

NOVARTI INSURANCE BROKERS FAIS CONFLICT OF INTEREST (COI) MANAGEMENT POLICY

Applicable to Novarti Insurance Brokers – FSP. 32881

1. STATUTORY DEFINITIONS OF COI

“Conflict of Interest”	<i>means</i>	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: <ul style="list-style-type: none">(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 best interests of that client, including, but not limited to:<ul style="list-style-type: none">(i) a financial interest;(ii) an ownership interest;(iii) any relationship with a third party.
“Financial interest”	<i>means</i>	any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or valuable consideration, other than: <ul style="list-style-type: none">(a) an ownership interest;(b) training, that is not exclusively available to a selected group of providers or representatives, on:<ul style="list-style-type: none">(i) products and legal matters relating to those products;(ii) general financial and industry information;(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.
“Immaterial financial interest”	<i>means</i>	any financial interest with a determinable monetary value, the aggregate of which does not exceed R1 000 (one thousand rand) in any calendar year from the same third party.
“Third party”	<i>means</i>	a product supplier, another provider, an associate of a product supplier or a provider, a distribution channel and any other person who in terms of an agreement provides a financial interest to a provider or its representatives.

2. POLICY STATEMENT

Novarti Insurance Brokers is committed to complying with the regulatory requirements governing conflicts of interest under the FAIS General Code of Conduct and ensuring that conflicts of interest are appropriately managed in the best interests of PWV Insurance Brokers North’ clients, policyholders and partners.

3. THE MANAGEMENT OF COI

3.1 Mechanisms for the identification of COI

Prior to concluding new business arrangements, Novarti Insurance Brokers shall consider whether the proposed arrangement will present any potential conflicts of interest. It will be the responsibility of the Director/General Manager, entering into the relationship on behalf of Novarti Insurance Brokers, to ensure that this identification process is carried out and appropriately documented before the relationship progresses.

The Director/General Manager will be accountable for ensuring that the necessary reviews of all existing business arrangements are conducted at least annually to assess the existing and any potential further conflicts of interest in the light of changing circumstances, operational processes and procedures that may have been implemented since the commencement of the business.

3.2 Measures for the avoidance and mitigation of identified COI

Whenever any potential conflicts of interest are identified, the department/division responsible for the relationship will consider whether any practical means exist for avoiding such conflicts of interest. Where this is not practical, the Director/General Manager will consult with the Compliance Officer to devise appropriate and adequate measures to mitigate and manage the identified conflicts of interest.

These measures will be documented and communicated to all staff involved in managing the relationship so as to ensure that the associated risks are appropriately managed.

3.3 Measures for the disclosure of COI

Wherever potential conflicts of interest are identified, the Director/General Manager will ensure that appropriate disclosures are made to potential clients. The following aspects are included in the disclosure information and documentation provided:

- the existence of the conflict of interest;
- a description of what the conflict is;
- its impact;
- the measures taken to mitigate and manage it; and
- the customer's free choice whether he/she wishes to continue with purchasing the product.

3.4 Processes, procedures and internal controls to facilitate compliance

The Director/General Manager will be required to ensure that the policy is implemented in their departments/divisions and will on an annual basis warrant to the Compliance Officer in writing that they have met their obligations under this policy and describe the steps taken to do so.

Training for all affected staff will be provided by the Compliance Officer to ensure that they understand their responsibilities under this policy.

The Compliance Officer will monitor compliance with this policy and will perform the necessary reviews, in consultation with Management, so as to ensure that appropriate procedures and processes are in place.

The Compliance Officer will facilitate an annual review of this policy so as to ensure that it remains relevant and appropriate to meet the statutory requirements.

4. FINANCIAL INTERESTS OFFERED TO NOVARTI INSURANCE BROKERS REPRESENTATIVES

Novarti Insurance Brokers may offer its representatives sales incentives, in addition to their basic salary, based upon a combination of:

- the quantity of business introduced; and
- the quality of the service rendered to customers (as measured by Novarti Insurance Brokers quality assurance process).

No sales incentives may be offered to representatives for:

- giving preference to the quantity of business secured for the provider to the exclusion of the quality of the service rendered to clients; or
- giving preference to a specific product supplier, where a representative may recommend more than one product supplier to a client; or
- 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.

5. FINANCIAL INTERESTS OFFERED BY NOVARTI INSURANCE BROKERS TO THIRD PARTIES

Novarti Insurance Brokers may only receive or offer the following financial interests from or to third parties:

- commission authorised under the Long-term or the Short-term Insurance Acts;
- Novarti Insurance Brokers as a non-mandated Intermediary acts as a Binder Holder for Insurers and has a signed binder or and or outsource agreement to this effect. In terms of this agreement Novarti may perform some or all of the following functions:
 - a) enter into, vary and renew policies;
 - b) determine the premiums;
 - c) determine policy benefits; and
 - d) settle all valid claims;
 - e) Novarti is paid a binder fee and or an outsource fee which is calculated to be percentage of the gross written premium it places with the Insurer, for performing the abovementioned functions on the Insures behalf. Novarti may not reject claims nor may cancel a policy, this may only be done by the Insurers. The binder and or outsource fees does not affect the premiums of the clients in any way.
- fees for the rendering of a financial service in respect of which commission or fees referred to above are not paid, if those fees:
 - a) are specifically agreed to by a client in writing; and
 - b) may be stopped at the discretion of that client;
- fees or remuneration for the rendering of a service to a third party, which fees or remuneration are reasonably in line with the service being rendered;
- any immaterial financial interest as defined in the FAIS General Code of Conduct; and
- any other financial interest, for which consideration that is reasonably in line with the value of the financial interest, is paid by that provider or representative at the time of receipt thereof.

6. LIST OF NOVARTI INSURANCE BROKERS ASSOCIATES

The following entities are associates of Novarti Insurance Brokers:

- None

7. THIRD PARTIES IN WHICH NOVARTI INSURANCE BROKERS HOLDS AN OWNERSHIP INTEREST

Novarti Insurance Brokers holds ownership interests in the third parties as detailed below:

- None

8. THIRD PARTIES WHO HOLD AN OWNERSHIP INTEREST IN NOVARTI INSURANCE BROKERS

The following third parties hold an ownership interest in Novarti Insurance Brokers:

- Magnolia Ridge Investment Holdings (Pty) Ltd owns 30% interest in Novarti Insurance Brokers.
- One of The Hollard Insurance Company Ltd's investment companies, Syndicate Investments (Pty) Ltd, has a minority shareholding in Magnolia Ridge Investment Holdings (Pty) Ltd. Mr D Joffe represents Hollard as a non-executive director on the Board of Magnolia.

9. CONSEQUENCE OF NON-COMPLIANCE WITH THIS POLICY

Failure to comply with the provisions of this policy by any staff member or FAIS representative shall constitute serious misconduct and shall result in disciplinary action being initiated against such staff member or representative.