

Discovery

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POLICY

PUBLIC

CONFLICT OF INTEREST POLICY

FINANCIAL SERVICES PROVIDERS – SA COMPOSITE

SOUTH AFRICA

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1 | INTRODUCTION

The Financial Advisory and Intermediary Services (FAIS) Act, No. 37 of 2002 read with the General Code of Conduct for Financial Services Providers and Representatives (FAIS General Code of Conduct) require Financial Services Providers (FSPs) to establish, maintain and implement an effective Conflict-of-Interest Policy. Discovery Limited and its FSPs are committed to comply with relevant financial sector laws, regulations and professional standards.

The Chief Executive Officer (CEO) of each Discovery FSP is responsible for ensuring appropriate operational controls and oversight mechanisms are implemented, to assist the FSP in meeting its regulatory obligations and effectively managing conflicts of interest.

Senior management[1]acknowledge that a conflict of interest is not always easily identifiable. The policy therefore provides a framework for identifying, assessing, disclosing, managing and where necessary avoiding actual, potential and perceived conflict of interest.

The objective of this policy is to:

- Promote the fair treatment of clients and ensure that their interests are not unfairly prejudiced.
- Assist Discovery FSPs, key individuals and representatives in identifying and managing conflicts of interest.
- Ensure compliance with the FAIS Act and other applicable regulatory requirements.
- Promote transparency, accountability and ethical conduct throughout Discovery's FSPs.
- Establish consistent governance, reporting and monitoring practices for conflict of interest management across all Discovery FSPs.

2 | APPLICATION

This policy applies to:

- Representatives[2] and key individuals of the following Discovery FSPs:
  - 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)
  - Discovery Bank Ltd. (FSP 48657)

  All Discovery FSPs are wholly owned subsidiaries of Discovery Limited.

- A third party and their employees who engages with Discovery, and who may give or receive a financial interest or immaterial financial interest during the course of such engagement[3].

The various FSP boards must formally adopt this policy and ensure the implementation of robust processes that align with its core principles and purpose.

[1] *"Senior management" refers to the executive members of each Discovery FSP and its key individuals.*
[2] *"Representatives" include juristic representatives of the Discovery FSPs.*
[3] *As defined in Annexure A.*

3 | WHAT IS A CONFLICT OF INTEREST?

A conflict of interest arises when an FSP or its representative has an actual, perceived, or potential interest that could compromise or reasonably be perceived to compromise their objectivity when rendering a financial service to a client.

Such conflict may unfairly influence the performance of a financial service, interfere with obligations owed to a client, or prevent the provision of unbiased and appropriate financial advice and services that are in the best interests of the client.

4 | HOW TO IDENTIFY A CONFLICT OF INTEREST?

To effectively identify a conflict of interest, a representative and/or key individual must assess whether:

- The client's interests may be prejudiced or adversely affected.
- Their objectivity, independence or impartiality may be compromised.
- They have or may obtain inappropriate personal benefit.
- Discovery's interests are or may be in conflict with those of the client;
- Any actual, potential or perceived conflict of interest exists; or
- Any gift, benefit or hospitality offered to or received from a defined third party exceeds the statutory limit of R1 000.00 per annum.

5 | DISCLOSURE REQUIREMENTS

An FSP and representative must avoid conflicts of interest wherever possible and where avoidance is not possible, take appropriate steps to manage and mitigate such conflicts.

Where a conflict of interest relates to a client, it must be disclosed to the client in writing at the earliest reasonable opportunity. The disclosure must include the following:

- The details of the conflict of interest.
- The measures taken 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.
- Details about any relationship or arrangement with a third party that gives rise to conflict of interest. The disclosure must be sufficient to enable the client to understand the nature and extent of the conflict and its potential impact.

The client must be informed of this policy and how it can be accessed.

6 | INCENTIVES AND REMUNERATION

Discovery's remuneration policies, including commission structures, incentive arrangements and rules, are designed to comply with applicable legislation and to minimise the risk of conflicts of interest.

Discovery must be able to demonstrate that the determination of, and entitlement to, any financial interest is based on measurable indicators relating to:

- The achievement of minimum service level standards in respect of clients.
- The delivery of fair outcomes for clients.
- The quality of the representative's compliance with the FAIS Act and any other applicable regulatory requirements.

Any incentive or rewards programmes must be approved by senior management, structured, communicated and monitored in a manner that does not encourage inappropriate advice, unfair client outcomes or conduct that compromises a representative's objectivity.

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

All fees, commissions and other remuneration arising from financial services rendered by a Discovery representative must be paid directly to the relevant Discovery FSP and not to the representative directly.

7 | FINANCIAL INTEREST OFFERED

A Discovery FSP or product house is allowed to offer or receive a financial interest, including fees or remuneration to or from a third party for services rendered, provided that such remuneration is reasonable and commensurate with the service rendered and is compliant with applicable legislative requirements.

The payment of these fees can only be made if:

- The financial interest is 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 substantially similar service.
- Any actual or potential conflict of interest arising from the arrangement is appropriately identified, managed and mitigated.
- The arrangement does not impede the delivery of fair outcomes to clients.
- The financial interest, the nature of the relationship giving rise to it, and the reasons for the remuneration are disclosed to the client, where applicable.

No financial interest may be offered, received or accepted where it is intended to influence the objective performance of a financial service or encourage conduct that is contrary to the fair treatment of clients.

Immaterial Financial Interest

An immaterial financial interest with a determinable monetary value may not exceed R1,000.00 in aggregate per representative from the same third party in any calendar year.

Where an immaterial financial interest is offered or received, the relevant Discovery FSP or product house must record the interest in the Conflict of Interest Register, including the nature and value of such an interest.

Where a Discovery FSP interacts with other FSPs[4], 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 financial interests for purposes of this policy:

- Training, that is not exclusively available to a selected group of FSPs or representatives and which relates to:
  - Products and legal matters relating to those products
  - General financial and industry information
  - Specific technological systems (of a third party) necessary for rendering a financial service client;
- Ownership interest
- A qualifying enterprise development[5] contribution to a qualifying beneficiary.

8 | SIGN-ON BONUS

The FAIS Act and General Code of Conduct place strict limits on the payment and receipt of sign-on bonuses.

No person may offer, provide or receive a sign-on bonus as an incentive for an FSP or representative to render financial services on its behalf, except where expressly permitted by legislation.

A sign-on bonus may only be paid to a new entrant being a person who has never previously been authorised as a FSP or appointed as a representative of an FSP.

9 | REPORTING OBLIGATIONS

Any person must report any potential, perceived or actual conflict of interest concerns to Discovery by reporting it to their direct manager and updating the Conflict of interest Register on Plumbline.

Certain conflict of interest may be managed through disclosure, approval and ongoing monitoring. Such matters must be disclosed to management and, the actual or perceived conflict must be recorded in the Conflict of Interest Register together with the approval/rejection of the conflict by management.

Certain conflicts are prohibited and cannot be approved under any circumstances. For a non-exhaustive list of examples, please refer to Annexure B.

Consequences of non-disclosure and reporting

All instances of non-compliance with this policy will be included in the regular risk-reporting process. Failure to disclose and report a conflict of interest or any deliberate contravention of this policy may result in disciplinary and regulatory action.

Depending on the nature and severity of the breach, the following action may be taken:

- Disciplinary action: This may range from a formal warning to suspension, commensurate with the severity and nature of the breach.
- Termination of employment: Severe or repeated violations may lead to the termination of employment.

[4] *"Other FSPs" include Discovery FSPs.*

[5] *Discovery invests in enterprise development for 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.*

- Legal action: In instances where non-compliance results in legal ramifications, Discovery reserves the right to pursue legal action.
- Financial penalties: Any financial gains derived from non-compliance will be subject to forfeiture and the individual may incur additional financial penalties.
- Debarment: Non-compliance may lead to the debarment of the representative in line with regulatory requirements.

10 | CONFLICT OF INTEREST TRAINING, AWARENESS, ATTESTATIONS AND REGISTERS

Training and Awareness

All representatives and key individuals are required to familiarise themselves with this policy and any related procedures. To support ongoing compliance, the FAIS COE will provide periodic conflict of interest awareness and refresher training. Discovery FSPs must ensure that all employees complete the necessary training.

Annual Attestation

All representatives and key individuals must complete an annual conflict of interest attestation and must disclose, without delay, any actual, potential or perceived conflict of interest that arises during the year. Such conflicts must be reported and managed in line with this policy and the applicable conflict management procedures.

Registers

To support transparency, accountability and effective management of conflict of interest, Discovery maintains a central Conflict of Interest Register on the Plumbline platform, which is accessible to all key individuals and representatives. All disclosed conflicts are recorded, assessed, monitored and managed through this register.
Discovery further maintains records of:

- Material ownership interests held by Discovery FSPs in third parties,
- Material ownership interests held by third parties in Discovery FSPs, and
- Third-party relationships and arrangements that may create or contribute to actual, potential or perceived conflict of interest.

These records support the identification, assessment, monitoring and management of conflict of interest across the business.

11 | COMPLIANCE WITH THIS POLICY

The FAIS COE is responsible for maintaining, reviewing and updating this policy and for providing guidance on the business activities or arrangements that may give rise to a conflict of interest.

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 as set out in the policy.

The Discovery SA Risk and Compliance Committee is responsible for monitoring compliance with this policy. It is the responsibility of every employee, representative and key individual to proactively identify and escalate any situations that may present a conflict of interest. Any breach of or non-compliance with this policy must be reported to the FAIS COE as soon as reasonably practical.

12 | ANNEXURE A – DEFINITIONS

Definitions	
Associate	**In relation to a natural person,** means (i) a person who is recognised as the spouse, life partner or civil union partner of a 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 subparagraphs (ii) to (iv); (vi) a person who is in a commercial partnership with that person. **In relation to a juristic person,** means (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; (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; (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; (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; **In relation to any person,** means (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; (ii) includes any trust controlled or administered by that person.
Client	A natural person or legal person who purchases or receives advice and/or intermediary services regarding a financial product and/or service from an FSP.
Conflict of Interest	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 manner. Conflict of interests 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. A perceived conflict of interest exists where a reasonable person may conclude that an individual's objectivity or ability to act in the best interests of a client could be compromised.
Financial Interest	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; and (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; c) a qualifying enterprise development contribution to a qualifying beneficiary entity by a provider that is a measured entity.
Immaterial Financial Interest	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 **same third party** in that calendar year received by: a) an FSP who is a sole proprietor; b) a representative for their direct benefit; or c) and FSP, who for its benefit or for the benefit of some its representatives, aggregates the immaterial financial interest paid to its representative.
Ownership interest	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 (i) includes any dividend, profit share or similar benefit derived from that equity or ownership interest.
Representative	Representative bears the meaning assigned in the FAIS Act and includes any person authorised, appointed or mandated by a Discovery FSP to render financial services on its behalf.
Runner	Any person acting on behalf of a representative providing advice and/or intermediary services to the client and/or on behalf of the representative to the client, i.e. ▪ a person that sells the product to the client, ▪ a person that provides the representative with a completed application form without the representative communicating with the client, and ▪ where the representative accepts the business from the person (runner) and submits it under their representative code.
Sign-on bonus	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: (i) compensation for the potential or actual loss of any benefit including any form of income, or part thereof, or

	(ii) cost associated with the provider's business or operations, including the sourcing of business, relating to the rendering of financial services; or (iii) a loan, advance, credit facility or any other similar arrangement.
Third party	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.

POLICY CONTROL

DETAILS

POLICY OWNER | GROUP COMPLIANCE | FAIS COE
POLICY LEVEL | SA COMPOSITE ONLY
LEVEL OF APPROVAL | BOARD
FREQUENCY OF REVIEW | ANNUALLY



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