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# POLICY

## CONFLICT OF INTEREST POLICY

FINANCIAL SERVICES PROVIDERS – SA INC. STRATEGIC STRAND

PUBLIC

SOUTH AFRICA



## CONTENTS

<b>1   INTRODUCTION</b>	<b>3</b>
<b>2   APPLICATION</b>	<b>3</b>
<b>3   WHAT IS A CONFLICT OF INTEREST?</b>	<b>3</b>
<b>4   HOW TO IDENTIFY A CONFLICT OF INTEREST?</b>	<b>4</b>
<b>5   DISCLOSURE REQUIREMENTS TO CLIENTS</b>	<b>5</b>
<b>6   INCENTIVES AND REMUNERATION</b>	<b>5</b>
<b>7   FINANCIAL INTEREST OFFERED</b>	<b>5</b>
<b>8   SIGN-ON BONUS</b>	<b>6</b>
<b>9   REGISTER, REPORTING AND AWARENESS</b>	<b>6</b>
<b>10   OWNERSHIP AND ASSOCIATES</b>	<b>7</b>
<b>11   COMPLIANCE WITH THIS POLICY</b>	<b>7</b>
<b>12   ANNEXURE A - DEFINITIONS</b>	<b>8</b>





## 1 | INTRODUCTION

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The Financial Advisory and Intermediary Services Act: General Code of Conduct for Financial Services Providers and Representatives (FAIS General Code of Conduct) requires Financial Services Providers (FSPs) to have a Conflict of Interest Policy in place to ensure that conflicts of interest are managed appropriately. Discovery Limited and its financial services providers (FSPs) are committed to comply with relevant financial sector laws, regulations and professional standards.

The Chief Executive Officer (CEO) of each Discovery FSP has an obligation to ensure appropriate controls and processes are implemented, to assist the FSP in meeting its regulatory obligations.

Senior management acknowledge that it is not always easy to identify a conflict of interest. However, this policy must be used as a guideline to determine what may constitute a conflict of interest and the process to be applied regarding the identified conflict of interest.<sup>1</sup>

## 2 | APPLICATION

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This policy is applicable to:

- Representatives<sup>2</sup> and key individuals of the following Discovery FSPs, hereinafter referred to as “Discovery”:
  - Discovery Life Ltd (FSP 18147);
  - Discovery Health (Pty) Ltd (FSP 18564);
  - Discovery Insure Ltd (FSP 43064);
  - Discovery Connect Distribution Services (Pty) Ltd (FSP 46336);
  - Discovery Life Investment Services (Pty) Ltd (FSP 30277);
  - Cogence (Pty) Ltd (FSP 52242); and
  - Discovery Bank Ltd (FSP 48657).
- Any third party and their employees who engage with Discovery, and who may give or receive a financial interest or immaterial financial interest on behalf of that third party.<sup>3</sup>

The FSP’s board must adopt this policy and implement processes that supports the spirit and purpose of this policy and give effect to this policy.

## 3 | WHAT IS A CONFLICT OF INTEREST?

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A conflict of interest is any situation where Discovery has an actual, perceived, or potential interest that may:

- a. influence its objectivity in its obligations to the client, or
- b. prevent the rendering of unbiased and fair financial service to that client, or from acting in the interests of that client.

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<sup>1</sup> “Senior management” refers to the executive members of each Discovery FSP and its key individuals.

<sup>2</sup> “Representatives” include juristic representatives of the Discovery FSPs.

<sup>3</sup> As defined in Annexure A.



It includes, but is not limited to, a financial interest, an ownership interest, or any relationship with a third party.<sup>4</sup>

## EXAMPLES OF CONFLICT OF INTEREST TRIGGER EVENTS

The following situations and/or occurrences provide examples of conflict of interest trigger events, the list is not exhaustive. The individual will need to use their judgement when deciding whether they are in a situation involving an actual, perceived, or potential conflict of interest:

- Where representatives and/or key individuals make use of Discovery equipment, property, and resources to fund and/or support an external business.
- Where representatives and/or key individuals are appointed on more than one FSP license.
- Where representatives and/or key individuals have their own business outside of their permanent employment within a Discovery FSP.
- Accepting business courtesies and/or personally gaining from a business transaction Discovery may enter into with another entity and/or person without same being mutually agreed and fully disclosed and where same falls outside the ambit of the Discovery Commission rules/manuals.
- Re-writing policies to earn additional commission or incentives.
- Delaying inception dates of investment policies for recognition purposes.<sup>5</sup>
- Paying a client's premium(s).
- Owning shares or securities in a business that engages with Discovery.
- Being a trustee or beneficiary of a client's trust.
- Being an executor in a client's estate.
- Acting in a manner that may circumvent compliance with the FAIS Act, such as the use of "runners"<sup>6</sup>.
- Using one's position, status or title within Discovery for personal benefit.
- Accepting any gift that falls within the ambit of an immaterial financial interest or financial interest without disclosing the information.
- Acting in any other manner that would be deemed as a conflict of interest.

## 4 | HOW TO IDENTIFY A CONFLICT OF INTEREST?

Where a representative and/or key individual is in a situation and is unsure as to whether there is a conflict of interest present, the following questions should be asked in order to determine whether there is a conflict of interest present or not:

- Am I acting in the best interest of the client or Discovery or am I acting in my own interest?
- Do my actions align with the Values of Discovery and those of the FAIS Act?<sup>7</sup>
- Am I acting in an impartial manner?
- Would my actions harm my reputation or Discovery's reputation?
- Would I personally gain from this situation I am in?
- Have I asked my key individual or compliance officer for their input on the situation?
- Does the gift that I am giving or receiving exceed the statutory limit of R1 000.00 per annum?

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<sup>4</sup> As defined in Annexure A.

<sup>5</sup> "Recognition" refers to any incentive programme or benefit structure available to Discovery representatives from time to time.

<sup>6</sup> The use of unaccredited persons to canvas for business on behalf of a representative.

<sup>7</sup> Section 8 (1) of the FAIS Board Notice 194 requires all representatives and Key Individuals of an FSP to comply with the fit and proper requirements of honesty and integrity.



## 5 | DISCLOSURE REQUIREMENTS TO CLIENTS

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Any conflict of interest must be disclosed to the client in writing at the earliest possible opportunity. This disclosure must include the following:

- The conflict of interest in respect of the client.
- What has been done to avoid or mitigate the conflict.
- Any ownership or financial interest (other than an immaterial financial interest) that Discovery or a representative may be eligible for or become eligible for; and
- Details about any relationship with a third party that gives rise to conflict of interest. The details must be sufficient to enable the client to understand the exact nature of the relationship or arrangement and the extent of the conflict of interest.

The client must be informed of the Conflict of Interest Policy and where they may access the Policy. Any person can report any potential; perceived or actual conflict of interest concerns to Discovery by using the e-mail address [complianceofficer@discovery.co.za](mailto:complianceofficer@discovery.co.za).

Where a representative fails to disclose the conflict and/or takes any deliberate action to contravene this Policy or to breach Discovery's legal obligations, the representative will be subject to disciplinary action. Necessary disciplinary action will be taken by management as and when any non-compliance is identified. All instances of non-compliance with this Policy will be included in the regular compliance reporting processes.

## 6 | INCENTIVES AND REMUNERATION

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Discovery's remuneration policies, including commission rules are compliant with legislation and aligned to avoid conflicts of interest. Discovery must demonstrate that the determination of and entitlement to the financial interest considers measurable indicators relating to the:

- Achievement of minimum service level standards in respect of clients;
- Delivery of fair outcomes for clients, and
- Quality of the representative's compliance with the FAIS Act.

Any incentive or rewards programmes should be approved by senior management and structured and communicated to avoid any potential conflict of interest.

Discovery's representatives and/or key individuals are not permitted to accept any remuneration for providing advice for non-Discovery products or product suppliers unless the relevant Discovery FSP has entered into a written agreement with said product supplier.

All fees or commission for financial services rendered by a Discovery representative must be paid to the Discovery FSP and not to the representative directly.

## 7 | FINANCIAL INTEREST OFFERED

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An FSP is allowed to offer fees or remuneration for services rendered to a third party, provided the fees are reasonable and commensurate with the service rendered. Payment of the fees can only be made if:



- The financial interests are reasonably proportionate to the service being rendered, considering the nature of the service and the resources, skills and competencies reasonably required to perform it.
- The payment of the financial interests does not result in the FSP or its representatives, or an independent intermediary being remunerated more than once for performing a similar service.
- Any actual or potential conflict between the interests of clients and the interests of the person receiving the financial interests are effectively mitigated. The payment of those financial interests does not impede the delivery of fair outcomes to clients.
- The financial interest, potential conflict and reasons for the fees or remunerations are properly disclosed to the client.

If the financial interest offered is an immaterial financial interest with a determinable monetary value, it may not exceed R1,000.00 per representative in any given year. In these instances, the relevant Discovery FSP must complete the conflict of interest register and indicate the monetary amount of such an interest.

Where a Discovery FSP interacts with other FSPs<sup>8</sup>, including its representatives, no financial interest may be provided to them based on quantity of business submitted, or for giving preference to a specific Discovery product.

The following are not considered as financial interests:

- training, when it is not restricted to a select group of FSPs or representatives on products, general financial and industry information, or specific technological systems (of a third party) necessary to render a financial service to a client;
- ownership interest; or
- qualifying enterprise development<sup>9</sup> contribution to a qualifying beneficiary.

## 8 | SIGN-ON BONUS

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No person is allowed to offer FSPs and representatives sign-on bonuses as an incentive to render financial services on its behalf. The FAIS Act prohibits the offering of a sign-on bonus to any person other than to a new entrant (a person who has never been authorised as a FSP or appointed as a representative by any FSP).

## 9 | REGISTER, REPORTING AND AWARENESS

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Discovery maintains a central conflict of interest register which includes a process for disclosure of a conflict by representatives. The register is housed on a third-party system and all key individuals and representatives have access to the register via a link on Smart People.<sup>10</sup>

Discovery and its key individuals must ensure that any potential, perceived or actual conflict of interest of the FSP or representatives are captured on the central register. Each Discovery FSP's senior management must monitor procedures and controls to properly identify and manage potential conflict of interest, as far as it relates to a conflict as defined by the FAIS Act.

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<sup>8</sup> "Other FSPs" include Discovery FSPs.

<sup>9</sup> Discovery invests in enterprise development of certain qualifying entities, which may include representatives and intermediaries. This forms part of Discovery's commitment to being a responsible corporate citizen and where an investment is made, it will not constitute a breach of this policy.

<sup>10</sup> The Discovery SA Inc people management system.



All representatives, and key individuals must sign an annual conflict of interest declaration. The FAIS Centre of Excellence (COE) monitors all disclosures logged and will report annually on conflict of interest to the Financial Sector Conduct Authority, as required by the FAIS Act.

Representatives and key individuals must be trained on this Policy and must ensure that they read and understand this Policy, the processes and procedures outlined in this Policy, and any other documents the Policy refers to. When in doubt, reach out to FAIS COE or Management.

The FAIS COE assists in facilitating conflict of interest training and annual refresher training as and when required.

## 10 | OWNERSHIP AND ASSOCIATES

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All Discovery FSPs are wholly owned subsidiaries of Discovery Limited.

## 11 | COMPLIANCE WITH THIS POLICY

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Discovery views any non-compliance with this Policy, as well as any non-compliance with its obligations in terms of legislation, in a serious light. Any deliberate action by any key individuals or representative to contravene the Policy will be subject to disciplinary action.

The Discovery SA Risk and Compliance Committee will monitor compliance with this Policy. Any breach of or non-compliance with this Policy must be communicated to the FAIS COE as soon as reasonably practical.

The policy owner, with input from key stakeholders, will consider the appropriate actions required. If agreement on the appropriate actions cannot be reached, the matter will be escalated to the chairperson of the Discovery SA Risk and Compliance Committee. The chairperson of the Discovery SA Risk and Compliance Committee will decide whether the breach or non-compliance is sufficiently material to be escalated further, and if so, to which board, committee or person. All instances of non-compliance with this policy will be included in the regular risk-reporting process.



## 12 | ANNEXURE A – DEFINITIONS

Term Definition	
<b>Associate</b>	<p>(i) <b>In relation to a natural person</b>, means –a person who is recognised as the spouse, life partner or civil union partner of a person;</p> <p>(ii) a child of that person, including a stepchild, adopted child and a child born out of wedlock;</p> <p>(iii) a parent or stepparent of that person;</p> <p>(iv) 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;</p> <p>(v) a person who is the spouse, life partner or civil union partner of a person referred to in subparagraphs (ii) to (iv);</p> <p>(vi) a person who is in a commercial partnership with that person.</p> <p><b>In relation to a juristic person</b>, means</p> <p>(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;</p> <p>(ii) which is a close corporation registered under the Close Corporations Act, No. 69 of 1984, means any member thereof as defined in section 1 of that Act;</p> <p>(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 - (aa) had such first-mentioned juristic person been a company; or (bb) in the case where that other juristic person, too, is not a company, had both the first-mentioned juristic person and that other juristic person been a company;</p> <p>(iv) any person in accordance with whose directions or instructions the board of directors of or, in the case where such juristic person is not a company, the governing body of such juristic person is accustomed to act;</p> <p><b>In relation to any person</b>, means: –</p> <p>(i) 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;</p> <p>(ii) includes any trust controlled or administered by that person.</p>
<b>Client</b>	means: a natural or legal person who purchases or receives advice and/or intermediary services regarding a financial product and/or service from an FSP.
<b>Conflict of Interest</b>	means: a situation in which a representative, employee, FSP or business has competing interests which can result in business not being able to be conducted in an impartial





	<p>manner. Conflict of interest include but are not limited to financial interests, ownership interests and any relationship with a third party. A potential conflict of interest may arise whereby a conflict of interest may occur in the future due to competing interests.</p>
<b>Financial Interest</b>	<p>means:</p> <p>any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, other than:</p> <ol style="list-style-type: none"><li>a) an ownership interest;</li><li>b) training, that is not exclusively available to a selected group of providers or representatives, on –<ol style="list-style-type: none"><li>(i) products and legal matters relating to those products;</li><li>(ii) general financial and industry information; and</li><li>(iii) specialised technological systems of a third party necessary for the rendering of a financial service; but excluding travel and accommodation associated with that training;</li></ol></li><li>c) a qualifying enterprise development contribution to a qualifying beneficiary entity by a provider that is a measured entity.</li></ol>
<b>Immaterial Financial Interest</b>	<p>means:</p> <p>an immaterial financial interest is any financial interest with a determinable monetary value, of which the aggregate does not exceed R1,000.00 in any calendar year from the <b>same third party</b> in that calendar year received by:</p> <ol style="list-style-type: none"><li>a) an FSP who is a sole proprietor;</li><li>b) a representative for their direct benefit; or</li><li>c) and FSP, who for its benefit or for the benefit of some its representatives, aggregates the immaterial financial interest paid to its representative.</li></ol>
<b>Ownership interest</b>	<p>means:</p> <ol style="list-style-type: none"><li>(i) any equity or proprietary interest, for which fair value was paid by the owner at the time of the acquisition, other than equity or a proprietary interest held as an approved nominee on behalf of another person; and</li><li>(ii) includes any dividend, profit share or similar benefit derived from that equity or ownership interest.</li></ol>
<b>Representative</b>	<p>means:</p> <p>a representative refers to a representative of Discovery FSP, where the Discovery FSP and the product supplier are the same legal entity. It includes a person that is employed or mandated by a Discovery FSP to render financial services to that FSP's Discovery Group clients.</p>
<b>Sign-on bonus</b>	<p>means:</p> <p>any financial interest offered or received directly or indirectly, upfront or deferred, and with or without conditions, as an incentive to become a provider. This financial interest includes, but is not limited to:</p> <ol style="list-style-type: none"><li>(i) compensation for the potential or actual loss of any benefit including any form of income, or part thereof, or</li><li>(ii) cost associated with the provider's business or operations, including the sourcing of business, relating to the rendering of financial services; or</li></ol>



	(iii) a loan, advance, credit facility or any other similar arrangement.
<b>Third party</b>	means: a product supplier, another provider, an associate of a product supplier or a provider, a distribution channel or any person who is able to provide a financial interest to a provider or its representatives by entering into an agreement with one of the listed examples of a third party.

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## POLICY REFERENCES

This policy should be read in conjunction with the following documents:

NUMBER	DOCUMENT NAME	DOCUMENT OWNER
1.	Debarment Policy	Group Compliance
2.	Debarment Standard Operating Procedure (SOP)	Group Compliance
3.	Remuneration Policy	Head of Remuneration





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