



## **CONFLICT OF INTEREST MANAGEMENT POLICY**

### **FOR**

### **AZRIEL AVIATION AFRICA UNDERWRITING AGENCY (PTY) LTD**

### **(FAIS COI POLICY)**

#### **INTRODUCTION**

This policy deals with the conflicts of interest between **AAA** (Azriel Aviation Africa Underwriting Agency (Pty) Ltd., our employees and our clients. The aim of the policy is to make sure that we avoid or mitigate any conflict of interest situations that could negatively affect our clients. This policy applies to all employees. Employees, means a permanent or temporary employee, a director, officer agent or independent contractor for **AAA**.

A conflict of interest arises when an actual or potential interest may influence you to not act fairly, independently and objectively towards clients.

All **AAA** employees must follow this policy, which is required by the General Code of Conduct to the Financial Advisory and Intermediary Services Act (FAIS). This policy is one part of our comprehensive framework aimed at ensuring that we follow all Laws that apply to our Industry.

The **AAA** policy on conflicts of interest sets out the:

- 1) Purpose and general duties of **AAA** and its employees
- 2) Identification, management and disclosure of conflicts of interest
- 3) Duties of Management and Compliance/Risk Officer

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## 1. **DEFINITIONS**

1.1 **“AAA”** means: Azriel Aviation Africa Underwriting Agency (Pty) Ltd

1.2 **“COI MANAGEMENT POLICY”** means the FAIS Conflict of Interest policy for **AAA**

1.3 **“CONFLICT OF INTEREST”** means any situation in which a person has an actual or potential interest that may, in rendering a financial service to a client-

- (a) Influence the objective performance of their obligations towards such client; or
- (b) Prevent a person from rendering an unbiased and fair financial service to that client, or from acting in the interest of that client, including but not limited to-
  - (i) A financial interest;
  - (ii) An ownership interest;
  - (iii) Any relationship with a third party

1.4 **“EMPLOYEE”**; for the purpose of this policy, will include:

- (a) All directors and full-time employees of any associate of **AAA**;
- (b) All temporary contracted employees;
- (c) All employed representative including independent financial advisors and tied agents;

1.5 **“FAIS”** means the Financial Advisory and Intermediary Service Act, No 37 of 2002

1.6 **“FAIR VALUE”** means the amount for which an asset could be exchanged, or a liability settled, between the knowledgeable, willing parties in an arm's length transaction ( as set out in the reporting standards adopted in terms of the Companies act (Act No 61 of 1973)

1.7 **“FINANCIAL INTEREST”** means any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, other incentive or value 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) Specialized technological systems of a third party necessary for the rendering of financial service;

But excluding travel and accommodation associated with the training.

1.8 **“FINANCIAL SERVICE”** means any service contemplated in paragraph (a), (b) or (c) of the definition of “financial service provider”, including any category off such services.

1.9 **“FSB”** means financial Service Board

1.10 **“FINANCIAL SERVICE PROVIDER”** means any person, other than a representative, who is a regular feature of business of such person-

- (a) Furnishes advice; or
- (b) Furnishes advice and renders any intermediary service; or
- (c) Renders an intermediary service;

1.11 **“FSP”** means Financial Service Provider.

- 1.12 **“IMMATERIAL FINANCIAL INTEREST”** means any financial interest with a determinable monetary value, the aggregate of which does not exceed R1000 in any calendar year from the same third party in that calendar year received by;
- (a) a provider who is 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 the immaterial financial interest paid to its representatives;
- 1.13 **“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 an 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;
- 1.14 **“PROVIDER”** means an authorized FSP registered as such with the FSB
- 1.15 **“REPRESENTATIVE”** means any person, including a person employed or mandated by such first-mentioned person, who renders a financial service to a client for or on behalf of a financial service provider, in terms of conditions of employment or any other mandate, but excludes a person rendering clerical, technical, administrative, accounting, legal or other service in a subsidiary or subordinate capacity, which service-
- (a) Does not require judgment on the part of the latter person;
  - (b) Does not lead a client to any specific transaction in respect of a financial product in response to general enquiries.
- 1.16 **“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 paragraph (a) to (d) above provides a financial interest to a provider or its representatives

## **2. INTRODUCTION**

**AAA** is committed to ensuring that all business is conducted in accordance within the standards of good corporate governance.

Accordingly, the manner in which **AAA** conducts business is based on integrity, ethical and equitable behavior. This policy aims to emphasize the interest of all stakeholders by minimizing and managing all actual potential conflicts of interest.

## **3. OBJECTIVE**

Various regulatory measures that have been developed include the FAIS General Code of Conduct. This is to ensure a consistent manner of dealing with conflicts of interest and the disclosure thereof. One of the consequences of implementing this legislation is that consumers will be exposed to fewer conflicts of interest and where such conflicts have been identified, (but could not be avoided) these would be effectively managed and adequate disclosure would have been made.

The objective of the **AAA** COI Policy is to provide a framework within which to address areas where conflict of interest may arise. It aims to establish broad principles and guidance, and it prescribes processes that are essential to ensure compliance with the code of Ethical Conduct as well as other regulatory measures such as the FAIS Act.

In conjunction with the code of Ethical conduct, this policy aims to promote transparency and fairness in the interest of consumers, employee, providers and **AAA**.

#### **4. MANAGING CONFLICTS OF INTEREST**

Once a conflict of interest has been identified, it must be appropriately and adequately managed.

##### **4.1. Avoidance of Conflicts of Interest**

4.1.1 Once an actual or potential conflict of interest has been identified steps must be taken (wherever possible), to avoid such a conflict

4.1.2 Should such avoidance not be possible, steps must be taken to mitigate and adequately manage such actual or potential conflict of interest and the conflict must be disclosed to all impacted parties.

##### **4.2 Processes and Procedures to ensure Compliance**

4.2.1 **AAA** adopts this policy as the standard according to which businesses conducting business in terms of the Financial Services Provider License (FSP Number 43029) shall conduct business in relation to the identification, avoidance and managing of conflicts of interest.

4.2.2 The Compliance officer of **AAA** is responsible for managing (and updating) the COI policy and will provide guidance to management thereon (including the pre-clearance of business processes that potentially may cause a conflict of interest

4.2.3 The onus is on the individuals subject to this policy to avoid creating conflicts of interest, and if this is unavoidable, to take effective steps to mitigate such a COI and to ensure that proper disclosure is made in respect thereof;

4.2.4 All employees are responsible for identifying specific instances of COI / potential COI and are required to notify the Compliance Officer of any conflicts of interest they become aware of. The Compliance Officer will escalate the conflict of interest to management with a recommendation as to how the conflict of interest should be managed (if it cannot be avoided);

4.2.5 Documentation and processes which have been formulated to identify, avoid, mitigate and disclose conflicts of interest include the following:

The central register for the recording of conflict of interest saved on the intranet.

Continuous monitoring of compliance to the **AAA** COI policy

Where monitoring reveals non-compliance to this Policy, the Compliance Officer will assess the risk and escalate to the **AAA** CEO with the recommendation of measures to be taken to mitigate the risk;

4.2.6 Employment contracts must include the necessary termination and/or sanctions clauses to manage the risk of an actual or potential conflicts of interest situations created by employee to acts or omissions;

4.2.7 Disciplinary procedures in **AAA** must provide for the review of any breach by employees and determine appropriate sanctions;

4.2.8 If employees are of the view that their own conduct has caused this policy to be breached, they must inform their manager at the earliest available opportunity after their have become aware of the breach. Management must report this breach to the Compliance Officer for further investigation;

4.2.9 When employees suspect that a co-worker or contractor is in breach of this policy, they must report it as soon as possible and in the strictest of confidence, to their manager or the **AAA** Compliance Officer for further investigation.

##### **4.3 Disclosure of Conflicts of Interest.**

4.2.1 **AAA** and its employees must at the earliest reasonable opportunity disclose to a client any conflict of interest in respect of that client (and all other impacted parties).

4.2.2 The disclosure must be made in writing to the client and contain the following information which includes, but is not limited to:

(a) The measures taken, in accordance with this policy, to avoid or mitigate the conflict;

(b) The nature of any relationship or arrangement with a third party that gives rise to a conflict of interest. Sufficient detail in terms of the nature and extend of the relationship that creates or gives rise to the conflict must be disclosed to the client. Such disclosure should enable the client to make a reasonable assessment as to whether to proceed with a transaction;

(c) Informing the client of the existence of an **AAA** COI policy and how this document may be accessed.

## **5. ACCESSIBILITY OF POLICY**

This policy document will be made available on the **AAA** intranet as well as the website to ensure that it is easily accessible by employees, clients and third parties at all reasonable times

## **6. TRAINING AND AWARENESS**

- 6.1 All **AAA** employees, contractors and temporary workers will annually receive appropriate training and awareness on this policy.
- 6.2 All newly recruited employees should attend a training session during their induction program.

## **7. CONSEQUENCES OF NON-COMPLIANCE**

- 7.1 The FAIS Act provides for penalties in the event that a person is found guilty of contravening the Act, or non-compliance with the provisions of the Act, or of non-compliance with the provisions of the Act. The penalty for non-compliance are specific provisions of the Act is an amount of up to R1 million or a period of imprisonment for up to 10 years
- 7.2 The registrar of FAIS is empowered to refer instances of non-compliance to an Enforcement Committee that may impose administrative penalties on offenders.
- 7.3 The FAIS Act also gives the registrar the powers to revoke the license of an FSP.
- 7.4 Employees' failure to provide disclosure will be seen as transgression of the Code of Ethical conduct and will be dealt with in terms of the disciplinary procedures as foreseen in paragraphs 7.1 and 7.2 above.
- 7.5 Certain transgressions of this policy may result in civil or criminal prosecution.
- 7.6 All potential transgressions of this policy must be investigated fairly and objectively and be reported by the relevant person to the CEO for a decision.

## **8. REVISION**

This policy document will be reviewed on an annual basis and submitted by the Compliance Officer to the CEO for evaluation and amendment, where necessary.