



Established 1993

OPTION SHORT TERM INSURANCE BROKERS (PTY) LTD

INSURANCE BROKERS & GROUP SCHEME ADMINISTRATORS

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Registration No. 1993/06939/07 ▲ FSP Licence No. 8265 ▲ Vat No. 4210141406

GROUP CONFLICT OF INTEREST MANAGEMENT POLICY

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1. PREAMBLE

This Policy applies to the following Financial Services Providers, their Representatives, Key Individuals and all employees Option Short Term Insurance Brokers (pty) Ltd (FSP 8265).

Throughout this document, any reference made to "Option" or "FSP's" shall include the above listed entity and all employees of Option Short Term Insurance Brokers Pty Ltd.

2. PURPOSE AND SCOPE

The purpose of the Conflict of Interest Policy is to outline an appropriate approach and response to the identification and management of conflicts of interest. The policy forms part of the Code of Ethics, Conduct and Compliance and should be read and understood in conjunction with the said Code. This policy is intended to comply with the procedures prescribed in Financial Services Board Notice 58 of 2010 which amends the General Code of Conduct for Financial Services Providers and Representatives published in Board Notice 80 of 2003, as amended by Board Notice 43 of 2008.

3. DEFINITIONS

"Associate"

- a) in relation to a natural person, means –
 - i. a person who 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 permanent life partner or spouse 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 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 cc) in the case where that other juristic person, also, 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 or members of, or in the case where such juristic person is not a

company or close corporation, 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 members, or in the case where such juristic person is not a company or close corporation, 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.

"Client"

- A specific person or group of persons, excluding the general public, who is or may become subject to a financial service rendered intentionally by Option Short Term Insurance Brokers.

"Conflict of Interest"

- Any circumstance described in CONFLICT OF INTEREST DEFINED.

"Contract or Transaction"

- Any agreement or relationship involving the sale or purchase of goods, services, or rights of any kind, the providing or receipt of a loan or grant and the establishment of any other type of pecuniary relationship.

"Distribution Channel"

- 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.

"Financial Interest"

A financial interest includes cash, a cash equivalent, voucher, gift, services, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive, or valuable consideration other than:

- a. an ownership interest
- b. training by a Product Supplier on products, general industry information and technical systems which training is not made exclusively available to a selected group of providers or representatives excluding travel and accommodation costs associated with the training.

"FSP"

Financial Services Provider authorised in terms of the Financial Advisory and Intermediary Services Act, 37 of 2002.

"FSP's"

Option Short Term Insurance Brokers Pty Ltd, registration number 1993/06939/07.

"material Financial Interest"

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. a provider who is a sole proprietor;
- 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.

"Indirect Interest"

Any interest held by an Associate of the Responsible person.

"Material Financial Interest"

A Financial interest of any kind, which, in view of all the circumstances, is substantial enough that it would, or reasonably could, affect a Responsible Person's or Associates' judgement with respect to transactions to which the entity is a party.

This includes all forms of compensation.

"Ownership Interest"

An equity ownership interest, for which fair value was paid by the owner, other than equity or ownership interest held by an approved nominee on behalf of another person and includes any dividend, profit share or similar benefit derived from that equity or ownership interest.

"Product Supplier"

Any person or juristic person who issues a financial product by virtue of an authority, approval or right granted to such person or juristic person under any law.

"Provider"

An authorised FSP registered as such with the FSB.

"OPTION"

Means the Option Short Term Insurance Brokers Pty Ltd and includes references to Option Brokers.

"Responsible Person"

A key individual, representative or employee of a Product Supplier, FSP and/or Option.

"Third Party"

- a. a Product Supplier;
- b. a FSP other than an Option FSP;
- c. an associate of a Product Supplier or a 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 service to a Provider or its Representatives.

4. CONFLICT OF INTEREST DEFINED

A Conflict of Interest can be described as circumstances whereby some or all of the interests of clients to whom a FSP or Product Supplier provides financial services or products, are inconsistent with, or diverge from, some or all of the interests of the FSP, its Representatives or the Product Supplier.

It should be understood that the conflicting interest referred to throughout this policy may be direct or indirect. It is not possible to define all situations which could constitute a conflict. The facts of each situation will determine whether the interest in question is such as to bring it within the area of a potential conflict.

Such facts would include the amount of business involved, the extent to which the Responsible Person could influence Option Brokers decisions with respect to the transaction, and whether the interest is of such a nature that it might affect the objectivity or the business judgment of the Responsible Person. In determining whether a conflict is involved, there is no substitute for sound judgement based upon the particular facts involved in each case.

For purposes of this policy, the following circumstances shall also be deemed to create Conflicts of Interest:

- a. Outside interests
 - i. A Contract or Transaction between Option Brokers and a Responsible Person or its Associate; or
 - ii. A Contract or Transaction between Option Brokers and an entity in which a Responsible Person or its Associate has a Material Financial Interest or of which such person is a director, officer, agent, partner, associate, trustee, personal representative, receiver, guardian, custodian, conservator or other legal representative; or
 - iii. A Responsible Person having an interest in a business, even though that business is unrelated to the business of Option Brokers and such business does not necessarily transact with Option Brokers.
- b. Outside activities

- i. A Responsible Person competing with Option Insurance Brokers in the rendering of services or in any other Contract or Transaction with a third party; or
- ii. A Responsible Person having a Material Financial Interest in or serving as a director, officer, employee, agent, partner, associate, trustee, personal representative, receiver, guardian, custodian, conservator or other legal representative of, or consultant to an entity or individual that competes with Option Brokers in the provision of services or in any other Contract or Transaction with a third party.

5 PROCEDURES FOR MANAGEMENT OF CONFLICT OF INTEREST

5.1 IDENTIFICATION

The applicable FSP's employees of Option Short Term Insurance Brokers Pty Ltd. The Company offers a range of Short Term Insurance financial services, including , Commercial Insurance, Domestic Insurance, Engineering, Group Scheme Administration and Motor Fleet. To adequately manage Conflicts of Interest, Option Insurance Brokers must identify all potential and relevant conflicts timeously. Option Insurance Brokers employs two different mechanisms to strive that all conflicts are identified:

- a. External Compliance Officers to review registers on an annual basis for completeness and relevance; and
- b. Internal Management procedures to maintain registers on a regular basis for completeness and relevance; and
- c. All employees are responsible for identifying conflicts and are required to notify their management of any conflicts they become aware of.

5.2 MANAGING CONFLICTS OF INTEREST

Once a conflict has been identified it needs to be appropriately and adequately managed. Compliance assesses each conflict, whether the conflict is actual or perceived, what the value of the conflict or exposure is and the potential financial and reputational risk. If the conflict is not severe and the transaction or activity is still viable, Option Insurance Brokers will go ahead with the transaction or activity. However, if the conflict is too severe or the transaction or activity is not viable anymore, Option Insurance Brokers will decline the transaction or activity.

If Option Insurance Brokers decides that the particular conflict can be mitigated, they need to agree on the controls that need to be put in place to mitigate the conflict. The controls have to be documented in the Conflict of Interest Register.

5.3 SPECIFIC CONFIRMATIONS

Option Insurance Brokers hereby confirms that it will only receive financial interest from a third party in the form of:

- a. fees for rendering a financial service in respect of which no commission or fees are paid unless those fees are specifically agreed to by the client and are stated on the policy schedule;
- b. fees or remuneration for the rendering of a service to a third party, which fees are reasonably commensurate to the service being rendered;

- c. subject to any other law, an immaterial financial interest.

Option Insurance Brokers hereby confirms that it will not offer any financial interest to a Responsible Person for:

- a. giving preference to the quantity of business secured, to the exclusion of the quality of service 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 a Product Supplier, where a Representative may recommend more than one product of that Product Supplier to a client.

6 MITIGATING CONTROLS

Option Insurance Brokers has internal policies and controls in place to manage and mitigate possible Conflict of Interests:

- a. Disclosure of Conflicts
 - i. A Provider, Representative or Responsible person will, in writing, at the earliest reasonable opportunity disclose to a client any Conflict of Interest in respect of that client. The disclosure must include:
 - aa) measures taken, in accordance with the Conflict of Interest Management Policy to avoid or mitigate the conflict;
 - bb) any ownership interest or financial interest, other than an Immaterial Financial Interest, that the Provider or Representative may become eligible for;
 - cc) the nature of any relationship or arrangement with a third party that gives rise to a Conflict of Interest, in sufficient detail to a client to enable a client to understand the exact nature of the relationship or arrangement and the Conflict of Interest;

and

- ii. A Provider, Representative or Responsible person must inform a client of the Conflict of Interest Management Policy and how it may be accessed.
- b. Register of Interests

The register identifies all conflicts as well as the mitigation controls put in place to manage the conflict. The register is updated when a conflict becomes apparent, but reviewed at least on an annual basis and documents the business interests of a Responsible Person to the extent that such business interest might cause an actual or perceived Conflict of Interest. The register will be open for viewing to the extent it is required by law.

- c. Gift Register

Documenting all financial interests and immaterial financial interests offered to or received by a Responsible Person.

d. Comprehensive Training

To be provided on the Group Conflict of Interest Management Policy by internal Management on an annual basis.

e. Informed Employees

All employees are required to read this policy and sign a statement to the effect that they have read and fully understand the provisions of the document and the application thereof.

f. Internal Compliance Procedures

Will on an ad hoc basis check on records to ensure the policy is being complied with, specifically checking the accuracy of the Gift Register.

g. Directors and committee members – Additional disclosure (where applicable)

- i. Prior to Board or committee action on a Contract or Transaction (whether directly or indirectly) involving a Conflict of Interest, a director or committee member having a Conflict of Interest must, before the meeting of the Board or committee at which the question of confirming or entering into the contract or transaction is first taken into consideration, disclose all facts material to the Conflict of Interest.
- ii. The chairperson shall report the disclosure at the meeting and the disclosure shall be reflected in the minutes of the meeting.
- iii. Each director present at the meeting must state in writing that he/she has read the declaration provided by the director having the Conflict of Interest.
- iv. If for any reason it is not possible for the director to make any such declaration at or before a particular meeting of the Board, he/she may make it at the first meeting of directors held thereafter at which it is possible for him/her to do so and shall in that event state the reason in writing why it was not possible to make the disclosure at such particular meeting.
- v. A director or committee member who plans not to attend a meeting at which he/she has reason to believe that the Board or committee will act on a matter in which the person has a Conflict of Interest, shall disclose to the chairperson of the meeting all facts material to the Conflict of Interest. The chairperson shall report the disclosure at the meeting and the disclosure shall be reflected in the minutes of the meeting.
- vi. A person who has a Conflict of Interest shall not participate in or be permitted to hear the Board's or committee's discussion of the matter except to disclose material facts and to respond to questions. Such person shall not attempt to exert his or her personal influence with respect to the matter, either at or outside the meeting.
- vii. A person who has a Conflict of Interest with respect to a Contract or Transaction that will be voted on at a meeting:
 - aa) shall not be counted in determining the presence of a quorum for purposes of the vote; and
 - bb) may not vote on the Contract or Transaction; and

- cc) shall not be present in the meeting room when the matter is discussed and a vote is taken.
- viii. Such person's ineligibility to vote shall be reflected in the minutes of the meeting. For purposes of this paragraph, a member of the Board of Directors of Option Insurance Brokers have a Conflict of Interest when he/she stands for election as an officer or for re-election as a member of the Board of Directors.
- h. Non-directors and Non-committee members – Additional disclosure
- i. Responsible Persons who are not members of the Board of Directors of Option Insurance Brokers, or who have a Conflict of Interest with respect to a Contract or Transaction that is not the subject of Board or committee action, shall disclose to the chairperson or the chairperson's designee any Conflict of Interest that such Responsible Person has with respect to a Contract or Transaction.
 - ii. Such disclosure shall be made as soon as the Conflict of Interest becomes known to the Responsible Person.
 - iii. The Responsible Person shall refrain from any action that may affect Option Insurance Brokers participation in such Contract or Transaction.
 - iv. In the event of it not being entirely clear that a Conflict of Interest exists, the Responsible Person with the potential conflict shall disclose the circumstances to the chairperson or the chairperson's designee, who shall determine whether there exists a Conflict of Interest that is subject to this policy. Noncompliance will be subject to disciplinary procedures in terms of FAIS, the employment conditions and can ultimately result in debarment or dismissal as applicable, and any avoidance, limitation or circumvention of this policy will be deemed non-compliance.

The policies included in the Code of Ethics, Conduct and Compliance:

- a. Personal account trading policy; and
- b. Conflict of Interest policy relating to management of conflicts in terms of the Companies Act 71/2008.

7 OUTSIDE EMPLOYMENT AND DIRECTORSHIPS

Employees may not take up outside employment without the prior approval of management. Employees and officers may not hold outside directorships without the prior approval of Option Insurance Brokers and should avoid any outside directorships that would create or appear to create:

- a. excessive demands on their time, attention and energy which would deprive Option Insurance Brokers of their best efforts on the job; or
- b. a conflict of interests which could interfere with his or her independent exercise of judgment in Option Insurance Brokers best interests. Employees and officers who hold, or have been invited to hold outside directorships must take particular care to ensure compliance with all provisions of this policy. Directors who hold outside directorships must disclose the same in their Declaration of Interest at Board meetings and, if necessary, must recuse themselves from any discussions and decision making processes relating to that entity in which they have an interest in accordance with applicable laws.

8 REVISION

This policy document will be reviewed and amended, where necessary, on an annual basis by Option Insurance Brokers.

9 PRACTICAL GUIDE FINANCIAL INTEREST

1. The R1000 – rule

Key Individuals and Representatives of FSP's are not allowed spending on, or receiving from Key Individuals or Representatives of other FSP a "financial interest" of more than R1000 per year. This includes, but is not limited to:

- a. Meals;
- b. Golf days;
- c. Gifts, e.g. wine;
- d. Tickets for rugby or cricket matches; or
- e. Hunting trips.

Note that the R1000 limit applies per Key Individual and Representative, and not per FSP or Product Supplier. Example: A FSP called PK has 500 Representatives on its licence. Option Insurance Brokers may spend R1000 per year in "immaterial financial interest" on each individual Representatives of PK.

You may not aggregate this amount across the FSP, and spend say R3000 on some Representatives, and average the amount out by not spending any money on some of the Representatives. Similarly, Key Individuals and Representatives from Option Insurance Brokers may not receive more than R1000 worth of gifts, hospitality, meals etc. from another FSP or Product Supplier in a calendar year.

2. Bona fide training/information sessions

Specifically excluded from the above prohibition, is bona fide training on products and/or technical systems, or general industry information sessions. Please note:

- a. The sessions cannot be available only to a selected group of people;
- b. The FSP or Product Supplier is not allowed to pay for the accommodation or travel costs of the attendees;
- c. Lunch or beverages may be provided with these sessions, as long as it is incidental to the session, and provided that it is not the focus of the session.

Example: Option Insurance Brokers may organise an industry related information session at the Mount Nelson Hotel in Cape Town:

- a. Option Insurance Brokers cannot only invite the Financial Advisors (FA) with the largest volume of assets under management with Option Insurance Brokers. There has to be some other qualifying criteria determining the list of invitees;
- b. All FA's are responsible for their own costs in terms of accommodation, travel costs and spending money at the event;
- c. Meals and drinks may be provided, as long as it is incidental to the training/information session, and not excessive.

With regards to verification of road shows/information sessions, the following documents have to be sent to the Management :

- a. Invitation list;
- b. RSVP list;
- c. Presentation; and
- d. Attendance list.

10 INTEREST REGISTER

Various types of interest could result in a conflict (which includes interest in a Contract or Transaction between Option Insurance Brokers and an interested party) i.e. Shareholding or Directorship in a company, Trustee/Beneficiary to a Trust, Membership to a CC, etc. which can either be direct (held by yourself) or indirect (i.e. held by an Associate).

These interests need only be declared for businesses which participate in competitive activities to Option Insurance Brokers. This exclusion does not apply where a Option Insurance Brokers has a Contract or Transaction. with an interested party.

All other Option Insurance Brokers employees:

All interests should be declared, except for Indirect Interest which only needs to be declared for businesses which participate in competitive activities to Option Insurance Brokers. This exclusion does not apply where a Option Insurance Brokers has a Contract or Transaction. with an interested party.