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# CONFLICT OF INTEREST MANAGEMENT POLICY

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## A. POLICY CONTEXT

### 1. WHY DOES THE POLICY EXIST?

GENRIC Insurance Company Limited's (hereinafter referred to as "GENRIC") philosophy is based on three core principles; Insurance, Intelligence and Integrity.

In line with our philosophy of Integrity we strive to maintain the highest ethical standards in carrying out our business activities. Our reputation is one of our most important assets, so all of our operations and the way we do business are guided by our set of core values.

We recognise our obligations to our stakeholders. This policy sets appropriate principles and processes to deal with specific issues of conflict of interest that arise in certain circumstances.

In addition, subordinate legislation published in terms of the Financial Advisory and Intermediary Services Act 37 of 2002 (hereinafter referred to as "FAIS"), imposes a duty on certain entities and individuals within GENRIC to avoid or mitigate any situation in which a conflict of interest exists or may arise and to declare any such conflict of interest. The subordinate legislation also requires that a Financial Services Provider (hereinafter referred to as a "FSP") publish a Conflict of Interest Management Policy.

The responsibility to proactively and in good faith, declare an actual or potential conflict of interest, and to seek advice in cases of uncertainty, is fully vested with those affected by this policy. The interests of close relations, such as for instance spouses and siblings may be more complex and should be declared as accurately as is possible. Affected entities and individuals should refrain from making false declarations. (False declarations contain purposeful omissions.)

### 2. PURPOSE OF THE POLICY

The Conflict of Interest Management Policy is designed to assist affected entities and individuals in protecting the interest of GENRIC and the interests of any client to whom a FAIS financial service is rendered. The policy stipulates that all affected entities and individuals are required to declare their personal interests, because some of these personal interests, upon examination, may prove to be unacceptable conflicts of interest.

A FSP must at all times render financial services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry.

In order to ensure the continued demonstration of our commitment, management has adopted a Conflict of Interest Management policy to provide for the effective management of any actual or potential conflicts of interest that may arise wholly or partially, in relation to the provision of financial services.

In terms of the General Code of Conduct every provider, other than a representative, must adopt, maintain and implement a conflict of interest management policy that complies with the provisions of the Act.

The purpose of the Conflict of Interest Management Policy is therefore to:

- establish internal controls and mechanisms towards the identification of conflicts of interest
- establish measures to avoid conflicts of interest, and where avoidance is not possible, to provide the reasons therefore
- establish measures to ensure that any unavoidable conflicts of interest are mitigated
- establish measures to ensure the proper disclosure of any conflicts of interest
- establish processes, procedures and internal controls to facilitate compliance with the policy
- communicate the consequences of non-compliance with the policy

All affected entities and individuals should refer to the Conflict of Interest Management Policy for guidance on truthful, accurate and timely declarations of material personal interests. This Policy includes guidance on appropriate financial interest, methods of declaration and to whom such declarations should be made.

### 3. CONSEQUENCES OF NON-COMPLIANCE

Failure to comply with this Policy constitutes misconduct and could result in disciplinary action being taken. In serious cases, such disciplinary action may result in termination of employment.

## B. POLICY SCOPE

### 1. WHO IS GOVERNED BY THIS POLICY?

The GENERIC Conflict of Interest Management policy applies to;

- GENERIC Insurance Company Limited.
- All entities listed as Juristic Representatives of GENERIC.

The Policy is further applicable to any of the following entities or individuals within GENERIC:

- A product supplier;
- Any other business unit, Division, legal entity who may be regarded as a “third party” as defined in Board Notice 58 of 2010;
- Any employee of any of the entities mentioned above, who may, on behalf of the entity; approve and/or accept the giving or receipt of any financial interest to/from any Third Party;
- Any representative of any FSP listed above, who is mandated to provide FAIS Act financial services;
- Any key individual who has been approved by the Registrar of Financial Services to manage and oversee compliance of a FSP with the requirements of the FAIS Act.

### 2. WHEN IS THE POLICY APPLICABLE?

The conflict of interest policy applies when financial services, which are regulated by the General Code of Conduct, are provided to clients.

This Policy is therefore applicable only when:

- any action is undertaken, by an entity or individual to whom the policy applies;
- which is or may amount to an actual or potential conflict of interest, and
- the outcome thereof will prevent the provision of an unbiased, objective and fair FAIS financial service to a client, and
- the financial services are regulated by the FAIS Act and General Code of Conduct.

## C. POLICY PROVISIONS

### 1. DUTY TO AVOID AND/OR MITIGATE A CONFLICT OF INTEREST

An entity or individual mentioned to whom the policy applies must avoid and / or mitigate any conflict of interest between the FSP / representative and a client.

### 2. WHAT IS A CONFLICT OF INTEREST

A FAIS conflict of interest is any actual or potential situation in which a FSP (including any individual acting on its behalf) or representative has an actual or potential interest which, when providing a financial service to a client, influences his/her objectivity and prevents the entity or representative from providing a fair, objective and unbiased financial service to a client.

### 3. IDENTIFYING A CONFLICT OF INTEREST

The primary responsibility for the identification of a conflict of interest rests with the representatives, employees and individual members of the governing body of the FSP.

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 my obligations to my client?
- is there any situation that exists that prevents me from rendering an unbiased and fair financial service to my client?
- is there any situation that exists that prevents me from acting in the best interest of my 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.

#### FACTORS TO CONSIDER WHEN IDENTIFYING A CONFLICT OF INTEREST

The following factors may be considered when assessing whether an actual or potential conflict of interest exists, or may arise:

- Whether the FSP and/or Representative is likely to make a financial gain or avoid a financial loss, at the expense of the Client;
- Whether the FSP and/or Representative has an interest in the outcome of the financial service provided to the Client or in a transaction carried out on behalf of the Client, which is distinct from that Client's interest in that outcome;
- Whether the FSP and/or Representative has a financial or other incentive to favour the interest of a Third Party, potential Client or group of Clients over the interests of an existing Client.

### 4. DUTY TO DISCLOSE CONFLICTS OF INTEREST

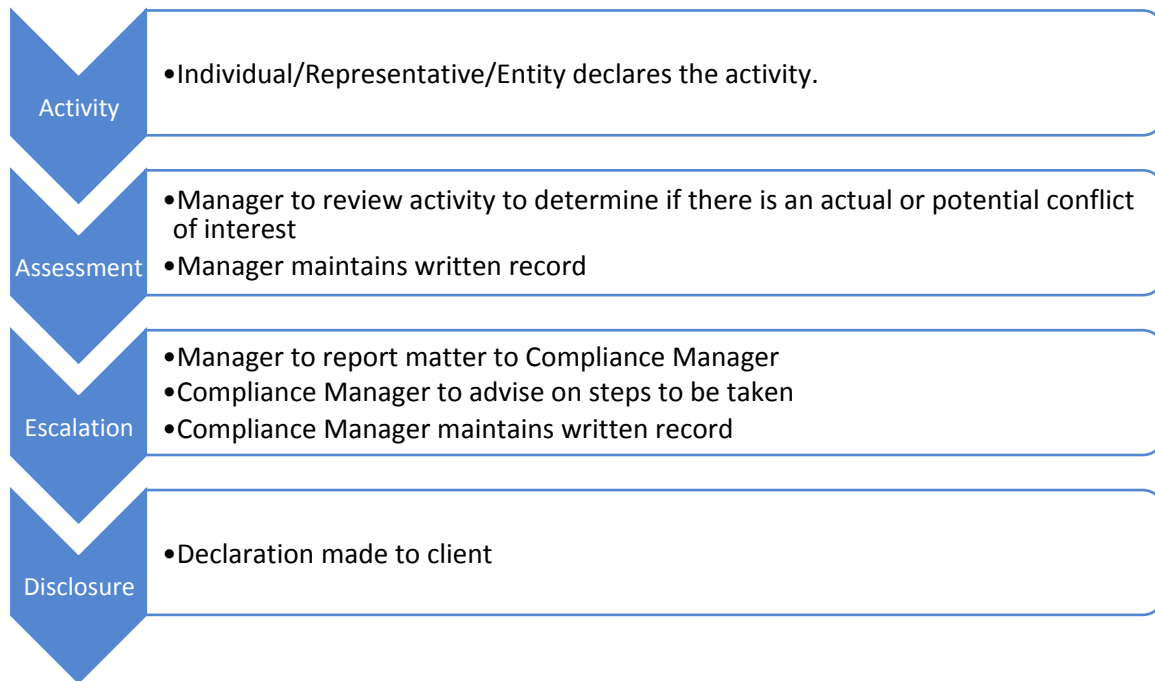
Subsequent to the noted above in terms of identifying a conflict of interest, once it has been established that a conflict of interest may or does exist, the FSP and/or representative and/or any other individual or an entity as applicable, must disclose the actual or potential conflict of interest to a client in writing and notify GENRIC’s Compliance department. Disclosure must be made at the earliest reasonable opportunity.

The written disclosure must include the following information:

- The measures taken, in accordance with this Policy, to avoid or mitigate the conflict of interest;
- Any ownership or financial interest, other than an immaterial financial interest, which the FSP or representative may become eligible for;
- The nature of any relationship arrangement with a third party that gives rise to a conflict of interest, in sufficient detail to enable the client to understand the exact nature of the relationship or agreement and the conflict of interest;
- Inform the client of this Conflict of Interest Management Policy and how it may be accessed.

## 5. RESPONSIBILITY TO SEEK GUIDANCE

The declaration prescriptions within this policy are not meant to be exhaustive. It remains the responsibility of those subject to this policy to seek advice on possible material personal interests and to declare such interests accordingly.



## D. DEFINITIONS

**“Associate”** means

- in relation to a **natural** person:
  - a person who is recognised in law or the tenets of religion as the spouse, life partner, or civil union partner of that person
  - a child of that person, including a stepchild, adopted child and a child born out of wedlock
  - a parent or stepparent of that person
  - 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
  - a person who is a spouse, life partner or civil union partner of a person referred to above
  - a person who is in a commercial partnership with that person
- in relation to a **juristic** person:
  - which is a company, in terms of the Companies Act, 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
  - which is a close corporation registered under the Close Corporations Act, means any member thereof as defined in section 1 of that Act
  - which is not a company or a closed corporation, 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 person, too, is not a company, had both the first-mentioned juristic person and that other person been a company
  - means any person in accordance with whose directions or instructions the board of director of or, in the case where such juristic person is not a company, the governing body of such juristic person is accustomed to act.
- in relation to **any** person:
  - 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
  - includes any trust controlled or administered by that person

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

- influence the objective performance of his, her or its 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 interest of that client,
- including but not limited to:
  - a financial interest
  - an ownership interest
  - any relationship with a third party

**“Distribution Channel”** means

- any arrangement between a product supplier of 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
- 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
- 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

**“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
  - specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training

**“Immaterial Financial Interest”** means any financial interest with a determinable monetary value, the aggregate of which does not exceed R1 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;

**“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 a 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.

**“Third Party”** means

- a product supplier
- another provider
- an associate of a product supplier or a provider
- a distribution channel
- any person who in terms of an agreement or arrangement with a person referred to above provides a financial interest to a provider or its representatives

**The Conflict of Interest Management Policy is owned by GENRIC Insurance Company Limited (Reg. No. 2005/037828/06)**

**We, the Key Individual/s, hereby authorise the business rules and controls contained herein to form part of the organisation’s internal policies.**