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StratumBenefits⁺



CONFLICT OF INTEREST MANAGEMENT POLICY

GUARDRISK
TAILORED RISK SOLUTIONS

Stratum Benefits (Pty) Ltd, an authorised FSP 2111, is underwritten by Guardrisk Insurance Company Limited, a licensed non-life insurer and authorised FSP 75.

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CONFLICT OF INTEREST MANAGEMENT POLICY

- In terms of Section 3A(2)(a) 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.
- A nominated Key Individual must complete and sign all the pages of the annexure sections of this policy.
- Key Individuals and persons associated with the governing body of the Financial Services Provider (FSP) must confirm that they adopt this policy by signing the document below.
- Employees must read and confirm that they understand the contents of the policy by signing the personal acknowledgement page.
- After implementing the policy, a hard copy of this document will be kept as part of our compliance file.
- The policy will be accessible for public inspection purposes.
- Refer back to the policy whenever an actual or potential conflict of interest exists.
- The policy must be read and understood in conjunction with the **General Code of Conduct**.
- This policy must be reviewed annually.

DEFINITIONS

CONFLICT OF INTEREST

Any situation in which a provider has an actual or potential interest that may:

- influence the objective performance of their obligations to a client; and/or
- prevent a provider from rendering an unbiased and fair financial service to a client or from acting in the interest of a client.

These interests include but aren't limited to:

- a financial interest;
- an ownership interest; and/or
- any relationship with a third party.

FINANCIAL INTEREST

Any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentives or valuable consideration, other than:

- an ownership interest;
- training that's 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; and/or
 - specialised technology systems of a third party necessary for the rendering of a financial service, but not excluding travel and accommodation associated with the training.

IMMATERIAL FINANCIAL INTEREST

Any financial interest with a monetary value received in any calendar year by a provider or its associates or representatives from a third party, or an associate of a third party and financial interest for which the broker pays a fair value.

The focus is on the immateriality of the financial interest that's given but is subject to an overall maximum amount of R 1 000.00.

OWNERSHIP INTEREST

Any equity or proprietary interest for which fair value was paid by the owner at the time of acquisition other than equality or a proprietary interest held as an approved nominee on behalf of another person, including any dividend, profit share or similar benefit derived from that equality or ownership interest.

The associated entities are:

- Stratum Benefits (Pty) Ltd
 - 49% is owned by Magnifica Holdings (Pty) Ltd
 - 51% is owned by Tennant Consolidated (Pty) Ltd

- Tennant Consolidated (Pty) Ltd
 - Tennant Life Benefits (Pty) Ltd (FSP 43648)
 - Tennant Administration Services (Pty) Ltd
 - Tennant Wealth (Pty) Ltd

Tennant Consolidated (Pty) Ltd entities are 100% owned by Tennant Investment Group (Pty) Ltd.

THIRD PARTY

Any product supplier, provider, associate of a product supplier or a provider, distribution channel or 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.

ASSOCIATE | IN RELATION TO A NATURAL PERSON

- A person who's recognised in law or the tenets of religion as the spouse, life partner or civil union partner.
- A child of that person, including a stepchild, adopted child and a child born out of wedlock.
- A parent or step-parent of that person.
- A person who's 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 natural person.
- The spouse, life partner or civil union partner of a person referred to above.
- Anyone in commercial partnership with that person.

ASSOCIATE | IN RELATION TO A JURISTIC PERSON

- If it's a company, it includes any subsidiary or holding company of that company, or any other subsidiary of that holding company and any other company of which that holding company is a subsidiary.
- If it's a closed corporation registered under the **Close Corporation Act**, it includes any member as defined in Section 1 of that Act.
- If it's not a company or a closed corporation, it includes any juristic person who would've been a subsidiary or holding company of the first-mentioned juristic person, had such a juristic person been a company or had the first-mentioned juristic person and the other juristic been a company.
- Means any person in accordance with whose directions or instructions the board of directors of or, in the case where the juristic person isn't a company, the governing body of the juristic person is accustomed to act.

ASSOCIATE | IN RELATION TO ANY PERSON

- Includes any juristic person of which the board of directors or, in the case where the juristic person isn't a company, 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.

DISTRIBUTION CHANNEL

- Any arrangement between:
 - a product supplier or its associates, or between a provider or any of its associates in terms of any support or service that's provided to the provider in rendering a financial service to a client;
 - two or more product suppliers or any of their associates where the arrangement facilitates, supports or enhances a relationship between the provider and a product supplier; and/or
 - between two or more product suppliers or any of their associates where the arrangement facilitates, supports or enhances a relationship between a provider and a product supplier.

In terms of the **General Code of Conduct**, a provider and a representative must as far as possible avoid and mitigate against any conflict of interest between the provider and a client, or the representative and a client.

To adhere to this requirement, the FSP must ensure that adequate arrangements are in place for the management of conflicts of interest that may arise when providing a financial service to clients by the FSP or by any representative of the FSP.

STRATUM BENEFITS' CONFLICT OF INTEREST MANAGEMENT POLICY

Our policy contains the following provisions:

- tools to identify conflicts of interest;
- measures to avoid conflicts of interest, and where it couldn't be avoided the reasons why and measures to mitigate such conflicts;
- measures for the disclosure of conflicts of interest;
- processes, procedures and internal controls to facilitate compliance with the policy;
- consequences of non-compliance by our employees, representatives; and
- the basis on which a representative will qualify for a financial interest.

IDENTIFYING CONFLICTS OF INTEREST

We may only receive or offer the following financial interests from or to a third party, including but not limited to:

- commission authorised in terms of the Short-Term Insurance Act No. 53 of 1998.
- fees authorised in terms of the Act if the fees are reasonable in relation to the service provided.
- fees that can't be paid if not agreed to by the client in writing and that may be stopped at the discretion of the client.
- reasonable fees for providing a service to a third party.
- subject to other law, an immaterial financial interest, not referred to above, that's considered fair value and reasonable to the value of the financial interest, is paid by the provider or its representatives at the time of receipt thereof.
- sales tools and services provided that are essential in helping the representatives prepare, submit and finalise any business transaction. These tools must offer value to the representatives in terms of enhancing interactions with clients.
- services that are essential in helping the representatives prepare, submit and finalise transaction documentation may be offered unless it will influence the representative in the objective performance of their functions or prevent the representative from providing an unbiased service.
- services that aren't essential in helping the representative's interactions with clients may be provided if there's proof that the client benefited and a conflict wasn't created.
- services that don't form part of the prescribed services above may be made to a representative at a fair market value.
- We won't offer financial interest to our representatives for giving preference to the quantity of business secured above the quality of the service provided to our clients, or give preference to specific product suppliers.

Our Compliance Associate will assess each conflict, whether actual or perceived, determine the value of the conflict and the potential reputational risk.

EXECUTIVE SUMMARY AND PURPOSE

The aim of our **Conflict of Interest Management Policy** is to provide a framework for addressing areas where conflicts of interest may exist. As a FSP, we have a responsibility in terms of the Financial Advisory and Intermediary Services Act, No 37 of 2002 to ensure that we improve the quality of the financial service that we provide, and that situations don't exist where a provider or a representative who has an actual or potential interest can influence the objective performance when performing a financial service to a client.

The financial service we provide must be honest and fair with due skill, care and diligence in the interest of clients and with the integrity of the financial services industry.

Important legislation regarding conflicts of interest is Board Notice 58 of 2010 and Section 3A of the General Conduct of Conduct.

This policy defines how we manage, identify and avoid conflict and disclose potential conflict.

Immaterial financial interests aren't disclosed but recorded in a gift register.

We act with the utmost good faith and exercise proper care and diligence regarding the funds of clients and institutions and guarantee consistent and honest dealings with regards to conflicts of interest.

This policy applies to our Board of Directors, permanent and temporary employees, third parties, where applicable, and its associates.

It's reviewed annually and stored for at least five years.

This document is available to our clients at any of our offices, by post, fax or email or it can be downloaded from our website.

PROCESSES AND PROCEDURES TO ENSURE COMPLIANCE

Our Compliance Associate is responsible for managing and updating this policy annually.

Everyone subject to this policy is responsible to avoid creating conflicts, but where it's unavoidable, steps must be taken to mitigate such conflicts.

Our employees are responsible for identifying specific instances of conflict and notifying our Compliance Associate thereof. The Compliance Associate will record the conflict and escalate the conflict to the Compliance Officer.

A register has been drafted in which conflicts are recorded by the Compliance Associate.

Representatives will annually submit a **Conflict of Interest Declaration Form** to our Compliance Department.

Employment contracts include clauses regarding termination and sanctions to manage the risk of actual or potential conflict situations caused by employees' acts or omissions.

Disciplinary procedures provide for the review of any breach by employees and determine appropriate sanctions.

Employees who believe their own conduct has breached this policy, or suspect a co-worker or third party is in breach, they must inform their manager who'll report the breach to the Compliance Associate for further investigation.

OUR DECLARATION

We render financial services related to our Gap Cover products for the product provider, **Guardrisk Insurance Company Limited**, and for no other non-life insurer.

We don't receive more than 30% of our annual remuneration from one specific product supplier.

We don't hold more than 10% shares of any other product supplier.

AVOIDING CONFLICTS OF INTEREST

When an actual or potential conflict is identified, all possible steps are taken to avoid such conflict. If avoidance isn't possible, steps are taken to mitigate against such conflict and is disclosed to all impacted parties.

The Compliance Associate will analyse each identified conflict and determine its risk and how it can be avoided or mitigated bi-annually.

DISCLOSURES OF CONFLICTS OF INTEREST

We will at the first available and reasonable opportunity disclose to a client in writing any conflict pertaining to that client.

The disclosure will contain the following information that includes, but isn't limited to:

- measures taken to avoid or mitigate the conflict;
- any ownership interest or financial interest, except for an immaterial financial interest that we may become eligible for;
- the nature of any relationship or arrangement with a third party that gives rise to a conflict of interest;
- sufficient detail about the nature and extent of the relationship that creates or gives rise to the conflict will be disclosed to the client in order for the client to make a reasonable assessment about proceeding with a transaction; and
- inform the client of the existence of this policy and annually communicate all disclosures.

TRAINING AND AWARENESS

Annual training is given to employees and contracted brokers regarding this policy, and is included in training provided to representatives.

We'll provide training to representatives on the following:

- products or legal matters relating to those policies;
- general financial and industry information;
- specialised technological systems of a third party necessary for providing a financial service. This includes our sales and administrative processes aimed at enabling other providers to do business with us.

CONSEQUENCES OF NON-COMPLIANCE

The penalty for non-compliance of specific provisions of the FAIS Act is up to R 10 million and/or a period of 10 years imprisonment.

The FAIS Registrar may revoke the FSP's license or refer instances of non-compliance to an Enforcement Committee who may enforce administrative penalties.

We'll impose disciplinary action on offending employees that may result in civil or criminal prosecution.

In terms of the General Code of Conduct, the following requirements are set out for managing conflicts of interest that may exist between a FSP and a client:

- Principle based: A provider or representative must avoid and where possible mitigate any conflict between the provider and a client, or the representative and a client.
- Rule based: A FSP may not offer, and a broker may not receive any financial interest other than:
 - statutory commission and fees;
 - fees applicable to the investment industry as agreed to by the client; and/or
 - fees for rendering a service to a third party.



GENERAL INFORMATION OF THE REGULATIONS

The general intention of the regulations is to eradicate the opulence that business courtesies have been known to create. Normal business courtesies are acceptable within the limitations set out below.

APPLICATION OF IMMATERIAL FINANCIAL INTEREST

In terms of its definition, the amount of R 1 000.00 will apply to a provider who's a sole proprietor, i.e. a Key Individual who's also a representative, a representative of a FSP who stands to benefit, a FSP who may benefit, or all or some of its representatives.

The limitation of R 1 000.00 is aimed at financial service providers and their representatives. The FSP may also be a legal entity, and therefore includes Key Individuals in their capacity as representatives linked to such providers.

The requirements in Board Notice 58 or 2010 apply to all relationships between a FSP and other providers, product suppliers and representatives in respect of services provided in South Africa, regardless of whether they are domiciled in South Africa or internationally.

These include examples such as extending invitations to brokers outside of South African borders, and golf days.