



Policy: Conflicts of Interest

Document Number	: 10
Revision	: V1 / 2022
Status	: Approved
Effective Date¹	: 2 August 2022
Issued by	: SAR Compliance Function
Applicable to	: All SAR Employees and relevant Employees supporting the SAR rating process
Scope	: All Credit Ratings Actions and all Other Rating Actions

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

¹ Date on which the approved document takes effect.



Table of Contents

1 Policy Statement 3

2 Approval of Policy 6

3 Annexures 7

3.1 Procedures: Conflicts of Interest 7

1 Policy Statement

SAR and its employees make an effort to treat rated businesses, obligors, originators, underwriters, and consumers of credit ratings fairly and honestly. SAR recognises the values of impartiality and independence of judgement in the issuing of credit ratings. As a result, SAR aims to manage actual and perceived conflicts of interest through these provisions.

An entity subject to a credit rating action, obligor, originator, underwriter, arranger, or user of SAR's credit ratings will not receive any implicit or explicit assurances from SAR or its staff regarding the outcome of a specific credit rating action. To exert influence and secure payment for credit ratings or other services, SAR and its staff will not make any guarantees or threats regarding potential credit rating actions. No proposals or recommendations will be made by SAR or its employees, either formally or informally, regarding the design of structured finance instruments on which SAR is expected to issue a credit rating.

In order to avoid conflicts of interest with its credit rating activities, SAR will not own or trade in debt or security instruments. Employees of SAR who take part in or could otherwise have an impact on a credit rating action will not start or take part in conversations with rated entities, obligors, arrangers, or subscribers regarding fees or payments. If the employee, a member of their immediate family (such as a spouse, partner, child, son, or daughter), or an entity they manage presents a conflict of interest under SAR's policies and procedures and the relevant laws, regulations, or standards, they will not take part in or otherwise influence a SAR credit rating action concerning that entity or obligation. If a SAR employee has a personal relationship that could result in a conflict of interest, whether actual or potential, SAR will require that employee to declare such relationship to the SAR Compliance Officer.

Employees of SAR are prohibited from asking anyone with whom SAR conducts business for money, gifts, or favours, and they are also forbidden from taking gifts or financial equivalents in violation of SAR's policies and procedures.

The employees who interact with the officials of a rated entity or the obligor regarding commercial matters will be separate from the employees who take part in credit rating actions or developing methodologies that apply to such rated entity or obligation.

Defined Terms and Abbreviations

Agent	Anyone representing a Rated Entity or a Rated Entity agent, whether an individual or a group.
CRA	Credit Rating Agency

Sovereign Africa Ratings

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	<p>Any of the following is a credit rating action:</p> <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). 5. the assignment of, or modification of, an Outlook linked to a Rated Entity or several Credit Ratings. 6. Credit Rating Affirmation. 7. Credit Rating Withdrawal.
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 personnel.

Sovereign Africa Ratings

Outlook	An Outlook is an opinion regarding the likely path 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 Ratings Services Act of 2012 of the Republic of South Africa.
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.

2 Approval of Policy

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

Portia Divhani Kavuhali

Board Meeting, 2 August 2022

Approved by the board

Date

Chairperson of the board

3 Annexures

3.1 Procedures: Conflicts of Interest

The policy statements are implemented by this Procedure.

SEPARATION OF COMMERCIAL AND ANALYTICS

SAR will keep its analytical support team and credit rating business apart from each other, and any other services it provides that might be thought to present conflicts of interest. SAR will not put off or forego taking any credit rating action because of how it would affect the company or any of its employees. SAR's reporting lines and payment plans are set up to efficiently manage and avoid any current or future conflicts of interest.

The remuneration paid to SAR's analytical personnel is not wholly or partially based on the revenue that SAR generates. SAR maintains an operational and physical barrier between the analytical operations and the commercial operations of its credit rating services business. Commercial personnel must manage interactions, primarily outside of the SAR office, with the appropriate rated entities, issuers, or arrangers in a way that enforces this separation. In order to avoid information access, SAR will continue to keep the commercial and analytical functions electronically separate. No aspect of the credit ratings that SAR issues may be influenced by commercial interests.

With regards to assigning a credit rating, taking a credit rating action, changing criteria or methodologies, voting recommendations, or other analytical activities of SAR, a commercial staff member or unit may not encourage or in any other way exert pressure on an analyst or rating committee member. Commercial and analytical personnel must ensure that such conversations are documented and reported to the compliance function for monitoring and reporting purposes as commercial terms of engagement cannot be known by analysts. The rated companies, issuers, and arrangers must be made aware of the requirement to direct commercial interactions to SAR's commercial unit and not the analytical sector or analyst(s).

The commercial function will inform the Chief Rating Officer or Lead Analyst through a rating initiation notice that the credit rating process must commence once the commercial terms are agreed upon. Without a recorded initiation notice for the credit rating or associated service, analytical activity cannot begin.

The information technology function at SAR divides the information systems. No unauthorised access is allowed to information areas that are outside a staff member's scope of responsibility. In some circumstances, the commercial unit may need an advance warning or pre-publication information on a need-to-know basis in order to, among other things, adequately prepare for potential responses to the publication. The Securities Trading policy and procedure also apply to commercial workers. Such communication is permissible on a confidential, need-to-know basis and may not be made public in any way until SAR makes the material publicly available.

Together with commercial employees or teams, rated entities, related third parties, and investors, analysts may attend or speak at social events, conferences, or dinners, provided that they adhere to the restrictions outlined in SAR's policies, and are aware of potential perception problems and manage them.

Members of the commercial and analytical staff must constantly uphold the duty to maintain independence and objectivity. Every electronic, telephone and in-person interaction with rating companies, issuers, and arrangers brings up this responsibility.

EXTERNAL INTEREST OF SIGNIFICANCE OR MATERIALITY

According to SAR, an employee's external interests are those that are important to them personally, but that SAR has no control over. When evaluated objectively, such an interest is covered by these requirements if there is a real or perceived conflict between it and SAR's interests and the staff member's duties.

External interests are acceptable as long as they do not create any conflicts of interest, interfere with the staff member's performance, or unduly affect the provision of a credit rating.

Employees having outside interests are not permitted to influence, participate in, or decide whether to hire any service providers, or business partners, or commence a credit rating concerning such interests. The provisions herein apply equally to the immediate family, close relatives, and business or romantic partners of the employee. If the interests of such parties are believed to unfairly affect the staff member's performance or the issuance of credit ratings relating to those interests, the Compliance Officer should be informed so that the necessary action can be taken.

Conflicts of interest may arise in cases where external positions held or presented to employees as consultants, contractors, directors, or officers could be viewed as representations from, to, or on behalf of SAR. Therefore, regardless of the benefits to the staff member, such behaviour is forbidden. For the compliance officer to take the proper action, such interests should be revealed.

Any new employee of SAR is expected to inform the compliance officer of any former employer or other relevant interests, such as shareholdings and directorships, for the proper action to be taken. No employee who has a conflict in this area is allowed to take part in or have an impact on how a credit rating related to that conflict is determined.

Staff members have a duty to disclose to the compliance officer any external interests they believe may exist and could be interpreted as creating a conflict of interest so that the necessary action can be taken.

It is prohibited for analysts to own any shares of a company that they rate. When an analyst personally holds securities that belong to the rated entity, they are not allowed to take part in or approve the credit rating. The provisions of SAR's Securities Trading Policy also apply

to the analyst's immediate family members. The compliance officer should be informed of any additional outside interests which are not mentioned in this document so that the necessary action can be taken.

Receiving presents, gratuities, or other items from rated entities is not permitted for SAR staff members or members of the analytical team. It is required that any gifts, gratuities, or related items received by staff members or members of the analytical team be disclosed to the compliance function.

DISCLOSURE

Members of the SAR board and staff must disclose to the compliance officer on an annual basis any actual or possible conflicts of interest that could affect the SAR's credit rating methodologies, credit rating decisions, analyses, or the judgement and analyses of its employees.

In addition to the foregoing, a staff member is required to disclose any actual or potential conflicts of interest in a thorough, prompt, clear, and concise manner should they arise outside of the declaration period and have the potential to affect SAR's credit rating methodologies, credit rating actions, analyses of SAR, or the judgement and analyses of a staff member.

SAR employees must notify the compliance officer if they become aware of any employee or affiliate of SAR engaging in or having engaged in activity that is unlawful, unethical, or in violation of this policy. SAR shall act appropriately in accordance with its applicable internal policies and procedures after receiving such a report. No SAR employee will face unfavourable treatment or retaliation as a result of making such a disclosure or report to the Compliance Officer.