



SAR Policy: Compliance Management

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Issued by	: SAR Compliance Function
Applicable to	: All SAR Employees and relevant Employees who are participants in the SAR rating processes
Scope	: All Credit Rating Actions and operations within SAR

Approved documents are held by the Compliance Officer of Sovereign Africa Ratings (Proprietary) Limited.

¹ Date on which the approved document takes effect.



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1 Policy Statement

The Credit Rating Services Act No. 24 of 2012 (CRS Act) establishes the framework for the management of compliance within Sovereign Africa Ratings (SAR). According to the CRS Act, Credit Rating Agencies (CRAs) whose ratings are utilised for regulatory purposes must be subject to a sufficient level of regulatory monitoring, which includes registration and continuing supervision. SAR is licensed by the Financial Sector Conduct Authority (FSCA) to operate as a credit rating agency beginning on March 8, 2022. According to Section 5 of the CRS Act, SAR is authorised to conduct the business of credit rating services.

This policy is intended to provide a structured framework within which the Board, management, and Compliance Function can engage from a shared compliance management approach in order to reinforce a compliance culture, embed and embrace the compliance methodology, and promote an environment for proactive and informed collaboration and decision-making.

Defined Terms and Abbreviations

Agent	Anyone representing a Rated Entity or a Rated Entity agent, whether an individual or a group.
Compliance Officer	Compliance Officer means the person nominated in this compliance plan or appointed by the Board to have primary responsibility for a compliance task set out in this compliance plan
Compliance Function	Compliance Function means, the Function appointed by the Board of Directors to oversee the implementation of this compliance plan.
CRA	Credit Rating Agency
Credit Rating	A Credit Rating is an opinion made by a CRA based on a predetermined ranking system of rating categories regarding the creditworthiness of an entity, debt or financial obligation, debt security, preferred share, or other financial instrument, or of the issuer of such a debt or financial obligation, debt security, preferred share, or other financial instrument.
Credit Rating Action	Any of the following is a credit rating action: <ol style="list-style-type: none"> 1. the process through which a credit rating is given to a rated entity or obligation, including credit ratings given during a subsequent rating process. 2. When relevant conditions are thought to have been satisfied in the anticipated rating process, a provisional note is removed from a credit rating. 3. a change to a credit rating (i.e., upgrade or downgrade). 4. placing a credit rating under review, reconfiguring an active review, or removing a credit rating from review (i.e., Credit Rating Confirmation).

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	<p>5. the assignment of, or modification of, an Outlook linked to a Rated Entity or several Credit Ratings.</p> <p>6. Credit Rating Affirmation.</p> <p>7. Credit Rating Withdrawal.</p>
Credit Rating Personnel	Credit Rating Personnel are SAR Analysts, Managers of SAR Analysts, and any other SAR Employees involved in developing or approving methods or methodologies utilised in providing Credit Rating Services, Ancillary Services, or Other Permissible Services. Any SAR employee assigned to a rating team who: (1) is not active in the rating process or (2) supports the rating process only through administrative responsibilities, such as entering data into internal systems, is not included in the definition of credit rating personnel.
Employee(s)	An Employee is any full-time or part-time employee of SAR or any of its subsidiaries and associated companies.
Issuer	An issuer is any entity that issues debt, a credit commitment, debt-like obligations, or securities. Examples of such entities include special-purpose vehicles, companies, governments, and local governments.
Lead Analyst (Lead Analyst)	Lead Rating Analyst is a term used to describe an analyst who is primarily responsible for providing details about a credit rating and/or for communicating with the issuer(s) regarding a specific credit rating or regarding the credit rating of a financial instrument issued by that issuer, as well as, when appropriate, for creating recommendations for the rating committee in relation to that credit rating.
Manager(s)	Managers are employees who oversee managing personnel.
Outlook	An Outlook is an opinion regarding the likely path of an issuer's rating could take over the medium term.
Prohibited Recommendation	It is prohibited for SAR analysts or persons who approve ratings to make proposals or recommendations or give advice, either formally or informally, regarding the design of structured finance instruments on which SAR is expected to issue a credit rating.
Rated Entity	A Rated Entity is any entity rated by a Credit Rating Agency (CRA)
Review	A review is an indication that a rating may be changing in the not-too-distant future.
SAR	Sovereign Africa Rating (Pty) Ltd is authorised to conduct business as a credit rating agency as per the Credit Rating Services Act No 24 of 2012.
Security	Security refers to any type of financial instrument, including stocks, bonds, debentures, notes, options, equity securities, convertible securities, warrants, derivative securities (Derivative), and warrants.

Subsequent Rating Process	Ratings after that Process is the process of determining the Credit Ratings to be assigned (together with the related outlook or review status, if applicable) solely based on the Credit Ratings of a programme, series category/class of debt, or principal Rated Entity that already exist.
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2 Application of the Compliance Management Plan

The Compliance Management Plan at SAR will be implemented in accordance with this compliance policy. All provisions of the compliance plan are applicable to the company, subject to the Credit Rating Services Act No. 24 of 2012 and Board Notice 228 of 2013, unless and until the Financial Sector Conduct Authority determines otherwise. The Credit Rating Services Act of 2012's Section 16 and Board Notice 228 of 2013's regulations and principles are followed in the establishment of the Compliance Function.

3 Purpose of the Compliance Management Plan

The Compliance Management Plan outlines the necessary measures the Compliance Officer must take to ensure that the company complies with the requirements of the Company's Act, the CRA Act, and Board Notice 228 of 2013. The compliance officer may create additional documentation and systems to describe topics covered by the Plan in greater depth. These could consist of additional rules, guidelines, or checklists for handling employee disciplinary actions. Despite not being a part of the compliance plan, they work in conjunction with it. The Compliance Officer is responsible for ensuring that the techniques and procedures used to achieve compliance are followed and remain suitable and efficient.

4 Commencement

This compliance plan becomes effective for SAR when:

- a) the business is granted a license under the Credit Rating Services Act;
- b) the Compliance Function decides to put the compliance plan into force in accordance with all notices specified in the Board Notice 228 of 2013 and related legislation;
- c) the compliance management plan is given board approval.

5 Changing the Compliance Management Plan

The compliance plan may be changed or modified by the Compliance Officer. The CRA Act and Board Notice 228 of 2013 must be complied with, with each revision. The Compliance Officer will also update the Board on such revisions for approval.

6 Approval of Policy

This Policy was approved by the board, and it will be reviewed annually.

Portia Divhani Ravuhali

Board Meeting, 2 August 2022

Approved by the board

Date

Chairperson of the board

7 Annexures

7.1 Procedure: Compliance Management

The policy statements are implemented by this Procedure.

7.1.1 The Compliance Function

The Compliance Officer and the Compliance Function may create additional documentation and mechanisms to specify the requirements in greater detail. The Compliance Officer is accountable for ensuring that the Compliance Function's personnel have the knowledge, tools, and resources necessary to carry out their duties.

7.1.2 Meeting

The Compliance Function will meet with the Risk Function on a monthly basis and take part in joint meetings with the Operations, Information Technology, Ratings, and other management functions on a regular basis.

The Compliance Function will meet with the Board to report and present to the Board at board meetings. The Compliance Function may also meet with Board members on an as-needed basis.

7.1.3 Reports and Recommendations

For the Compliance Function to effectively carry out its duties, the Board of Directors must receive reports from the Compliance Function on compliance matters as required by regulatory requirements, the Corporations Act, or in other situations where the Board and the Compliance Function determine that it is necessary.

The Credit Services Act No. 24 of 2012 (CRS Act) and any related subordinate legislation mandate that the Compliance Function submit a report to the Financial Sector Conduct Authority. As part of this, the Annual Report in accordance with Section 15 of the CRS Act and the Annual Compliance Report in accordance with Section 16(6) of the CRS Act must be facilitated.

7.1.4 Communications

The compliance plan comprises the notices and reports that must be delivered. These consist of escalating compliance risk to the risk function, disclosing compliance violations and exceptions to the company's regulator, and presenting compliance reports to the board of directors.

7.1.5 Access to Information and Resources

Each member of the Compliance Function must have access to policies, processes, and information that are pertinent to compliance in order to carry out their responsibilities.