



# **LB LIC FAIS CONFLICT OF INTEREST MANAGEMENT POLICY**

**Level 2 Policy Number**

P11.01

**Risk Sponsor**

LBI Head of Legal and Compliance

**Contact**

LBI Head of Legal and Compliance

**Version/Date**

Version 4/Approved April 2023

**Effective Date**

This policy will be approved by the LBI Board Committee. It is effective from the date of approval.

**Corporate Governance Requirements**

This Policy must be read in conjunction with the requirements of the LBI Corporate Governance Framework (CGF)

## Table of Contents

1	INTRODUCTION.....	4
2	DEFINITIONS .....	5
3	MANAGEMENT OF CONFLICT OF INTEREST .....	6
4	IMMATERIAL FINANCIAL INTEREST .....	7
5	IDENTIFYING CONFLICT OF INTEREST .....	7
6	MEASURES OF AVOIDANCE AND DISCLOSURE.....	8
7	GOVERNANCE.....	8
8	CONSEQUENCES OF NON-COMPLIANCE .....	9
9	FINANCIAL INTERESTS .....	9
10	REPRESENTATIVES .....	9
11	LIST OF ASSOCIATES.....	9
12	POLICY ADMINISTRATION .....	9

## 1 INTRODUCTION

- 1.1. In terms of the General Code of Conduct for Authorised Financial Services Providers (FSP's) and Representatives, as amended ("the Code"), promulgated in terms of the provisions of the Financial Advisors and Intermediary Services Act (Act No. 37 of 2002 —"the FAIS Act"), Financial Services Providers ("FSP's") must take all necessary steps to eliminate any practices and/or services that may create a conflict between their interests and the interests of an existing or potential client.
- 1.2. A conflict of interest is any situation where an FSP or an FSP's representative has an interest that may in rendering a financial service to a client, influence the objective performance of his/her/its obligations to that client or where it prevents him/her/it from rendering an unbiased and fair financial service to that client. It includes receiving a wide range of financial, ownership interests and any relationship with a third party.
- 1.3. The rule of thumb for all FSPs is that any conflict of interest situations must be avoided.
- 1.4. This Policy is to be read in conjunction with the Land Bank Group Policies which includes Land Bank Insurance SOC (LBIC) Limited and Land Bank Life Company (Soc)Limited (LBLIC) employees, being the Code of Ethics, Gift Policy and Business Conduct Policy. Should there be any conflict between any section of the Land Bank Group Code of Ethics and Business Conduct Policy and any section of this LBLIC FAIS Policy, this Policy shall take precedence as the contents are as per the FAIS Act and FAIS General Code of Conduct as LBLIC is an authorised FSP.
- 1.5. In addition, the FAIS General Code of Conduct ("the code") requires that where it is not possible to avoid any action or reward that may create a potential conflict of interest, appropriate steps must be taken to mitigate the conflict and it must be appropriately disclosed to the client at the earliest reasonable opportunity.
- 1.6. This Policy sets out the management of any such conflicts of interest by setting out:
  - 1.6.1. the mechanisms used to identify such conflict and the measures for avoidance and disclosure;
  - 1.6.2. processes and procedures for compliance with the Policy; and
  - 1.6.3. the consequences of non-compliance to the Policy.
- 1.7. The Policy also contains details of the types of financial interests that an LBLIC Representative receives and the basis on which it is received.
- 1.8. The Policy also contains a list of all associates of LBLIC and third parties which hold an ownership interest in LBLIC.

## 2 DEFINITIONS

- 2.1 **"Company"** means a company incorporated under the Companies Act, 2008;
- 2.2 **"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:
- (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 interests of that client due to conflicts including but not limited to:
    - (i) a financial interest;
    - (ii) an ownership interest; and
    - (iii) any relationship with a third party;
- 2.3 **"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 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 2 (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.
- 2.4 **"Fair value"** has the meaning assigned to it in the financial reporting standards adopted or issued under the Companies Act, 2008;
- 2.5 **"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 products;
    - (ii) general financial and industry information;
    - (iii) specialized technological systems of a third party necessary for the rendering of financial services; but excludes travel and accommodation associated with such training.
  - (c) A qualifying enterprise development contribution to a qualifying beneficiary entity by a provider that is a measured entity.
- 2.6 **"Holding company"** means a holding company as defined in the Companies Act of 2008.
- 2.7 **"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) a provider who is a sole proprietor; or
  - (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 ~~to~~ immaterial financial interest paid to its representatives.
- 2.8 **"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.
- 2.9 **"Subsidiary"** means a subsidiary as defined in the Companies Act of 2008; and

- 2.10 **"Third party"** means: —
- (a) a product supplier,
  - (b) another provider;
  - (c) an associate of a product supplier or provider;
  - (d) a distribution channel; or
  - (e) any person who in terms of the agreement or arrangement with a person referred to in paragraphs (a) to (d) above provides a financial interest to a provider or its representatives.

### 3 MANAGEMENT OF CONFLICT OF INTEREST

- 3.1 As a general rule, conflicts of interest must be avoided at all times. Where it is impossible to avoid a conflict of interest, the conflict must be disclosed to the appropriate persons and managed in accordance with this policy.

- 3.2 To manage conflict of interest, LBLIC has the following controls in place:
- a. All the LBLIC employees sign a declaration of interest on an annual basis
  - b. Annual Conflict of Interest training is conducted to ensure that all the employees of LBLIC are aware of this COI Policy, including the legal and regulatory obligations
  - c. Monitoring of COI's is conducted by the Legal and Compliance department
  - d. There is a segregation of duties for the employees
  - e. Restricting access and availability of sensitive or confidential information to certain employees
  - f. Including conflict of interest disclosures during the recruitment process
  - g. Maintaining a central gift register which is tracked by the Legal and Compliance Department and is noted in the compliance checklist
  - h. The conflict of interest policy is distributed to all the LBLIC employees to ensure that they are aware of the content of this policy.
  - i. The commission and fees payable to the Underwriting Manager and Non—mandated intermediary are in accordance with the prescribed remuneration in terms of the Long-term Insurance Act 52 of 1998.
  - j. Annual reviews of these processes must be included in LBLIC's compliance monitoring processes in order to ensure that any conflicts of interest that arise are identified.
  - k. All remuneration models for representatives are required to be signed off by the compliance and legal departments to ensure compliance with the Code

- 3.3 Below is a list of the role players within LBLIC and their respective responsibilities who ensure that conflict of interest is avoided or managed:

- a. **Compliance Officer** is responsible for managing the conflicts of interest in terms of the FAIS Act.
- b. **Employees** must avoid conflicts of interest where they have an interest in or stand to benefit from any transaction to which LBLIC is also a party. This applies whether the employee has an actual interest or stands to benefit:
  - Individually
  - In association with their family members
  - In association with business partners
  - In relation to external or internal business interests.
- i. Employees must disclose business interests that may be in conflict with the business of LBLIC. Non-disclosure of a conflict of interest will result in disciplinary action against the employee who failed to make the disclosure.
- ii. All employees must report a perceived or actual conflict of interest to their direct line manager or any senior manager in their business unit. If an employee cannot report the conflict to his or her line manager or a senior manager in their business unit, the employee may report the conflict to the Head of Compliance Control Function and/or Compliance Officer.
- iii. All instances of non-compliance must be reported in line with the applicable

whistleblowing policy and process.

3.4. **The head of each business unit** has the following responsibilities:

- 3.4.1. Ensuring that the staff members in their business unit are aware of the contents of this policy and that they participate in training initiatives.
- 3.4.2. Prescribing internal procedures that must be followed by the employees of each business unit to manage conflicts of interest where necessary. These procedures must be consistent with this Policy.
- 3.4.3. Actively seeking to identify, mitigate and document conflicts of interest in their business unit, including any conflicts of interest in connection with any current or planned activities.
- 3.4.4. Assessing any conflicts of interest reported or disclosed to them to determine if a conflict of interest exists in consultation with the Compliance Officer.
- 3.4.5. Consulting the Head of Compliance Control Function and/or Compliance Officer, where necessary, and determining the best course of action to resolve, manage or avoid the conflict of interest, including further escalation to a higher management authority where necessary.
- 3.4.6. Reviewing – every year or more regularly, if required – any reported conflicts of interest to ensure these are being managed in accordance with any agreed course of action.

## **4 IMMATERIAL FINANCIAL INTEREST**

### **4.1. Acceptance of all Immaterial Financial Interest**

- a. Where an Employee has accepted an Immaterial Financial Interest from a Third Party, the Employee must disclose the acceptance thereof to his/her Line Manager by completing the Employee gift register.
- b. The Line Manager must acknowledge the Employee's acceptance of the Immaterial Financial Interest by signing the affected Employee's gift register.
- c. The completed Employee gift register must, within five (5) business days of acceptance, be submitted to the Legal and Compliance department who will capture the details on the LBLIC central gift register.

### **4.2. Offering of all Immaterial Financial Interest**

- a. Any offer of an Immaterial Financial Interest must be pre-approved by the Business Unit Head.
- b. Details of the Immaterial Financial Interest offered must be recorded in the Employee's gift register and submitted to the Legal and Compliance department to capture the details in the LBLIC central gift register within five (5) business days.

Non-compliance with this process will be reported to the LBLIC Executive Committee.

## **5 IDENTIFYING CONFLICT OF INTEREST**

- 5.1. Each employee that is in any way involved in rendering a financial service on behalf of LBLIC to a Client or potential client must consider whether a situation exists that may:
  - a. Influence the objective performance of his/her or the FSP's obligations to that Client;
  - b. Prevent the FSP and/or the employee from rendering an unbiased and fair financial service to that Client;
  - c. Prevent the FSP and/or an employee from acting in the interest of that Client.

If the answer to any of the aforesaid questions is in the positive, an actual, potential or perceived Conflict of Interest exists and must be reported to the Business Unit Head.

## 6 MEASURES OF AVOIDANCE AND DISCLOSURE

- 6.1 Where an actual, potential or perceived conflict of interest has been identified, the Business Unit Head will consider any practical means for avoiding the conflict of interest. The Business Unit Head may consult the legal and compliance department for guidance.
- 6.2 Where measures have been developed to avoid and mitigate the conflict of interest, these measures will be documented and communicated to the Employee involved to ensure that the conflict of interest is appropriately managed,
- 6.3 Where it is not possible to avoid, LBLIC and its representative must mitigate any conflict of interest between LBLIC and the Client or the Representative and the Client. LBLIC or the Representative must in writing, at the earliest reasonable opportunity:
- a. disclose to the client any conflict of interest in respect of that client, including:
    - i. measures taken to avoid or mitigate the conflict
    - ii. any ownership interest or financial interest, other than immaterial financial interest, that LBLIC or the representative may be or become eligible for
    - iii. the nature of any relationship/ arrangement with a Third Party that gives rise to a conflict of interest in sufficient detail to a client to enable client to understand the exact nature of the relationship/ arrangement and nature of the Conflict of Interest.
  - b. Inform the client of the LBLIC Conflict of Interest Management and how it may be accessed.

## 7 GOVERNANCE

LBLIC has adopted the following governance process that requires management to ensure compliance with this Policy:

- 7.1 LBLIC Board of Directors
- To approve this Conflict of Interest Management Policy.
- 7.2 Audit and Risk Committee
- Review this policy and recommend its approval to the Board of Directors.
- 7.3 Managing Director
- to Recommend the Policy and any amendment thereto to the Audit and Risk Committee;
  - Review reports on non-compliance with established policies and procedures and ensure appropriate plans for corrective action are put in place; and
  - Obtain feedback on progress made against action plans and ensure appropriate plans for corrective action are put in place.
- 7.4 Head of Compliance Control Function and/or FAIS Compliance Officer
- To give guidance and advice on the legislative requirements;
  - Evaluate the effectiveness of procedures and controls adopted;
  - Ensuring compliance with the Policy throughout LBLIC;
  - Accountable for statutory reporting requirements; and
  - Updating and reporting on the Conflict of Interest Register containing disclosures in relation to this Policy, on a quarterly basis.
- 7.5 Members of the LBLIC Executive Committee
- Accountable for the status of compliance to this policy in the relevant business area;
  - Ensure that processes are implemented to facilitate compliance with this policy in the relevant business area;
  - Review reports on compliance and ensure that corrective action is taken to address non-compliance to this policy in the relevant business area; and
  - Confirm compliance with this policy when required.
- 7.6 Business Unit (BU) management e.g. Operations, Finance, Sales
- Ensure that compliance requirements of this policy are incorporated in business processes;
  - Ensure that employees within the BU are adequately trained on the requirements

- of this policy;
- Ensure that regular, risk-based compliance monitoring is conducted; and
- Take action to address any incidents revealed through monitoring.

## 8 CONSEQUENCES OF NON-COMPLIANCE

**8.1** Non-compliance to this policy will be dealt with in terms of LBLICs Disciplinary Policy.

### **8.2 Non-compliance by employees**

All LBLIC employees who do not comply with this Policy will be subject to LBLIC's internal employee disciplinary procedures.

### **8.3 Non-compliance by representatives**

All LBLIC representatives who do not comply with this Policy will be subject to the debarment procedures applicable to representatives under the FAIS Act.

## 9 FINANCIAL INTERESTS

9.1. Intermediaries) -

9.1.1. LBLIC may offer and facilitate the payment of the following financial interests to Intermediaries for rendering services as an intermediary or for the rendering of intermediary services:

- Regulated commission under the Long-Term Insurance Act (No. 52 of 1998 — "the LTIA") and Regulations.
- Fees specifically agreed to by a client in terms of a written mandate that a client may terminate in his/her discretion.

9.1.2. Where LBLIC has contractual relationships with other FSP's, it may not receive or pay anything other than the commissions and fees, listed above, permitted in terms of the Code.

## 10 REPRESENTATIVES

10.1 LBLIC's representatives may be paid certain benefits. These benefits include:

- a) Certain non-cash incentives if specific business targets are met. Before these incentives are awarded, LBLIC takes the following quality of business measures into account:
  - Whether the FAIS Disclosure Letter has been completed in full and signed by both the representative and the client;
  - Whether the FAIS Disclosure Letter has been submitted to LBLIC together with the quote;
  - Whether the insurance quotation has been correctly completed and signed by the client; and
  - The number of complaints that have been lodged against the representative as well as the outcome.

## 11 LIST OF ASSOCIATES

Land and Agricultural Development Bank of South Africa (Land Bank) — holds 100% of shares in LBIC and LBLIC

## 12 POLICY ADMINISTRATION

### Target audience:

All LBLIC employees, management and members of the LBLIC Management Committee.

### Approved and Issued by:

LBLIC Board of Directors

### Person responsible for Policy administration:

Compliance Officer

+27 12 686 0552



Version: 4.0

Valid from: March 2022

Next update required: March 2024 – This Policy shall remain in force and with full legal effect