



PROUDLY STANDING WITH YOU

# **CONFLICT OF INTEREST MANAGEMENT POLICY**

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## **Conflict of Interest Management Policy**

LION OF AFRICA LIFE ASSURANCE COMPANY LIMITED (FSP NO 15283) hereafter to be referred to as LION LIFE.

### **1. Definitions**

#### **1.1. "Associate"**

- a) In a relation to a natural person, means –
  - (i) a person that is recognized in law or the tenets of religion as the spouse, life partner or civil union partner of that person;
  - (ii) a child of that person, including a stepchild, adopted child and a child born out of wedlock;
  - (iii) a parent or stepparent of that person;
  - (iv) a person in respect of which that person is recognized 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;
  - (v) a person who is the spouse, life partner or civil union partner of a person referred to in subparagraphs (ii) to (iv);
  - (vi) a person who is in a commercial partnership with that person.
- b) In relation to a juristic person –
  - (i) 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;
  - (ii) 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;
  - (iii) which is not a company, or a close corporation as referred to in subparagraphs (i) or (ii), means any other juristic person which would have been a subsidiary or holding company of the first-mentioned juristic person –
    - (aa) had such first-mentioned juristic person been a company; or
    - (bb) 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;
  - (iv) 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;

c) In relation to any person –

(i) 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;

(ii) includes any trust controlled or administered by that person.

**1.2. “Conflict of interest”** means any situation in which a provider, an employee or a representative has an actual or potential interest that may, in rendering a financial service to a client:

a) influence the objective performance of his, her or its obligations to that client; or

b) prevent a provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the interest of that client, including but not limited to -

i) a financial interest; ii) an ownership interest; iii) any relationship with a third party.

**1.3. “Distribution channel”:** means –

a) any arrangement between a product supplier or any of its associates and one or more providers or any of its associates in terms of which arrangement any support or service is provided to the provider or providers in rendering a financial service to a client;

b) any arrangement between two or more providers or any of their associates, which arrangement facilitates, supports or enhances a relationship between the provider or providers and a product supplier;

c) any arrangement between two or more product suppliers or any of their associates, which arrangement facilitates, supports or enhances a relationship between a provider or providers and a product supplier.

**1.4. “Employees”** includes all permanent or temporary employees, directors, officers, agents or independent contractors of Lion Life.

**1.5. “FAIS”** means the Financial Advisory and Intermediary Services Act, No. 37 of 2002.

**1.6. “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 in the reporting standards adopted in terms of the Companies Act No. 61 of 1973.

**1.7. "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 –
  - i) products and legal matters relating to those products; ii) general financial and industry information;
  - iii) specialized technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodations associated with that training.

**1.8. "FSP"** means an authorized financial services provider.

**1.9. "Immaterial Financial Interest"** any financial interest from a third party that has a determinable monetary value, the aggregate of which does not exceed R1000 in any calendar year received by:

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

Lion Life may provide for reasonable costs associated with training, including but not limited to subsistence costs of attendees, speaker or trainer fees and venue costs. These costs are not defined as immaterial financial interests and accordingly recorded as such.

**1.10. "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 a 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.

**1.11. "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 Lion Life, 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 general enquiries.

**1.12. "Third party" means –**

- a) a product supplier;
- b) another FSP;
- c) an associate of a product supplier or an FSP;
- 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 an FSP or its representative.

## **2. Background**

Before the introduction of FAIS, financial services were mostly unregulated. The Government, in line with a general move towards greater consumer protection, passed FAIS in an effort to upgrade the Financial Services Industry by improving the standard of the advice given to clients of FSPs.

FAIS introduced the General Code of Conduct and is binding on all FSPs. Amongst other things, the General Code of Conduct sets out the way FSPs are expected to deal with conflicts of interests. Lion Life as an FSP is required to draw up a Conflict of Interest Management Policy and to make this available to its customers.

## **3. Policy objectives**

Lion life will wherever possible avoid conflict of interest. Where this is not possible to avoid conflict of interest it must be mitigated. The objective of the Conflict of Interest Management Policy is to establish the principles to be used in the identification of any conflicts of interest and once identified, how this will be managed.

In order to adhere to this requirement, Lion Life will ensure that adequate arrangements are in place for the management of conflicts of interests that may arise wholly or partially, in relation to the provision of any financial services to customers by Lion Life, or any employee of Lion Life, as part of the financial services business of Lion Life.

Lion Life acknowledges that protecting the interests of its customers is of the highest importance and fully supports the aims of a Conflict of Interest Management Policy.

#### **4. Responsibility**

The Compliance department is responsible for the drafting of the policy and making any amendments that become necessary. The policy is reviewed annually, and any amendments needed must be approved by the Board of Directors. The company's Executive and Senior management is responsible for the maintenance and implementation of this policy within Lion Life.

#### **5. Application**

The policy applies to all Lion Life's employees, representatives, binder holders, consultants and entities with whom an outsourcing arrangement exist. All representatives of Lion Life or brokers entering into agreements with Lion Life must sign a representative agreement or broker agreement, as the case may be, in terms of which they will explicitly declare adherence to this policy.

Lion Life or its representative may not avoid, limit or circumvent compliance with this policy through an associate or an arrangement involving an associate. See Annexure "A" attached hereto for a list of Lion Life's associates.

It is the duty of all employees to know what is contained in this policy and to report on any actual or potential Conflicts of Interest. All reports of conflict of interest will be treated in the strictest confidence. Failure to report any conflict of interest uncovered or failure to comply with this policy in general, may result in disciplinary action.

#### **6. Identification of conflict of interest**

Ongoing training will be provided to enable all Lion Life employees and representatives to identify conflicts of interest.

Where:

- a) the interests of an employee and/or Lion Life are not aligned with the needs of the client, or
- b) the employee is not acting independently, objectively and/or professionally towards a client, or
- c) the employee is acting in his own interests or those of Lion Life or some other party but not in the interests of the client

a conflict of interest or potential conflict of interest exists.

## **7. Reporting**

Cases of conflict of interest must be reported to Lion Life's Compliance Department. The Compliance Department itself will constantly monitor compliance with this policy. The Compliance Department will submit a quarterly report to Lion Life's Management Committee on the state of compliance with the Conflict of Interest Management Policy. This report will highlight all instances of non-compliance with the policy and the inherent risk incurred by the non-compliance.

Complaints relating to conflict of interest will be dealt with by Lion Life's Complaints Resolution Department who must escalate any unresolved complaints to the Head of Operations and then to the Compliance department, if still is unresolved.

## **8. Actions when a conflict of interest is found**

When a conflict of interest or potential conflict of interest is found, the following steps will be taken:

- a) the conflict of interest must be evaluated to establish:
  - (i) if it can be avoided and if so how can this be done,
  - (ii) if it cannot be avoided, the reasons why,
  - (iii) what can and has been done to control the conflict (mitigation),
  - (iv) how the mitigation steps will lessen the effects of the conflict, and
  - (v) what, when and how the client or clients need to be told about the conflict.
- b) if the conflict can be avoided, this must be formally communicated to the Executive management and Compliance with measures taken to avoid the potential conflict of interest. The Executive management must make the final decision based on presented information.
- c) if it is not feasible to avoid the conflict, the following will be initiated:
  - (i) control measures to reduce any negative impact on the client, and
  - (ii) a policy on how to notify the client or clients about the conflict, the possible negative impact the conflict may have on the client(s) and what steps Lion Life has taken to minimize the risk to the client(s).
  - (iii) Full disclosure of the actual or potential conflict of interest will be made to the Financial Service Conduct Authority during the FSP's annual compliance report.

## **9. Communication to customer on conflict of interest**

Lion Life and its representative must at the earliest reasonable opportunity disclose in writing to a client any conflict of interest in respect of that client and supply the following information:

- a) reference to this policy and how it may be accessed,
- b) any financial interest or ownership interest, other than an immaterial financial interest that Lion Life, its representatives or any other employees may become eligible for due to any relationship with that client,
- c) sufficient details of any relationship with a third party which may give rise to a conflict of interest,
- d) details regarding the basis on which a representative will qualify for a financial interest that Lion Life may offer a representative and motivate how the financial interest complies with this policy, and
- e) the measures taken to avoid or mitigate the conflict of interest.

The above information must be given in sufficient detail to allow the client to make an informed decision as to whether to enter into an agreement or transaction. All disclosures made in terms of this policy will be retained for a period of 5 years as required by FAIS. For the purposes of (a) above this policy will be posted on Lion Life's website and available internally.

## **10. Financial interest rules**

Lion Life or its representatives may only receive or offer the following financial interests from or to a third party:

- a) Commission authorized under the Long-term Insurance Act, 1998 (Act No. 52 of 1998);
- b) Fees authorized under the Long-term Insurance Act, 1998 or the Medical Scheme Act, 1998, if those are reasonably commensurate to a service being rendered;
- c) Fees for the rendering of a financial service in respect of which commission or fees referred to in subparagraph (a) or (b) is not paid, if those fees –
  - (i) are specifically agreed to by a client in writing;
  - (ii) may be stopped at the discretion of the client;
- d) 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;
- e) Subject to any other law, an immaterial financial interest;

- f) A financial interest, not referred to in subparagraph (a) to (e) for which a consideration, fair value, or remuneration that is reasonably commensurate to the value of the financial interest, is paid by that FSP or representative at the time of receipt thereof.

Any policy decisions regarding the basis of remuneration, or the payment of any reward or bonus in terms of financial services rendered, will be referred to Lion Life Executive management for consideration in accordance with this policy.

Lion Life must ensure that no financial interest will be offered to a representative for:

- a) giving preference to the quantity of business secured for Lion Life to the exclusion of the quality of the services rendered to clients; or
- b) giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client, or;
- c) giving preference to a specific product of Lion Life, where a representative may recommend more than one product to a client.

## **11. Monitoring**

### **11.1. Actual or potential conflict of interest**

- a) Senior management will conduct an annual review of all third-party contracts to examine potential conflict of interest.

- b) Employees, representatives, consultants, binder holders and where outsourced arrangement exist must declare annually by confirming the presence of any actual or potential conflict of interest.

### **11.2. Immaterial financial interests**

Lion Life maintains a register of all immaterial financial interests paid to third parties to ensure that the legal limits are not exceeded. The register of immaterial financial interests is managed in accordance with the rules drawn up for it.

**Annexure A****1. List of Lion Life's associates**

<b>Associate name</b>	<b>Relationship type</b>
Commlife Holdings (Pty) Ltd	Holding Company
Lion of Africa Administration Services (Pty) Ltd	Subsidiary Company

**2. List of third parties which Lion Life hold an ownership interest**

<b>Name of third party</b>	<b>Nature and extent of ownership interest</b>
Swish Property Eight (Pty) Ltd	8%

**3. List of third parties that holds ownership interest in Lion Life**

<b>Name of third party</b>	<b>Nature and extent of ownership interest</b>