



Policy: Fee Discussions

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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

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 Statements

- The Commercial Function should be the only SAR function in charge of handling fee discussions with Issuers. Only personnel who are not involved in the provision of credit rating services are eligible to be part of the Commercial Function of SAR.
- If an employee takes part in fee discussions, they are not permitted to take part in the decision-making process for the respective Credit Rating. This involves participating in a rating committee meeting involving the rated entity or issuer of a transaction as a silent spectator, among other things.
- The Fee Discussions Procedure must be followed by Credit Rating Personnel who are inadvertently involved in Fee Discussions.
- The SAR Compliance Function must beforehand approve any exceptions to this policy in writing.

DEFINED AND TERMS ABBREVIATIONS

Agent	Anyone representing a Rated Entity or a Rated Entity agent, whether an individual or a group.
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). 5. the assignment of, or modification of, an Outlook linked to a Rated Entity or a number of 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,

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	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 generally 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 are in charge of 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 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 Procedure: Fee Discussions

The policy statements are implemented by this Procedure.

Despite being prohibited from taking part in fee discussions, Credit Rating Personnel occasionally hear about fees and get involved in charge discussions without intending to. If Credit Rating Personnel learns of fees, they should adhere to these rules.

Information on payments made without posing a conflict of interest

When receiving written communications (either as an email attachment or otherwise) conveying fee-related information, Credit Rating Personnel must:

- Communicate with the person who provided the charge information, either verbally or in writing, using the same mode of communication; and participate in an oral conversation (over the phone, through a video conference, or via voice mail) to communicate the issue. The name of a SAR contact in the Commercial Function who is authorised to discuss fees must be provided to the Issuer and an indication must be made that Credit Rating Personnel are not allowed to discuss fees or have access to fee information in any form.
- Do not email or otherwise communicate the received fee information to any other Credit Rating Personnel, including their management.

In order to establish whether the fee information received will affect the impacted Credit Rating Personnel's capacity to offer credit rating services relating to the Issuer or transaction, the Compliance Function will evaluate the specifics. Until the compliance function has given its approval, the impacted rating analyst may not continue the related rating activities on the respective issuer, or a transaction, covered by the fee information they received.