial Interest not subject to the General Code of Conduct of the FAIS Act and therefore not requiring prior approval.**

Such situations and circumstances include:

- Entertainment or functions
- Compassionate flowers
- Personal / private expenditure with FAIS representatives
- Marketing and advertising, provided a fair value for the service, as would have been charged elsewhere, is charged.
- Provision of electronic tools and services without which an FSP cannot service MiWay.

## **10. FINANCIAL INTEREST DISALLOWED**

Such situations and circumstances include:

- 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;
- 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.
- Training that is restricted to a select group of providers or FAIS representatives and that does not meet the conditions of financial interest allowed.

## **11. MEASURES FOR AVOIDANCE OR MITIGATION OF CONFLICT OF INTEREST**

- 11.1. All intermediaries are limited to earning from MiWay an immaterial financial interest that may not exceed R1,000 per annum. "Immaterial financial interest" is a financial interest with an aggregate value of R1,000.00 or less, given to or received from the same FAIS representative, in any given year.
- 11.2. 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.

- 11.3. 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 MiWay department, the Head of that Department shall, prior to approving the relevant situation or activity:
- establish the extent to which a specific intermediary is conflicted, i.e. the extent to which the intermediary acts on behalf of both MiWay whilst also acting on behalf of a MiWay policyholder;
  - establish the extent to which MiWay’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;
  - establish the estimated direct financial impact that a particular situation or activity would have on MiWay;
  - consider how the financial interest is likely to affect the policyholder; and
  - consider whether MiWay has an appetite to assume the risk, in light of the answers to the above considerations.
- 11.4. 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 Department. Material conflict is a conflict of interest whose monetary value exceeds R1 000.00 or that will directly impact MiWay’s reputation.
- 11.5. 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:
- Cost sharing; or
  - delivering a written communication to the relevant FSP, bringing the conflict of interest to the FSP’s attention.
- 11.6. 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.
- 11.7. Each FAIS representative has a duty to track any immaterial financial interest given to him or her by MiWay, and to advise his or her manager accordingly as soon as



MiWay's expenditure reached R1000.00 in that particular year.

- 11.8. 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 MiWay Limited that these disclosures are made at all times.

## **12. PROCESS TO FOLLOW WHEN CONFRONTED WITH POTENTIAL CONFLICT OF INTEREST**

Where there are conflicts of interests that are unavoidable, measures must be in place to mitigate their detrimental effects to customers and MiWay. These conflicts of interest must be reported to executive management, and compliance and must include:

- a) An explanation of why the conflict of interest is unavoidable
- b) A description of the conflict of interest risk, including potential reputational risks
- c) A description of proposed risk mitigation measures
- d) Where appropriate, the communication that will be sent to client, which must be approved by the compliance department
- e) The details of the owner of the conflict of interest risk.

Therefore, each notification received will be analysed, assessed and discussed with management to agree the appropriate controls and actions that must be in place to effectively manage the conflict of interest. Written record must be maintained of each discussion including agreed action and same provided to the Compliance Function.

## **13. ACCESSIBILITY OF THIS POLICY**

This policy will be published in MiWay's public folders and will be reviewed and updated annually. Should any member of the public, regulatory body or supervisory body request a copy of this policy, the policy will be made available immediately.

## **14. TRAINING AND AWARENESS**

Appropriate training and awareness interventions must be implemented for all employees at least once per annum. All newly recruited employees should attend a training session during their induction program. Training and training materials provided to representatives must include a reference to, and information on the content and application of this policy.

Employees are required to complete an annual conflict of interest declaration survey and the results are reported to the Finance and Risk Committee and to Santam Business Integrity.

## **15. BREACH OF THIS POLICY**

MiWay views any non-compliance to this policy as well as any non-compliance with its obligations in terms of how to deal with conflicts of interest and associated provision in relevant legislation in a serious light. Any deliberate action by a responsible person in an FSP, associates and third parties to contravene the above will be subject to disciplinary action or termination of a distribution agreement and can ultimately result in the dismissal or debarment. All instances of non-compliance will be included within the regular risk reporting process.

**ANNEXURE 1****LIST OF MIWAY'S ASSOCIATES<sup>1</sup>**

MiWay Insurance is a subsidiary of MiWay Group Holdings (Pty) Ltd.

MiAdmin (Pty) Ltd and X S Sure (Pty) Ltd are subsidiaries of MiWay Group Holding (Pty) Ltd.

MiWay Group Holdings (Pty) Ltd is a subsidiary of Santam Ltd.

MiWay does not hold any ownership interest in any third party.

It is recorded that MiWay operates an insurance business through which, from time to time, other enterprises may qualify as an associate of MiWay.

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<sup>1</sup> The FAIS General Code of Conduct defines “associate” in relation to a juristic person which is a company, as “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”.