
FINANCIAL CRIME RISK MANAGEMENT POLICY

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1. PURPOSE OF THE POLICY

This document defines the Financial Crime Risk Management (FCRM) Policy for Hollard Holdings (Hollard) and the regulated insurance entities operating within the Group.

Managing financial crime (including fraud, theft of company assets, cyber-crime, conflicts of interests and bribery and corruption) within Hollard requires a definitive strategy combined with a good value and ethics system. FCRM involves a number of measures which form part of a “layered” approach to mitigating financial crime risk. A best practice FCRM model has four key focus areas, namely; prevention and deterrence, detection, investigations (response) and remediation, all underpinned by an effective governance model.

The purpose of this Policy is to:

- Set the “Tone from the Top” of FCRM with a clear statement from the Board and Executive Management (“Exco”);
- Outline the principles and strategy of the prevention and deterrence, detection, investigation, remediation and governance of financial crime and the effectiveness thereof within Hollard;
- Socialise the reporting obligations in terms of the Prevention and Combatting of Corrupt Activities Act (PRECCA) and make provision for the confidential and anonymous reporting of financial crime in terms of the Protected Disclosures Act; and
- Outline the mandate of the FCRM function of Hollard.

2. APPLICATION OF THIS POLICY

The requirements set out in this Policy apply to Hollard Holdings and provides mandate for the Group and Business Financial Crime Risk Management functions.

The implementation of this Policy will be proportionate to the nature, scale and complexity of each of the various Companies. The principle of proportionality is of particular importance to ensure the consistent application of the Policy whilst ensuring a fair and balanced approach to implementation. Proportionality is broadly defined with reference to the following measures:

- *Nature* – The specific nature of insurance activities including, for example, types of lines of business and the number of lines of business;
- *Scale* – The size of insurance activities including for example gross premium and maximum risk retention;
- *Complexity* – The complexity of the insurer and its activities including the business and distribution model, governance structures, product design, number of lines of business and special or alternative risk transfer activities.

This Policy applies to all Hollard employees, contractors, partners, vendors and intermediaries. Consequences of committing a Financial Crime (including fraud, theft of company assets, cyber-crime, conflicts of interests and bribery and corruption) could include the following:

- Disciplinary action which could result in dismissal;
- Reporting to the Financial Sector Conduct Authority (FSCA) which could result in debarment;
- Criminal case reporting including Prevention and Combating of Corrupt Activities (PRECCA) reporting where applicable in terms of the legislation;
- Civil case proceedings;
- Recovering of funds through the individuals Pension / Provident Fund; and
- Reporting to Insurance Industry Bodies such as the Insurance Crime Bureau.

3. FINANCIAL CRIME RISK MANAGEMENT VISION AND MISSION

To provide Hollard and its stakeholders with Financial Crime Risk Management solutions in support of a “Green Control Environment” to mitigate financial crime exposure and minimise the impact thereof.

This will be achieved by providing strategic Financial Crime Risk Management solutions across the value chain (prevention, detection, investigations and remediation), underpinned by an effective standards and conformance model.

Financial Crime Risk Management – Partnering with all stakeholders to manage financial crime risks which will enable stakeholders to achieve sustainable and inclusive growth to create a win-win-win situation.

4. FINANCIAL CRIME RISK APPETITE STATEMENT

Hollard accepts that its operating environment heightens exposure to the risk of Financial Crime. These practices are in direct contravention to Hollard’s values. Hollard will mitigate such actions as deemed necessary in line with the Hollard Financial Crime Risk Management Policy. Hollard has no tolerance for Financial Crime.

5. POLICY FORMULATION

The principles and objectives of the Hollard FCRM Policy will be supported by several policies, standards, procedures and other documentation adopted throughout Hollard, as well as relevant legislation.

6. ROLES AND RESPONSIBILITIES

Financial crime risk is an operational risk and is defined in the ERM Framework with a key focus on internal and external financial crime risks that impact Hollard. The detailed risk management roles and responsibilities for key stakeholders in Hollard’s system of risk management are outlined in the ERM Framework. These include the minimum regulatory requirements as prescribed by regulators. Practical application and additional details about Hollard’s risk operating processes as it relates to the Board, Senior Management, Control Functions and Combined Assurance are set out in a number of stand-alone policies.

The Group FCRM function operates within the Risk Management function and primarily serves the role as the “2nd line of defence” within the system of risk management. The Business FCRM function or equivalent function set up in business operates within the “1st line of defence” under the “business assurance” function or equivalent function set up to support the Senior Management of the business to maintain a system of internal control relating to financial crime risks.

The detailed roles and responsibilities for the Group FCRM function as well as the Business FCRM functions have been outlined in the FCRM Engagement Model and point 8 of this policy.

7. FINANCIAL CRIME RISK MANAGEMENT MANDATE

The Group FCRM and Business FCRM functions receive its mandate from the Audit and Compliance Committee as delegated by the Board, in terms of this Policy.

The Group FCRM function must have seniority and authority, have reporting lines that support independence, unrestricted access to relevant information, direct access to the Board through the powers attached to the Chief Risk Officer (CRO), freedom to report to the Board without fear of retaliation from Senior Management.

The FCRM function has the authority to examine, copy and / or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on Hollard premises without prior knowledge or consent of any individual who may use or have custody of any such items or facilities if it is within the reasonable scope of their investigation and within legal limits of the country’s laws and other company policies.

During the execution of financial crime risk management activities, FCRM shall obtain the necessary assistance from staff and management of Hollard as well as from other specialised services from within and outside the Group, within the prescriptions of this Policy, or as approved from time to time by the Head of the Group FCRM function or the CRO

The FCRM team mandate extends to the following financial crime risks (perpetrated either internally or by external parties) against Hollard, but is not limited to:

- Any dishonest or fraudulent act;
- All matters that may have potential staff involvement;
- Misappropriation of funds, securities, supplies, or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Profiteering as a result of insider knowledge of company assets;
- Disclosing confidential and proprietary information to outside parties;
- Disclosing to other persons, securities activities engaged in or contemplated by the company;
- Conflict of interest;
- Cyber related crime;
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and
- Any similar or related irregularity or non-adherence to related Hollard policies.

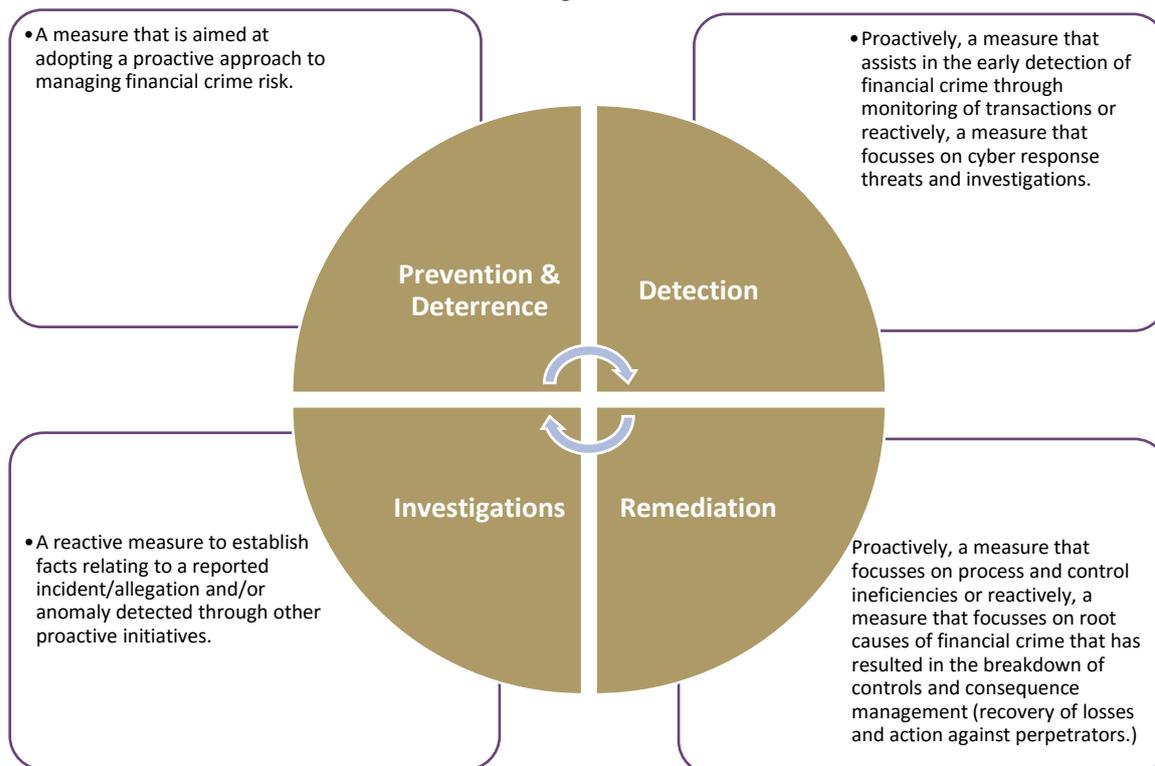
8. FINANCIAL CRIME RISK MANAGEMENT OPERATING MODEL

Hollard adopts an integrated and holistic approach to financial crime risk management, across the FCRM value chain and Hollard has no tolerance for financial crime.

The FCRM model is designed to ensure that objectivity and independence is maintained during execution of core components of the FCRM value chain.

The following diagram illustrates the core components of Hollard’s system of financial crime risk management. The effective operation of these components is required in order to meet the principles and objectives set out in the FCRM strategy.

The FCRM value chain focuses on the following:



The FCRM model is developed on an integrated framework, with clear interdependencies within all specialisation areas within FCRM, supporting the strategic view that “the whole is more than the sum of its individual parts.”

The FCRM value chain focuses on the following:

a) Prevention and Deterrence

The key focus areas for financial crime risk prevention and deterrence includes:

- *Financial crime risk awareness and training:*
Ongoing awareness and training promotes a culture of good governance and increased vigilance regarding financial crime related risks. Awareness and training initiatives may

include induction for new recruits, general financial crime awareness and policy training, red-flag and document fraud training and process and control training.

- *Financial crime risk marketing and communications:*
Effective marketing and communications support the strategy of FCRM by encouraging vigilance and reporting of financial crime within the Hollard.

Group FCRM will be responsible for the Hollard prevention and deterrence initiatives and will support Business FCRM functions when and where necessary. Business FCRM functions will be responsible for identifying prevention and deterrence requirements within Business and support the roll out of Group FCRM prevention and deterrence initiatives.

b) **Detection**

The key focus areas for financial crime risk detection includes:

- *Financial Crime Data Analytics:*
It is critical that the FCRM function have a monitoring process in place to serve as an early detection control, highlighting potential financial crime. Exception reports must be developed on known financial crime scenarios which will highlight “red flags” to assist business to mitigate financial crime risk.

Group FCRM will be responsible for continuous monitoring across Hollard. Business FCRM functions will be responsible for data analytics specific to their business with support from Group FCRM when and where necessary.

- *Financial Crime Reporting:*
An inclusive case administration system must be in place to ensure that accurate financial crime statistics are collated and reported across the financial crime risk management value chain. Reporting on financial crime statistics is prescribed for various industry and regulatory institutions.

Group FCRM will be responsible for statistically reporting and the administration of the case management system. Business FCRM will be responsible for ensuring accurate information is provide for reporting purposes.

- *Digital Forensics Framework and Services:*
As part of an effective detection strategy, an operative digital forensics framework will support the mitigation of threats in the electronic media utilised by Hollard. Digital forensic services are critical in examining electronic media for evidence required for the management of financial crime risks perpetrated against Hollard either internally or externally.

Group FCRM will provide digital forensic services to Hollard. Business FCRM will support and report digital forensic requirements to Group FCRM when and where necessary.

c) Investigations

The investigations function provides an end-to-end investigation service, through the identification and classification of financial crime risk types, in accordance with the approved methodology. Effective investigation outcomes support the consequence management process and minimises losses to Hollard.

Group FCRM will Investigate matters arising from Hollard Organizational Support Units, Group Shared Services, Corporate Services, projects that identifies common risks across Hollard, money laundering risks and all internal investigations (staff investigations) across Hollard as well as any ad hoc investigations / projects assigned to Group FCRM for investigation by the Board, Sub Committees or Executive Committee (Exco).

Business FCRM functions will deal appropriately with all operational investigation matters, claims assessments, preliminary screening and investigations, excluding staff investigations. Where there is a suspicion of staff involvement in matters investigated by business, these must be referred to Group FCRM.

d) Remediation

The key focus areas of Remediation and Recoveries includes:

- *Remedial Actions*

All control environment remedial actions that supports a “green control environment” recommended to business in relation to financial crime risk and all consequence management (disciplinary action, regulatory action, criminal action, civil action and industry action) will be tracked, monitored and reported to ensure value add to Hollard.

Group FCRM and Business FCRM functions will be responsible for tracking, monitoring and reporting on remedial actions for their respective areas of responsibilities.

- *Financial Crime Risk Assessments and Process and Control Reviews*

A risk based approach is adopted in collaboration with business to assess the prevalent financial crime risks and associated controls. This will be mapped against the Group’s risk rating matrix or “Heat Map “followed by the completion of a risk register as a value add to business. A root cause analysis and trend is conducted on financial crime loss events with the objective of improving the control environment.

Group FCRM will assist Business FCRM functions in determining fraud landscapes by supporting a process of Fraud Risk Assessments and Fraud Control Self Assessments.

9. REPORTING SUSPICIONS OF FINANCIAL CRIME

The FCRM function promotes the reporting of financial crime against Hollard.

Hollard subscribes to the Protected Disclosures Act (Act 26 of 2000) as amended, which encourages the reporting of all suspicions of financial crime to Hollard. All whistle-blowing reports are treated as either confidential or anonymous.

Confidential whistleblowing occurs when a whistle blower may choose to reveal his / her identity when making a disclosure. Hollard will respect and protect the confidentiality of the whistle blower and provides assurance that their identity will not be disclosed to any third party. The only exception to this assurance is if Hollard is ordered by a Court of Law to reveal confidential information relating to a whistleblowing report.

Whistleblowing reports may also be made anonymously, whereby the whistle blower may choose not to reveal their identity when making a disclosure. A whistleblowing tip-off line has been established to report suspicions of financial crime, non-compliance and unethical behaviour. The tip-off line is managed by an independent third party. Hollard uses the services of Deloitte and reports may be made to Hollard@tip-offs.com or 0801-516-170. Management of the whistleblowing tip-off line is guided by an established process which ensures that no potential conflicts of interest exists between the subjects implicated in the report and the recipient of that report.

Any employee, contractor, partner, vendor or intermediary who has a reasonable suspicion that financial crime is committed against Hollard has an obligation to report the matter, using the reporting mechanisms in place. Confidential reports may also be made directly to the FCRM functions.

All reports must be made without malice and in good faith. In cases where malicious disclosures are made, disciplinary action may be taken against internal parties or legal action may be taken by the affected party. Staff are obligated to report any suspected financial crime risks to FCRM and failure to do so may result in a disciplinary enquiry.

10. REPORTING

The Head of Group FCRM shall report on financial crime risks, compliance with this Policy and any other related issues to Hollard Group committees or any other external industry and regulatory bodies.

11. AMENDMENTS TO THE POLICY

Any material amendments to the ERM framework and this Policy that shall affect its nature will be approved by the Board. All other amendments shall be approved by the Chief Risk Officer.

12. POLICY ADMINISTRATION

Chief Risk Officer (CRO): Wikus Luus

Head Group FCRM: Roshen Ganaspersad

Version Control:

Policy Name	Version	Approval Date
Financial Crime Risk Management (FCRM) Policy	2	26 July 2018

Frequency of Review	Date of Next Review	Date of Last Review
Every two years or as required	July 2020	July 2015