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FAIS General Code of Conduct Conflict of Interest Management Policy

Date implemented:	2011/04/19
Date approved by the Board:	2011/04/19
Policy Review:	2013/08/15 2014/07/23 2015/04/21 2016/06/09 2017/01/26 2018/07/19 2019/04/08 2020/03/10

1) Key Definitions

associate

- (a) in relation to a natural person, means;
- (i) a person who is recognised in law or the tenets of religion as the spouse, life partner or civil union partner of that person;
 - (ii) a child of that person, including a stepchild, adopted child and a child born out of wedlock;
 - (iii) a parent or stepparent of that person;
 - (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;
 - (v) a person who is the spouse, life partner or civil union partner of a person referred to in subparagraph (ii) to (iv);
 - (vi) a person who is in a commercial partnership with that person;
- (b) in relation to a juristic person -
- (i) which is a company, means any subsidiary or holding company of that company, any other subsidiary of that holding company of this that holding company is a subsidiary;
 - (ii) which is a close corporation as referred to in subparagraphs (i) and (ii), means another juristic person which would have a subsidiary or holding company of the first-mentioned juristic person -
 - (aa) has 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.
 - (iv) means that 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;
- (c) in relation to any person -
- (i) means any juristic person of which the board of directors or, in the case where such juristic is not a company, of which the governing body is accustomed to act in the accordance with the directions or instructions of the person first- mentioned in this paragraph;
 - (ii) includes any trust controlled or administered by that person.

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 services to that client, or from acting in the interests of that client,

including, but not limited to -

- (i) a financial interest
- (ii) an ownership interest

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 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 facilities, support 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 facilities, supports or enhances a relationship between a provider or providers and a product supplier;

fair value has the meaning assigned to it in the financial reporting standards adopted or issued under the Companies Act, 1973 (Act No. 61 of 1973)

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) 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

means any financial interest 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 you 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 it's benefit or that of some or all of its representatives, aggregates the

immaterial financial interest paid to its representatives;

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

third party

means -

- (a) a product supplier;
- (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 a provider or it's representatives". "

2) Overview

In terms of the Financial Advisory and Intermediary Services Act, 2002, Sigma is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage conflicts of interest. Sigma has put in place a policy to safeguard its clients' interests and ensure fair treatment of clients. This document constitutes Sigma's adopted policy.

Sigma is an independent management service provider. We are not an insurer, intermediary or Underwriting Manager, nor do we have any contractual relationship with any brokers, intermediaries or Underwriting Managers. In addition, we do not deal directly with any policy holders. Our clients are insurers, and we provide management services on behalf of our clients. Our primary concern is to protect our client's interests, which we do as follows:

- a) we will identify circumstances which may give rise to actual or potential conflicts of interest entailing a material risk of damage to our clients' interests;
- b) we will identify, report on and address any perceived instances of bribery and corruption
- c) we have established appropriate structures and systems to manage those conflicts; and
- d) we will maintain systems in an effort to prevent damage to our clients' interests through identified conflicts, by avoidance, mitigation and disclosure.

The FAIS General Code of Conduct sets out what may be received or offered by an FSP to any third party:

- a) Commission - as controlled by the Long Term, Short Term and Medical Schemes Acts
- b) Fees - as controlled by the Long Term, Short Term and Medical Schemes Acts;

- c) Fees - where commission or fees in terms of (a) & (b) are not received, provided you get written authority from the client, and on the understanding that these fees can be stopped by the client at their discretion;
- d) Fees - charged to a client over and above commissions, provided these are disclosed and agreed by the client;
- e) Fees - for services given to a 3rd party, provided the fee is reasonable for services rendered; and
- f) Immaterial financial interest, or "entertainment" provided by insurers and other FSP's - the limit per person is R1,000 per calendar year (and which must be recorded).
- g) Training can be provided - it must be generally available (not "by invitation"), and must be on products and related issues OR general information OR specialised systems used by the FSP for rendering a service. The cost of any associated travel or accommodation.

The FAIS General Code of Conduct sets out clearly what financial interest may be offered by an FSP with regard to quantity / preference for insurers / products:

- a) where quantity is the underlying criteria for remuneration / incentive, then this has to be expanded to include a qualitative aspect;
- b) quantity has to be balanced with quality (although there is no specific definition of what quality is);
- c) cognisance must be given to the FAIS requirement of Needs Analysis, Record of Advice, Replacement product advice and the like; and
- d) incentives for preference of insurer / product over other insurers / products is simply not allowed.

3) Policy

3.1 Management Policy Statement

Sigma recognises the importance of operating in an open and transparent manner in all aspects of the operations of the business, be they with our clients, our service providers or members of the greater business community within which we work, be they directly a part of the financial services industry or not. Whilst the legislative requirements may be the foundation for our policy, our policy is far more practical in its application and takes basic business ethics as its overall primary standard and objective. The Board of directors take this policy as a statement that binds the ethics of the company.

Sigma places a high priority on its clients' interests. Conflicts of interest affecting our clients have the potential to undermine the integrity and professionalism of our business, and therefore we undertake to identify such situations as early as possible. Potential conflicts of interest are inherent in any business and therefore, where conflict situations cannot be avoided, they must be managed equitably and in the client's interest to ensure that our client's are not unduly prejudiced. It is an integral part of Sigma's duties and obligations to detect potential or recognised conflicts of interest that may compromise the interests of our clients. Sigma is dedicated to managing and limiting the impact of such conflicts of interest, thereby promoting the best interests of our clients at all times.

3.2 Application

This policy is signed-off by the Board of the company.

This policy is reviewed annually and is subject to annual review of our standards.

This policy is published within the company and is readily available to all staff, clients and other interested parties. This policy is available on request and can be accessed by staff on the company server, at S:_Sigma_Sigma Staff Information_SRS Adopted Policies_Company Ethics. All staff have been provided with a copy of this policy. Sigma shall ensure that this Policy is available for public inspection at all reasonable times.

This policy will be managed internally by Sigma's internal legal and compliance department and will be monitored externally by Sigma's external compliance company, Omega Compliance Solutions. This policy applies to all employees, which is deemed to include:

- a) Directors;
- b) Managers;
- c) Permanent staff;
- d) Temporary and/or contract staff

irrespective of whether they are employed in the financial services sector or not.

3.3 Conflicts

Gifts

Sigma employees will not accept any gifts other than those considered normal in their line of Business. Excessive gifts from clients may result in a conflict of interest, which we are committed to avoiding. If such gifts are offered or given, we will inform the director of this and keep record of this acceptance and nature of the gift in our gift register.

Immaterial Financial Interest

It is generally accepted practice within our industry that "entertainment" is provided by the product provider to the financial services provider and vice versa. The Rand value is limited per calendar year to R 1,000.

Any such "entertainment" will be recorded on the Immaterial Financial Interest register.

Non-Cash Incentives

These include the following:

- a) Offshore trips, seminars, holidays or other substantial gifts offered where there is an expectation to do, give or provide something in return for the incentive provided;
- b) prizes or incentives offered to the FSP to reach a certain sales target for a specific product;
- c) special commission rate given to the FSP if the FSP sell's a certain product; and
- d) small gifts such as lunches, golf days, rugby tickets, and other promotional material will also be recorded in the registry of non-cash incentives.

3.4 Identification of Conflicts

Our policy defines potential conflicts of interests as follows:

- a) Where there are any ownership interests in any of the third party relationships that we have;
- b) Where there are any financial interests paid from, or to, any of the entities where we have third party relationships;
- c) Where there are any immaterial financial interests paid from, or to, any third party relationships;
- d) Any conflicts of interests between clients, particularly with regard to 'information sharing' or confidentiality;
- e) Any conflicts that may arise in respect of staff remuneration policies;
- f) Where employees or clients are offered, or offer, non-cash incentives or gifts, a financial interest or an immaterial financial interest.
- g) Any potential instances of bribery, fraud or corruption.

The areas of conflicting interests listed above and the relations in those areas which may give rise to conflict are not exhaustive. Conflicts might arise in other areas or through other relations. It is assumed that employees will recognize such areas and relation by analogy. It is this company's policy to identify all possible areas of potential or actual conflict and list them in this document.

For this reason it is every employee's responsibility to report possible unidentified conflicts to the managing director or internal compliance officer for evaluation. The fact that one of the interests described above exists does not necessarily mean that a conflict exists, or that the conflict, if it exists, is material enough to be of practical importance, or if material, that upon full disclosure of all relevant facts and circumstances it is necessarily adverse to the company's interests or interests of clients.

3.5 Procedures

1. Sigma will continuously assess the existing relationships with third parties, and before any new relationship is entered into, to identify whether any of the above conflicts, or potential conflicts exist.
2. If a conflict or potential conflict exists, the extent frequency and severity must be determined in order to ascertain the appropriate action to be implemented.
3. Wherever Sigma renders a professional service, it must, at the earliest possible opportunity, disclose the existence any personal interest in the relevant services, or any circumstances which give rise to an actual or potential conflict of interest in relation to such service.
4. Sigma will maintain a non- cash incentives register. This document shall be made readily available for inspection at all reasonable times.
5. Sigma shall disclose all conflicts of interest and potential conflicts of interest in at least one of the following manners:
 - i) By declaring them verbally on entering into the contract; OR
 - ii) By declaring them in writing as soon as practicably possible.

6. Disclosures must include the following:
 - i) What the (potential) conflicts are;
 - ii) What measures have been taken to avoid or mitigate these;
 - iii) Ownership interests that may become due (including shareholding, dividends, profit share and similar payments). This also includes ownership of, and payments from, associated companies that can include administrators, cell captives, insurers, etc;
 - iv) Financial interests that may become due (including vouchers, benefits, travel, hospitality, accommodation, sponsorships and other incentives); and
 - v) That a conflict of interest management policy exists, and how the client can obtain a copy (if required).
7. The disclosures need to be clear, concise and effective. When deciding how to disclose, aspects such as language, overall literacy levels (both language and financial) and the complexity of the product have to be considered.
8. Where the conflict has been identified, and there is no appropriate way to manage the conflict, the client shall be enabled to make an informed decision on whether to continue using our service in the situation concerned.
9. Where the conflict or potential conflict situation can be avoided, Sigma will accordingly take steps to remove the situation which gives rise to the conflict or potential conflict.
10. Where the identified conflict or potential conflict cannot be avoided, Sigma may take steps to mitigate the conflict, i.e. establish measures which acknowledge the conflict situation, but adopt measures which will reduce its potential impact.
11. Sigma may decline to act for a client in cases where we believe that the conflict of interest cannot be managed in any other way.
12. Transactions with Associated Companies where a potential or actual conflict of interest exists, may be undertaken only if all of the following are observed:
 - i) The conflict of interest has been identified and attempts to avoid it have not been successful;
 - ii) The conflict of interest has been mitigated as far as possible;
 - iii) The conflict of interest is fully disclosed to clients where appropriate;
 - iv) An employee with the conflict of interest is excluded from the discussion and approval of such transaction is provided by the Managing Director;
 - v) The Managing Director has determined that the transaction is in the best interest of the company and its clients.

4) Disclosures

4.1 Associated Companies (ownership)

Sigma Risk Solutions has private ownership and no change is anticipated. Accordingly no conflicts of Interest arise in this regard.

Sigma Risk Solutions has ownership in another FSP, Risk Technical Solutions (Pty) Ltd (“RTS”). RTS provides underwriting services, whereas Sigma Risk Solutions provide management services. The services and duties are separate from one another, and no conflict or potential conflict is anticipated. There is accordingly no need to mitigate or avoid this situation.

4.2 Client companies which share a common director

The following client companies share a common director:

- Aurora Insurance Company Limited (JCM Wethmar)
- AECI Captive Insurance Company (JCM Wethmar)
- Arakhnet (Pty) Ltd (JCM Wethmar; AJ Wethmar)
- Shoprite Insurance Company Limited (JCM Wethmar)
- Barloworld Insurance Limited (JCM Wethmar)
- Risk Technical Services (Pty) Ltd (JCM Wethmar)
- Home Loan Guarantee Company (JCM Wethmar)
- Home Finance Guarantors (Insurance) Limited (JCM Wethmar)
- Home Finance Guarantors Africa (Reinsurance) Limited (JCM Wethmar)
- RTS Construction and Engineering Underwriters (Pty) Limited (JCM Wethmar)
- Recruitprotect (Pty) Ltd (BC Wethmar)
- Aurora Holdings (Pty) Ltd (BC Wethmar)

4.3 Fees

Sigma is an independent management service provider and does not act as an underwriting manager, binder holder, intermediary or insurer. All fee income is charged in accordance with a service level agreement in place with each client and this amount is agreed and disclosed at the commencement of each contract. The same process applies to every client. Any commission, income or fees received from any insurer or underwriter is disclosed to the client.

4.4 Staff remuneration

Staff remuneration is separate from any client service contracts that are in place.

4.5 Financial Interest Tracking and Reporting

There are no financial interest receipts to be reported.

Immaterial financial interests are recorded on a separate register, continuously updated.

There is no spending made by Sigma. It is not in Sigma’s policy to spend on incentives and immaterial financial interests.

Sigma has no representatives and does not pay any (immaterial) financial interests.

5) Non Cash Incentives Register / Gift

registry

None have been received thus far.

6) Receipt of financial Interests by Sigma from other FSPs.

None have been received thus far.

7) Reported conflicts/ potential Conflicts

2011:None

2012:None

2013:None

2014:None

2015:None

2016:None

2017:None

2018:Receipt of gift from product supplier reported to Associated Compliance

2019: Receipt of gift from product supplier reported to Omega Compliance Solutions

2020: None to date