GUARDRISK
TAILORED RISK SOLUTIONS

Conduct Risk Policy

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1. Document Control

Document Owner	Chief Risk Officer
Author or Review	Risk Management Head
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2. Foreword

2.1. Overview

The Board is ultimately responsible for providing strategic direction and ensuring that adequate and effective policies, procedures, systems, and processes for risk management including establishing the overall risk appetite are in place to mitigate key risks faced by Guardrisk.

2.2. Purpose

Conduct is a lens into which the culture of the organisations is perceived. Managing and continuous improvement around conduct within Guardrisk is an essential part of building trust and supporting sustainable growth.

Conduct risk management, reporting, and analysis is a fundamental part of risk management.

The purpose of this policy is to outline the process, principles and requirements for managing risks relating to conduct within the organisation. This policy is a component of the Guardrisk Group (Pty) Limited ("Guardrisk") Enterprise Risk Management Framework ("ERM Framework") which sets out minimum standards around the management of key categories of conduct risks as well as the business' approach to internal controls.

2.3. Applicable rules and regulations

This policy is consistent with the objectives and key requirements of the:

- Prudential Standard GOI 3,
- Long Term Insurance Act: Policyholder Protection Rules,
- Short Term Insurance Act: Policyholder Protection Rules,
- Principle of Treating Customers Fairly,

that require the insurer to have a board-approved enterprise-wide conduct risk management system consisting of risk management procedures and tools that enable the insurer to identify, assess, monitor, report on, and mitigate material conduct risks to which it is exposed.

2.4. Scope

Guardrisk is a subsidiary of Momentum Group Limited ("the Momentum Group") and it develops its conduct management framework and methodologies in conformance with any applicable guidance issued by the Momentum Group. This policy applies to following legal entities that are part of the Guardrisk Group:

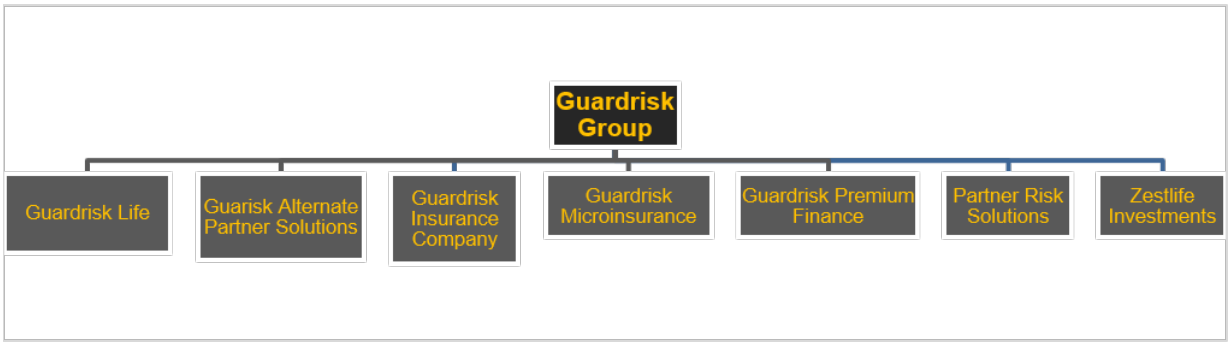

Figure 1 – Guardrisk entities in scope

3. Link between the Business Conduct Risk (BCR) Policy and other documents

Document Name	Brief Description
Guardrisk Enterprise Risk Management Framework	Defines the overall Guardrisk's risk management system. This system is the approach which ensures that Guardrisk conducts its business in the right way and manages its financial resources responsibly to safeguard the interests of all stakeholders.
Guardrisk Risk Taxonomy	Outlines a common and stable set of risk types and sub-risk types used within Guardrisk.
Guardrisk Code of Ethics	Defines Guardrisk's ethical standards and provides guidance for the behaviour of employees and other stakeholders.
Compliance Framework	Intended to ensure that the Board, Chief Executive and Senior Management discharge their respective responsibilities of oversight and the management of Guardrisk's compliance risks and exposures. The framework sets the minimum requirements to ensure that compliance risks and exposures are adequately and effectively managed.
Third Party Risk Management Framework	Establishes the minimum requirements for the outsourcing of material functions in line with the Joint Standard on Outsourcing for Insurers and Prudential Standard GOI 5.
Market Conduct Framework	Defines the overall Guardrisk's market conduct processes and outlines the market conduct functions.
FAIS Conflict of Interest Management Policy	Sets out the principles to manage conflicts of interest when dealing with financial products and services.
Suite of Human Capital Policies, including policies and standards relating to culture.	The Group Human Capital policies that govern employee behaviour, including culture.

Focus throughout this document is placed on conduct risk policy statements in order to provide direction to all employees of Guardrisk as well as to third party service providers that interact with our customers or that provide support services to Guardrisk.

The objective of these policy statements, as a collective, is to define the behaviour that creates the culture where fair and ethical treatment of customers is central to the way we do business and where the integrity of the market we operate in is protected. These policy statements should be read with and are supported by other policies. This policy gives direction and guidance in the following conduct areas:

- People Conduct and Culture
- Business Conduct

4. Conduct Risk Policy Statements

4.1. People Conduct and Culture Policy Statements

Theme	Policy statements
Culture and Behaviour	• Board and senior management must lead by example by demonstrating the appropriate conduct that contributes to Guardrisk's culture. • Fair play and ethical considerations in all business activities and relationships, particularly in the treatment of customers, is an important foundation of the culture. • Employees should receive relevant training and communication relating to the Guardrisk's Code of Conduct, Ethics and Fraud Risk Management, and their expected behaviours and attitudes, and this should be linked to individual performance metrics.
Embedding FairTreatment	• Board and senior management must provide evidence of a focus on the needs of the customer in the overall business strategy and execution thereof. • Board and senior management must support the creation of a culture where everyone has ownership and responsibility for "doing the right business in the right way." • Through the implementation of the Market Culture Conduct, Code of Conduct, Ethics Risk Management, Anti-Bribery and Corruption and Insurance Fraud policies, the Board and senior management have set Guardrisk's values and principles. These principles are consistently reflected in Guardrisk's business practices, supported by technical areas and the second line of assurance.

4.2. Business Conduct Policy Statements

Theme	Policy statements
Product Development and Pricing	• Products must be developed to meet customer's financial needs and reasonable expectations. • Products and distribution strategies must deliver to the needs of identified customer groups. • Products must be designed and reviewed to ensure alignment with Guardrisk's business model, objectives, its risk management approach and applicable rules and regulations. • Management must ensure that product development processes are documented. • Products must be evaluated throughout their life cycle to ensure that they continue to meet customer needs. • Customer fairness and ethical considerations must be considered and evidenced

Theme	Policy statements
	in product design and review processes.
Marketing and Communications	• Marketing material, policy documentation and general communication to customers, including disclosures, must be factually correct, clear and complete. It should be in plain, understandable language, taking into account the reasonable assumed level of knowledge of the targeted customer groups, and should not be misleading. • Marketing material, policy documentation and general communication to customers must provide a balanced presentation of key information that, where relevant, includes policy benefits, material exclusions, policy fees, costs & charges and terms and conditions. • There must be appropriate governance and oversight in respect of the review and approval of marketing material, policy documentation and general communication to potential and existing customers. • The technical content of marketing material, policy documentation and general communications must be such that a customer can make an informed decision on whether the product is appropriate to his/her needs based on how the product is expected to behave over time.
Claims	• There must be no unreasonable barriers when making a claim. • Claims procedures must be clearly communicated to customers. • Customers must be kept appropriately informed during the claims process. • Practices where information relevant to our willingness to enter an insurance contract (and the terms thereto) are obtained only at claims stage should be avoided. • Claims handling, and turnaround times, must be in line with what the customer was led to expect and in line with Rule 17 of the Policyholder Protection Rules. • Claims must be handled (and investigated) objectively and impartially. • Each claims team must have oversight and responsibility for the provision of fair and transparent claims handling processes, even if outsourced (in part or in full). • The Claims Management Framework must be reviewed annually to ensure it remains in line with fair practise and regulatory requirements. • All binder holders processing claims on behalf of Guardrisk, whether an NMI (Non-Mandated Intermediary) or a UMA (Underwriting Manager) must have a Claims Management Framework that complies to Rule 17 of the Policyholder Protection Rules and which is approved by Guardrisk. • The Claims Management Framework must ensure full escalation processes for representation, Goodwill requests, late interest payments, complaints on repudiated claims, complex claims, unclaimed benefits and claims requiring Guardrisk approval. • Claim forms must be clear and concise with full checklists of the documentation required for assessment of a claim that aligns to each policy document. • Claims reviews or Audits are to be conducted annually to validate and confirm compliance by our clients with the regulatory standards and industry best practice
Complaints	• There must be no unreasonable barriers when lodging a complaint. • Complaints procedures must be clearly communicated to customers. • Customers must be kept appropriately informed during the complaints process. • Customer complaints must be recorded accurately and consistently. • Complaints handling, and turnaround times, must be in line with what the customer was led to expect. • Offers of redress where a complaint is upheld should be fair and align to Guardrisk's Complaints Principles.

Theme	Policy statements
	• Complaints must be handled (and investigated) objectively and impartially. • The Market Conduct teams must have oversight and responsibility for the provision of fair and transparent complaints resolution processes. • The Complaints Management Framework must be reviewed annually and kept up to date with fairness principles and regulatory requirements. • Each intermediary and binder holder must have their own Complaints Management Framework that is approved by Guardrisk and in line with Rule 18 of the Policyholder Protection Rules. • Each framework must confirm timelines for complaints resolution and cater for the escalation process to Guardrisk, an Ombud scheme and the FSCA. • Market Conduct Reviews are conducted to validate and confirm compliance by our clients and/or identify areas where there is non-compliance.
Customer and Policy Servicing	• There must be no unreasonable barriers for customers and potential customers when lodging a complaint regarding customer and policy servicing. • The Policy servicing for customers, must be in line with what the customer was led to expect at sales stage, and must meet the customer's reasonable expectations. • There must be no unreasonable barriers to switch or to cancel policies. Our exit and cancellation policies should offer options that align with the underlying product designs and do not disadvantage other policyholders. Additionally, any charges should be consistent with the original customer promise and not be excessive.
Non-advice sales	• For sales where advice is not offered (non-advice sales), customers must be supplied with sufficient information to make informed decisions. • Sales scripts must contain all relevant disclosures and clear benefit explanations and further include all applicable waiting periods, exclusions, limitations, premium increases and cooling-off period. • Care should be given to provide adequate and clear information in respect of products that have more complex or bundled features which are likely too difficult for customers to understand.
Training	• Regular training should be provided by the product owners to all relevant stakeholders. • Process owners and subject matter experts (including compliance, and complaints) should ensure that appropriate training is provided to relevant stakeholders.
Regulatory Matters	• Guardrisk has no appetite for deliberately and knowingly breaching legislative and regulatory requirements. • Guardrisk has no appetite for deliberately and knowingly breaching internal policy requirements that will result in poor and unfair outcomes for customers.

**Same principles are applicable to Guardrisk's Cell owners, binders, and administrators.*

5. Conceptual framework for assessing conduct risk

In assessing conduct risk the following outcomes should be assessed:

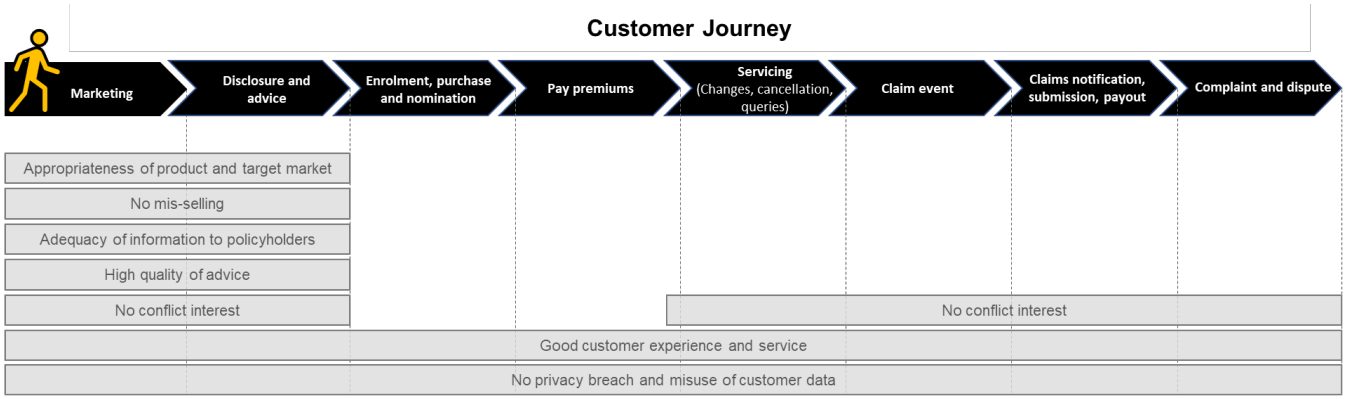

Figure 2 - Good customer outcomes throughout the customer journey

Product appropriateness – that the product delivers the reasonably expected benefits for the premium paid and is appropriate for the needs of the consumer.

Customer value – Whether customers are getting good value (i.e. actual claims pay-out – amounts and frequencies of successful and satisfactory claims and expected claims in return for the premiums they pay.

Good customer experience – the consumer has a good experience through the lifecycle of the policy.

High quality of service – Guardrisk and/ or cell captives carries out policy servicing and policyholder communication in a fair, timely and transparent manner, appropriately through to the point at which all the obligations under the policy have been satisfied. This includes the following as examples:

Promptly acknowledging and responding to communications.

It also covers how the Guardrisk and/ or cell captives and/ or intermediaries handles claims, complaints, disputes, fraud investigations and any request for information.

High quality advice – refers to the provision of a personalised recommendation or guidance on an insurance product in relation to the disclosed needs of the customer. The advice would relate to selection, purchase, alteration, replacement or termination of a policy. The advisor should not only understand the product but also the outcome the policyholder is looking for.

Adequacy of information to the customer – Providing appropriate information about a product in order for the customer to make an informed decision about the arrangement proposed, as well as providing relevant information to customer throughout the life of the policy. This includes the following as examples:

- Understanding their rights and obligations post-sale.
- Appropriateness of the information for the target market and their socio-economic background (i.e. ensuring that the policy language is understandable).

Non-mis-selling – Refers to deceptive and unfair marketing and sales practices, primarily by misrepresenting the cover and service provided or the cost to the consumer. This includes the following as examples:

- Exaggerating or making unfair comparisons of benefits
- Downplaying the true price,
- Omitting hidden costs, contingencies and exclusions and other product shortcomings.

Target market is appropriate – Distribution methods and strategies should be appropriate for the product.

No conflict of interest – the interest of the Guardrisk, cell captives or intermediaries should not conflict with the duty of care owed to the policyholder.

6. Conduct Risk Management Program

6.1. Information Gathering

Policyholder information gathering can through various channels including regulatory returns, electronic daily data submission by cell captives, complaints department, ombud, media etc.
In gathering information, the availability and quality of data is vital. Reliable and relevant data allows for credible assessment of the cell captives risk profile, subsequently effective monitoring and interventions.

Principles for good quality data:

- Meaningful and relevant
- Accurate, reliable and comprehensive
- Consistent and clearly defined
- Timely and up to date
- Readily available and easy to use

6.2. Data Analysis

This involves qualitatively assessing the information. Multiple key performance indicators should be triangulated to enable analysis of ratios and trends. The actual ratios for the period should be benchmarked against the following:

- Internal conduct risk appetite limits/ thresholds
- Industry performance

6.3. Formulation of Insights

Warning flags, i.e. conduct key risk indicators which ascertain the stance on whether customer outcomes are met should be developed and monitored. For these to be effective the key risk indicators need to be leading as opposed to lagging.

Where key risk indicators, actual ratios, key performance indicators are found to be in breach of the tolerance thresholds, root cause analysis should be performed to determine the reasons behind the deviation. Adequate remedial action plans need to be put in place to mitigate the risk of reoccurrence of breach from reoccurrence in future.

Progress on implementation of the remedial action should be monitored as part of the ongoing monthly risk business engagement process. The breach issue should only be closed (i.e. cease from being tracked) when the agreed remedial action plan has been fully embedded.

7. Roles and Responsibilities

Market Conduct Business units	• Take full accountability to manage conduct risk for their area of responsibility. • Ensure implementation of the applicable requirements of the policy by allocating by implementing appropriate controls. • Empower risk control functions to assist in the management and oversight of conduct risk related matters. • Reports Conduct Risk information to all relevant committees, and at a minimum to the Market Conduct Steerco.
Risk Control function	• Remains accountable for maintenance of this policy. • Drive the embedment of the conduct risk policy in business. • Support the business areas in ensuring that the conduct of the business adheres to the policy statements as articulated.

	• Provide relevant support; including guidelines, standards, tools and training to facilitate the implementation of this policy. • Monitors and reports on conduct risk in the Guardrisk Risk Profile to the Audit and Risk Committee.
Compliance Control function	• Ensure this policy aligns to all applicable conduct related laws and regulations. • Assess and monitor regulatory control effectiveness as prioritised in the regulatory universe and the compliance monitoring plan, as well as reporting on the outcome of the review to the Audit and Risk Committee.
Internal Audit Control function	• Internal Audit is responsible for ensuring all departments adhere to the mandatory processes and controls outlined by this Policy. • Internal Audit is also responsible for the independent review of the Conduct Risk Policy as well as reporting on the outcome of the review to the Audit and Risk Committee.
Executive Committee	• The Executive Committee is responsible for strategic formulation but delegates to the various operational forums or persons to manage, monitor report conduct risk.
Audit and Risk Committee	• The Committee assists the board in carrying out its risk responsibilities and is responsible for ensuring all committees, forums and individuals that have responsibilities set out in this policy fulfil their responsibilities in a timely and diligent manner. • The committee must sign-off acceptance of the results received and monitor the progress reported for remediation area.
Board of directors	• The Board is ultimately responsible for ensuring that the requirements of this policy are adhered to, but it delegates some functions to Board committees, management committees, other forums, managers, and any other persons. The Board holds a supervisory responsibility.

8. Policy Review

- The Conduct Risk Policy will be subjected to review on an annual basis. The policy amendments will be tabled at the Guardrisk Exco for commentary and approval for tabling at the Guardrisk Board.
- The Board has the authority to make amendments and may delegate responsibility to an employee or an external consultant for the drafting of amendments.
- In the event that an inadequacy of any element of the policy is identified during embedment of this policy, the section of the Policy will be amended outside of the annual review process. Ratification will be obtained from the Guardrisk Exco.
- Upon identification of a new risk within the scope of this policy or an ad-hoc event or catalyst prompting the review of the Policy, this would be reported through the reporting mechanisms to the Board.

9. Abbreviations

Abbreviation	Description
1. Ops Meeting	Business/ planning unit operational meeting
2. Manco	Planning unit management meeting
3. GR Exco	Guardrisk Executive Committee Meeting
4. GR CAF	Guardrisk Combined Assurance Forum
5. GR ARC	Guardrisk Audit Risk Committee

ANNEXURE A – Key Risk Indicators per outcome

Measurement criteria

Risk rating	Rating rationale	Action
Major concerns	In breach of the upper limit, i.e. industry benchmark/ standards.	Immediate remediation required.
Improvement required	In breach of the lower limit, i.e. management threshold.	Remediation required to get to an acceptable level.
Acceptable	Within acceptable appetite range.	Controls are adequate.

Whilst complaints remain a good source of information for most of the outcomes, the following key risk indicators should be monitored against conduct outcomes:

Outcome	Indicators
Appropriateness of target market	• Complaint volumes, issues and reasons • Lapse rates and reasons for poor persistency • Claims outcomes
Quality of advice	• Complaint volumes, issues and reasons • Lapse rates and reasons for poor persistency • Claims outcomes
Customer experience	• Complaint volumes, issues and reasons • Claims turnaround times • Complaint handling turnaround times
Quality of service	• Complaint volumes, issues and reasons • Claims turnaround times • Lapse rates
Mis-selling	• Complaint volumes, issues and reasons • Lapse and cancellation rates • Complaints by channel/insurer/product
Customer value	• Claims ratio, volumes and values • Rates and reasons for claim denied • Claims turnaround times

ANNEXURE B - Oversight and Monitoring

Assurance providers will use the following criteria as a guide when reviewing conduct controls within Guardrisk and all other relevant stakeholders.

Aspect	Monitoring
Fair treatment policies, procedures and culture	• Market Conduct Culture Framework in place. • Market Conduct Culture Framework incorporate culture at each stage of the life cycle of a product. • Company strategy includes policyholder interests • Assignment of conduct matters accountability at board and senior management level. • Controls in place to identify and mitigate conflict of interest. • The extent that the management information systems and other control structures enable insights into customer experience and conduct related risks.
Product development	• The effectiveness of a cell captive's product approval (in terms of ensuring positive customer outcomes).
Advertising	• Effectiveness of a cell captives process for reviewing advertising material prior to its publication.
Disclosure	• Quality and control on the production and dissemination of contractual and pre-contractual information.
Advice and conflict of interest	• Controls and processes for ensuring suitable advice to customers. • Mechanisms to identify, prevent, disclose and manage conflict of interest. • Controls surrounding the remuneration process for those selling or providing advice to customer to ensure it does not put customer interests at risk.
Post sales servicing	• Adequacy and effectiveness of controls to monitor the quality of on-going post-sale policy servicing. • Adequacy and effectiveness of controls to monitor outsourced service providers.
Claims process	• Controls and processes for ensuring fair claims handling practices. • Standard operating procedures. • Dedicated staff that handle complaints • Communication with claimant • Record keeping
Complaints management process	• The adequacy and effectiveness of processes and controls for fair complaints handling practices. • Complaints handling culture – Achieving a balance between non-negotiable procedures and being considerate