



**COFACE SOUTH AFRICA INSURANCE COMPANY LIMITED  
CONFLICT OF INTEREST MANAGEMENT POLICY  
FSP NO. 44160**

**1. INTRODUCTION**

Board Notice 80 of 2003 – General Code of Conduct for Authorised Financial Services Providers and Representatives (as amended) – requires that when a provider renders a financial service, the provider and any representative must avoid, and where this is not possible mitigate, any conflict of interest between the provider and a client or the representative and a client.

**2. PURPOSE**

This Policy seeks to regulate and control any prejudice to clients that could potentially arise as a consequence of conflicts of interest generally and in particular, as a consequence of non-cash incentives and benefits being offered by another provider, a product supplier or any other person to any person rendering financial services on behalf of Coface South Africa Insurance Company Limited.

Conflicts of interest will be managed so as to ensure that at all times financial services are rendered honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry.

**3. DEFINITIONS**

The Provider trades as a private company in terms of the Companies Act of 2008 and accordingly, for the purposes of this Policy, the following words and expressions will have the following meanings:

**3.1** **“associate”** means, in relation to the Provider –

- (a) any subsidiary or holding company, any other subsidiary of that holding company of which that holding company is a subsidiary;
- (b) any person in accordance with whose directions or instructions the board of directors is accustomed to act.

**3.2** **“conflict of interest”** means any situation in which the Provider or any representative of the Provider 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 the Provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the best interests of that client, including, but not limited to –
  - (i) a financial interest;



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- (ii) an ownership interest;
- (iii) any relationship with a third party.

**3.3** **“distribution channel”** means, in relation to the Provider –

- (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.

**3.4** **“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 accommodation associated with that training.

**3.5** **“ownership interest”** means –

- (a) any equity or proprietary interest in any third party, 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
- (b) includes any dividend, profit share or similar benefit derived from that equity or ownership interest in any third party.

**3.6** **“the Provider”** means Coface South Africa Insurance Company Limited FSP No 44160.

**3.7** **“third party”** means –

- (a) a product supplier;



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- (b) another provider;
- (c) an associate of a product supplier or a provider;
- (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 the Provider or its representatives.

**4. PERMITTED FINANCIAL INTEREST**

The following financial interests are permitted and are not regarded as constituting any actual or potential conflict of interest:

- 4.1 Commission authorised under the Short-term Insurance Act 53 of 1998.
- 4.2 Fees authorised under the Short-term Insurance Act 53 of 1998 if those fees are reasonably commensurate to a service being rendered.
- 4.3 Fees for the rendering of a financial service in respect of which commissions or fees authorised under the Short-term Insurance Act 53 of 1998 are not paid, provided that such fees are specifically agreed to by the client in writing and may be stopped at the discretion of that client.
- 4.4 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.
- 4.5 Any financial interest in the form of cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration 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.
- 4.6 Training that is not exclusively available to a selected group of providers or representatives, on products and legal matters relating to those products and excluding travel and accommodation associated with that training.
- 4.7 Training that is not exclusively available to a selected group of providers or representatives, on general financial and industry information and excluding travel and accommodation associated with that training.



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- 4.8 Training that is not exclusively available to a selected group of providers or representatives, on specialized technological systems of a third party necessary for the rendering of a financial service and excluding travel and accommodation associated with that training.
- 4.9 Any immaterial financial interest.

**5. PROHIBITED FINANCIAL INTERESTS**

Any financial interest described below that does not fall within the provisions of paragraph 4 above is prohibited and may not be accepted under any circumstances.

- 5.1 Any cash payment received from any third party.
- 5.2 Any cash equivalent received from any third party.
- 5.3 Any voucher received from any third party.
- 5.4 Any gift received from any third party.
- 5.5 Any service received from any third party.
- 5.6 Any advantage received from any third party.
- 5.7 Any benefit received from any third party.
- 5.8 Any discount received from any third party.
- 5.9 Any domestic or foreign travel received from any third party.
- 5.10 Any hospitality received from any third party.
- 5.11 Any accommodation received from any third party.
- 5.12 Any sponsorship received from any third party.
- 5.13 Any other incentive or valuable consideration received from any third party.

***Immaterial Financial Interest***

The only exceptions to the prohibition on the receipt of the financial interests referred to above are any financial interests with a determinable monetary value, the aggregate of this does not exceed R1 000 in any calendar year from the same third party in that calendar year received by –

- (a) a representative for that representative's direct benefit or
- (b) the Provider, who for its benefit or that of some or all of its representatives, aggregates the immaterial financial interest paid to its representatives.



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The Provider has put in place processes, procedures and internal controls to prevent any immaterial financial interest, i.e. an incentive with a value in excess of R1000 in any calendar year, being received by the business in the course of providing financial services to its clients. In the event of an immaterial financial interest in excess of the R1000 being received in any calendar year, this would be disclosed in the Annual Financial Statements and Compliance Reports of the business.

**6. DECLARATION OF THE PROVIDER'S OWNERSHIP INTEREST**

- 6.1 Neither the Provider nor any representative has any actual or potential equity or proprietary interest of any kind in any third party that may, in rendering financial service to a client, influence the objective performance of his, her or its obligations to that client or that may prevent the Provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the interest of that client.
- 6.2 Neither the Provider nor any representative receives actual or potential dividend, profit share or similar benefit derived from any equity or ownership interest of any third party that may, in rendering a financial service to a client, influence the objective performance of his, her or its obligations to that client or that may prevent the Provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the interest of that client.

**7. DECLARATION OF OWNERSHIP INTEREST IN THE PROVIDER**

- 7.1 No third party has any actual or potential equity or proprietary interest of any kind in any third party that may, in rendering financial service to a client, influence the objective performance of his, her or its obligations to that client or that may prevent the Provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the interest of that client.
- 7.2 No third party receives actual or potential dividend, profit share or similar benefit derived from any equity or ownership interest of any third party that may, in rendering a financial service to a client, influence the objective performance of his, her or its obligations to that client or that may prevent the Provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the interest of that client.



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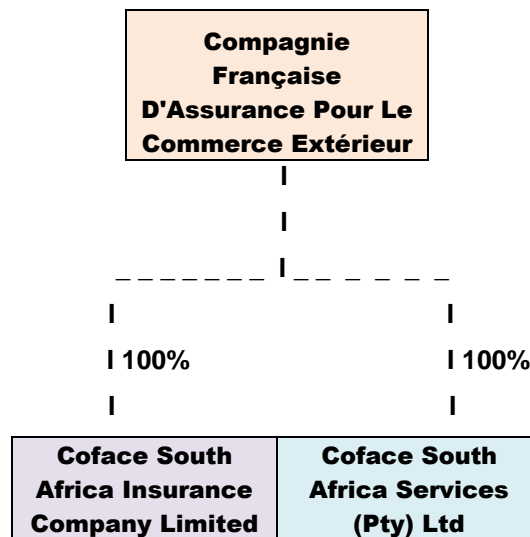
**8. DECLARATION OF RELATIONSHIPS WITH THIRD PARTIES**

Neither the Provider nor any representative has any actual or potential relationship with any third party 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 the Provider or representative from rendering an unbiased and fair financial service to that client, or from acting in the interests of that client.

**9. ASSOCIATES**

The following diagram sets out the Coface South Africa Group of companies as well as the ownership structure:

**South Africa Platform – Organisation Chart**



Coface South Africa Services (Pty) Ltd acted as a Underwriting Manager for Coface South Africa Insurance Company Limited and was therefore a registered Financial Services Provider. The Underwriting Manager Binder Agreement between the Parties was subsequently terminated and Coface South Africa Services (Pty) Ltd's Financial Services Provider License was lapsed as at March 2013. Coface South Africa Insurance Company Limited has become a Direct Insurer operating without an Underwriting Manager.

**10. MANAGEMENT OF CONFLICT OF INTEREST**

10.1 Any queries by employees of the Provider in regard to conflicts of interest potential, actual or apparent must be referred to the Compliance Officer, who is the person responsible for the identification and management of conflicts of interest.



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- 10.2 This Policy shall be formally reviewed on an annual basis by the Board.
- 10.3 This Policy shall be viewed holistically and shall not concentrate on remuneration issues only. The Policy shall have as its sole purpose the intention of ensuring that at all times financial services are rendered honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry.
- 10.4 All key individuals of the Provider shall regularly review the terms and conditions of the relationship between the Provider and all product suppliers and other financial services providers in order to identify potential, apparent or actual conflicts of interest and shall also regularly review the procedures adopted to prevent such conflicts in compliance with this policy.
- 10.5 Key individuals shall be responsible for ensuring that all employees of the Provider are adequately exposed to the concept of conflicts of interest and shall provide appropriate training to employees and shall be responsible for ensuring the adherence of employees to the Policy.

**11. IDENTIFICATION OF CONFLICTS OF INTEREST**

- 11.1 A conflict of interest involves the abuse – actual, apparent or potential – of the trust that clients have in service providers. A conflict of interest is a situation in which financial or other personal considerations have the potential to compromise or bias professional judgment and objectivity.
- 11.2 An apparent conflict of interest is one in which a reasonable person would think that the provider's judgment is likely to be compromised. A potential conflict of interest involves a situation that may develop into an actual conflict of interest.
- 11.3 It is important to note that a conflict of interest exists whether or not decisions are affected by a personal interest; a conflict of interest implies only the potential for bias, not likelihood.
- 11.4 It is the formal policy of the Provider to avoid as far as possible all actual and potential conflicts of interests.



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**12. MEASURES FOR THE DISCLOSURE OF CONFLICTS OF INTERESTS**

- 12.1 Where the Provider has considered the circumstances surrounding a possible conflict of interest and has determined for reasons that may have arisen at the time, that it is impossible to avoid such conflict, the Provider shall at that time take such measures as may be reasonable to mitigate the prejudice to the client.
- 12.2 In circumstances referred to in paragraph 12.1 above the Provider or representative as the case may be shall be required to notify the client of the possibility of the conflict and shall disclose full details of the nature of the possible prejudice to the client.
- 12.3 The written notification to the client shall also contain details and reasons why the conflict cannot be avoided in the circumstances and the client shall be asked to confirm in writing that the Provider may proceed or continue to act in the particular matter, as the case may be.

**13. PROCEDURES TO FACILITATE COMPLIANCE WITH THIS POLICY**

- 13.1 The Provider shall ensure that its employees, representatives and, where appropriate, associates are aware of the contents of this Policy and shall provide for appropriate training and educational material in this regard.
- 13.2 The Provider shall continuously monitor compliance with this Policy and shall conduct a review of this Policy each year.

**14. CONSEQUENCE OF NON-COMPLIANCE**

- 14.1 If the Provider has reasonable cause to believe that any employee, including any key individual or representative has failed to disclose actual or possible conflicts of interest, it shall inform such individual/s of the basis for such belief and afford such individual/s an opportunity to explain the alleged failure to disclose.
- 14.2 If, after hearing the response of the individual/s in question and making such further investigation as may be warranted, the Board or committee determines that the individual/s has/have in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.





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**15. BASIS OF REPRESENTATIVE'S REMUNERATION**

15.1 Every representative shall be remunerated on such basis as may be determined in each instance and shall in all instances be based on the performance of the specific representative: provided that the Provider shall not reward or in any manner remunerate the representative for –

- (a) giving preference to the quantity of business secured for the Provider to the exclusion of the quality of the service rendered to clients; or
- (b) giving preference to a specific product supplier, where the representative in question may recommend more than one product supplier to a client; or
- (c) giving preference to a specific product of a product supplier, where the representative in question may recommend more than one product of that product supplier to a client.

**16. CONTACT DETAILS**

16.1 Any queries in regard to this Policy, including any report of any breach thereof, may be addressed to the Compliance Officer.

16.2 All such queries and reports will be kept in the strictest of confidence and in circumstances where any employee of the Provider has reported any breach of this Policy the Provider will use its best endeavours to protect the identity of such employee.

**17. APPROVAL OF THIS POLICY**

This Conflict of Interest Management Policy was approved by Board of Directors in March 2012 and the changes made to this Policy thereafter pertaining to Clause 9 (Associates) and the lapsing of the Financial Service Providers' license of Coface South Africa Services (Pty) Ltd is in accordance with the decision by the Board of Directors to lapse the aforementioned license and to consequently update all Company Policies accordingly.