

# 4AX CONFLICT OF INTERESTS POLICY

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4 AFRICA EXCHANGE PROPRIETARY LIMITED

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## **4AX CONFLICTS OF INTEREST POLICY**

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## **4AX CONFLICTS OF INTEREST POLICY**

### **1 PURPOSE**

- 1.1 The purpose of this document is to clearly set out how 4AX will meet its Regulatory Obligations to manage potential, perceived or actual Conflicts.

### **2 INTRODUCTION**

- 2.1 Under the FMA, 4AX intends holding an exchange licence to operate the 4AX Exchange and is therefore required, to the extent reasonably practicable, to do all things necessary to ensure that the market is fair, efficient and transparent.
- 2.2 4AX has established an appropriate and effective internal governance process to identify Conflict between its regulatory functions and its commercial services.
- 2.3 4AX aims to record, adopt and implement, to the satisfaction of the FSB, effective and appropriate policies and measures to address the situation where a Conflict is identified.
- 2.4 4AX has implemented the controls and procedures outlined below to manage any potential Conflict.
- 2.5 All 4AX Employees are responsible for complying with this Policy.

### **3 DEFINITIONS AND INTERPRETATION**

#### **3.1 Definitions**

In this Policy, the following words have the following meanings:

Associate	Has the meaning ascribed to it in section 67 of the FMA
Audit Committee	Means the Audit Committee of 4AX
Authorised User	Has the meaning ascribed to it in the FMA
Board	Means the duly elected and constituted Board of directors of 4AX
CEO	Means 4AX's chief executive officer or managing director appointed by 4AX from time to time
CFO	Means the chief financial officer or financial director of 4AX's, who is also a Senior Manager, appointed from time to time
Chinese Walls	Means the internal information barriers covered by clause 7 below
Client	Means any person to whom an Authorised User or Participant provides Securities Services and includes any person that acts as an agent for another in relation to those services, in which case it will include the agent or exclude the other person if the contractual arrangement between the parties indicates this to be the intention

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Companies Act	Means the Companies Act, 71 of 2008, as amended
Compliance Committee	Means the committee appointed by the Board, in terms of the Exchange Rules and Exchange Procedures, to review and decide on particular matters in accordance with this Policy and the Exchange Rules and the Exchange Procedures
Conflict	Means a conflict of interest situation covered by section 4.2 below
Conflicts Policy	Means 4AX's conflicts policy as set out herein
COO	Means the chief operating officer of 4AX's, who is also a Senior Manager, appointed from time to time
Employee	Means a director, officer, manager, agent or staff member
Exchange	Means the exchange to be operated by 4AX in terms of the Exchange Licence, subject to it being awarded
Exchange Directives	Shall have the meaning ascribed to it in the FMA
Exchange Licence	Means the licence granted to 4AX by the FSB to operate the Exchange in terms of the FMA
Exchange Procedures	Means the 4AX Exchange Procedures as approved by the Board from time to time
Exchange Rules	Means the 4AX Exchange Rules as approved by the Board from time to time

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Executive Committee	Means the Executive Committee of 4AX which is required to report to the Board, consisting of the following Senior Managers:  the CEO;  the CFO;  the COO; and  the Head of Legal, Compliance and Issuer Regulation
FICA	Means the Financial Intelligence Centre Act, 28 of 2001
FMA	Means the Financial Markets Act 19 of 2012 and any subordinate legislation including any regulations, notices or directives issued by the FSB in terms of that Act
FSB	Has the meaning ascribed to it in the FMA
Head of Legal, Compliance and Issuer Regulation	Means the Senior Manager appointed by 4AX to manage the Legal, Compliance and Issuer Regulation Division
Immediate Family Member	Includes any relative, spouse, or relative of the spouse of an Employee, and any other dependent or adult living in the same household as the Employee

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Independent Director

Means an independent member of the Board who:

- i. is not a representative of a shareholder who has the ability to control or significantly influence management;
- ii. has not been employed by 4AX of any group of which it currently forms part, in any executive capacity for the preceding three years;
- iii. is not a member of the immediate family of an individual who is, or has been in any of the past three financial years, employed by 4AX or the group in an executive capacity;
- iv. is not a professional advisor to 4AX or the group other than in a director capacity; and

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Independent Director

- v. is free from any business or other relationship which could be seen to materially interfere with an individual's capacity to act in an independent manner;
- vi. does not have a direct or indirect interest in the company (including any holding company or subsidiary in a Group) which exceeds 5% of the group's total number of shares in issue;
- vii. does not have a direct or indirect interest in the company which is less than 5% of the Group's total number of shares in issue, but is material to his personal wealth; and
- viii. does not receive remuneration contingent upon the performance of the company

Issuer

Has the meaning ascribed to it in the FMA

Issuer Regulation Committee

Means the committee as set out in section 16 below

Legal, Compliance and Issuer Regulation Division

Means the division within 4AX which has the responsibility of ensuring compliance with the Exchange Rules and Listing Requirements and taking the appropriate actions as may be necessary to manage non-compliance with the Listing Requirements by Issuers and any risks arising as a result of non-compliance

Listing Requirements

Means the 4AX's Listing Requirements approved by the FSB and as amended from time to time by 4AX, whether by way of practice note or otherwise

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Participant	Has the meaning ascribed to it in the FMA
Permitted Securities	Means Securities other than Prohibited Securities
Prohibited Securities	Any Securities which are Securities or have been issued by any Issuer
Regulatory Obligations	Means any obligation or duty that 4AX has in terms of the FMA, any FSB directive or the Exchange Licence
Related Party	Has the same meaning ascribed to it in the Companies Act
Restricted Recipient	Means: <ul style="list-style-type: none"><li>i. a government official, including government Employees and officials of any level, and their family and close associates, in relation to any government, government pension plan, government owned or controlled enterprise, supra-national organization, political party or candidate for office, anywhere in the world; or</li><li>ii. principals, officers and Employees of the FSB and other regulatory organisations or of any exchange</li></ul>
Review Party	Means a party as set out in section 6.4



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Securities	<p>Has the same meaning ascribed to it in the FMA and for the purposes of the Exchange;</p> <ul style="list-style-type: none"> <li>(i) the entire class or classes of an Issuer's ordinary share capital;</li> <li>(ii) the entire class or classes of an Issuer's preference share capital;</li> <li>(iii) debentures, bonds, notes, commercial paper and other fixed or floating interest instruments,</li> </ul> <p>irrespective of their form or title, issued or authorised to be issued by a profit company</p>
Securities Services	Has the same meaning ascribed to it in the FMA
Senior Managers	Has the same meaning ascribed to it in the FMA and may include the COO, CFO and or the Head of Legal, Compliance and Issuer Regulation as the context indicates
South Africa	Means the Republic of South Africa as constituted from time to time
Threshold Value	Means R1000 (one thousand Rand) or such other amount set by the Board from time
4AX	Means 4 Africa Exchange Proprietary Limited (registration number: 2013/031754/07), a company duly incorporated in accordance with the laws of South Africa.

## **4AX CONFLICTS OF INTEREST POLICY**

- 3.2 Where any term is defined within the context of any particular section in this Conflicts Policy, the term so defined, unless it is clear from the section in question that the term so defined has limited application to the relevant section, will bear the same meaning as ascribed to it for all purposes in terms of this Conflicts Policy, even though that term has not been defined in this interpretation section.
- 3.3 Where figures are referred to in numerals and in words, if there is any conflict between the two, the words will prevail.
- 3.4 Where in terms of this Conflicts Policy CEO permission is required, and it is the CEO himself who seeks to conduct the activity covered by this Policy, two other members of the Board shall be asked to give their permission for the CEO to act in accordance with this Policy.

## **4 CONFLICTS OF INTEREST**

- 4.1 4AX will make every effort to avoid Conflict in the conduct of its business, and this Policy has been put in place by 4AX to comply with Regulatory Obligations and to demonstrate how 4AX will deal with Conflict should they arise from time to time.
- 4.2 Conflict covered in terms of this Conflicts Policy are those where:
  - 4.2.1 Employees have any material beneficial interest in any relationship with 4AX, other than those arising by virtue of their appointment as an Employee. These may relate to a transaction, a service or any activity;
  - 4.2.2 4AX's commercial objectives may appear to conflict with its Regulatory Obligations;
  - 4.2.3 an Employee is incentivised to act other than the best interests of 4AX or contrary to Regulatory Obligations;
  - 4.2.4 an Employee uses information he has obtained only by virtue of his relationship with 4AX to benefit himself or any Related Party;
  - 4.2.5 4AX or Employees' actions could jeopardise the fair and transparent operation of the Exchange or the perception of the fair and transparent operation of the Exchange.
- 4.3 In particular the Conflicts Policy addresses the following areas:
  - 4.3.1 the identification of the circumstances which constitute or may give rise to a Conflict entailing a material risk of damage to the interests of 4AX, its Employees, Authorised Users, Issuers or one or more other stakeholders; and
  - 4.3.2 procedures to be followed and measures to be adopted in order to manage such Conflict.
- 4.4 Criteria for identification of Conflict
  - 4.4.1 For the purposes of identifying the types of Conflict that arise in the course of providing services and activities and whose existence may damage the interests of 4AX, 4AX will take into account, by way of minimum criteria, the question of whether 4AX or an Employee:
    - 4.4.1.1 is likely to make a financial gain, or avoid a financial loss, at the expense of 4AX;
    - 4.4.1.2 has a beneficial interest in an Authorised User or an interest in the outcome of a service or transaction or any activity provided by such Authorised User in respect of 4AX;

## **4AX CONFLICTS OF INTEREST POLICY**

- 4.4.1.3 has a beneficial interest in an Issuer or an interest in the outcome of a service or transaction or any activity provided by such Issuer in respect of 4AX; or
- 4.4.1.4 has a financial or other incentive to favour the interest of a stakeholder or group of stakeholder over another.
- 4.5 Conflict procedures
  - 4.5.1 In the event that any such Conflict should arise, the procedures set out below are designed to ensure that the relevant persons engaged in different business activities of 4AX involving a Conflict carry on those activities at a level of independence appropriate to the size and activities of 4AX and to the materiality of the risk of potential damage to the interests of shareholders.
- 4.6 Managing Conflict:
  - 4.6.1 Conflict management is more than simply an obligation to disclose information. Proper conflict management involves having adequate arrangements in place to manage Conflict. Generally, three mechanisms are used to manage Conflict, namely:
    - 4.6.1.1 controlling Conflict;
    - 4.6.1.2 disclosing Conflict; and
    - 4.6.1.3 avoiding Conflict.
  - 4.6.2 Disclosure alone will often not be enough to manage a Conflict.
  - 4.6.3 These three mechanisms are covered in more detail in this Policy.
- 4.7 Controlling Conflict:
  - 4.7.1 Controlling Conflict involves the following three steps:
    - 4.7.1.1 identifying the Conflict relating to the business;
    - 4.7.1.2 assessing and evaluating the impact of the Conflict; and
    - 4.7.1.3 deciding upon, and implementing, an appropriate response to the Conflict.
  - 4.7.2 The appropriate response to controlling Conflict may be a combination of implementing internal controls and disclosures. 4AX has adopted the following internal controls for controlling Conflict:
    - 4.7.2.1 procedures for dealing with Authorised Users, Issuers and Securities (see section 5)
    - 4.7.2.2 decisions involving review parties (see section 5);
    - 4.7.2.3 Chinese Walls (see section 7);
    - 4.7.2.4 information and physical barriers (see section 8);
    - 4.7.2.5 general disclosure principles (see section 9); and
    - 4.7.2.6 organisational structures (see sections 10 to 15).

## **5 AUTHORISED USER, ISSUER AND SECURITIES**

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- 5.1 A decision to admit a new Authorised User to the Exchange or to accommodate the trading of new Securities on the Exchange are particular examples where it might be asserted that 4AX's commercial interests could conflict with Regulatory Obligations.
- 5.2 To address any potential Conflict that might be perceived in relation to admission decisions, 4AX will adopt written procedures governing admission decisions, which will ensure that these decisions are properly made.
- 5.3 In particular, representatives of the Legal, Compliance and Issuer Division will be involved in reviewing each policy for admission as an Authorised User, or for admission of Securities to be traded in the 4AX Exchange, for conformity with the admission requirements in the Listing Requirements and/or Exchange Rules and will either make, or have a veto over, admission decisions.
- 5.4 The Compliance Committee will conduct semi-annual reviews of 4AX's admission decisions (including any waivers that may be granted in connection with admission) to ensure that these procedures are being complied with. The findings of the Compliance Committee are to be reported to the Board, the Audit Committee and to the FSB.

## **6 DECISIONS INVOLVING REVIEW PARTIES**

- 6.1 4AX has identified Review Parties in relation to which a potential Conflict could arise going forward.
- 6.2 Review Parties will have a material connection with, or likely to be in competition with, 4AX and in relation to whom 4AX might be seen to have a commercial interest in showing them favour or disfavour when making decisions under the Exchange Rules.
- 6.3 Any such favour or disfavour by 4AX would conflict with 4AX's duty to conduct its business in a fair, efficient and transparent manner.
- 6.4 Each of the following will be regarded as Review Parties for these purposes:
  - 6.4.1 a party who has a licence to operate a market or a clearing and settlement facility for Securities in South Africa in competition with 4AX or is in the process of obtaining such a licence from the FSB;
  - 6.4.2 a party who holds a substantial shareholding (being more than 10%) in 4AX;
  - 6.4.3 a party in whom 4AX holds a substantial shareholding (being more than 10%);
  - 6.4.4 a party with whom 4AX has entered into or is negotiating a commercial arrangement that is material to 4AX;
  - 6.4.5 a Related Party of another party described in the preceding points;
  - 6.4.6 a party in whom an Employee has disclosed a personal financial interest in accordance with section 17 of this Conflicts Policy; and
  - 6.4.7 any other party 4AX designates as a Review Party due to the potential conflict between 4AX's commercial interests and its Regulatory Obligations.
- 6.5 The Legal, Compliance and Issuer Regulation Division will undertake quarterly reviews of all decisions under the Exchange Rules that involve Review Parties to ensure that those decisions have been appropriately handled and that they do not conflict with the Regulatory Obligations. The findings of the Legal, Compliance and Issuer Regulation Division will be reported to the Compliance Committee and to the FSB.

## **7 CHINESE WALLS**

## **4AX CONFLICTS OF INTEREST POLICY**

- 7.1 Chinese Walls (information barriers) are internal arrangements restricting the movement of information within 4AX, allowing one group of staff to be insulated from information that gives rise to a particular conflict, so that 4AX is not affected by that Conflict. To be effective, these Chinese Walls must actually prevent information being passed from one group of staff to another.
- 7.2 4AX operates a strict and robust Chinese Wall policy. In terms of this policy, the following principles apply:
- 7.2.1 Employees are not allowed, except with the approval of the CEO, to have responsibilities in more than one division of 4AX; and
- 7.2.2 if Employees are formally transferred to another division within 4AX, this fact will be communicated to relevant Clients and/or market Participants (if appropriate to the Employees' level and Client base).
- 7.3 Each division has separate filing systems (for both physical and electronic files), which are controlled either through being stored with proper security measures including being stored in locked facilities or with appropriate password control.
- 7.4 In particular, the Chinese Walls ensure that:
- 7.4.1 Employees, other than staff from the Legal, Compliance and Issuer Regulation Division, are not aware of any Issuer activities not in the public domain; and
- 7.4.2 the activities of any division are not known to any of the other 4AX divisions in detail so as to cause a Conflict or to appear to cause a Conflict.
- 7.5 Remuneration policy:
- 7.5.1 The remuneration of all Employees is carefully considered and in particular Employees are not paid commission for:
- 7.5.1.1 the introduction, retention or termination of new Authorised Users; or
- 7.5.1.2 any specific Issuer related corporate activity transaction.
- 7.5.2 Nothing in this Policy may be interpreted to prohibit Employees from being incentivised or rewarded on the overall performance of 4AX.

## **8 INFORMATION AND PHYSICAL BARRIERS**

- 8.1 Information barriers and, where necessary, physical barriers are to be put in place to ensure that physical access to hard copy information and electronic access to soft copy information are quarantined, as required, within the Legal, Compliance and Issuer Regulation Division, so as to protect confidential information relating to compliance or enforcement matters.

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- 8.2 If such information is to be shared outside of the Legal, Compliance and Issuer Regulation Division, it is to be done in accordance with 4AX's organisational and departmental policies and procedures. For example, Legal, Compliance and Issuer Regulation Division staff will participate in, and share information with, a number of internal governance and/or committees (e.g. the Audit Committee and Compliance Committee). Legal, Compliance and Issuer Regulation Division staff will also have extensive interaction with staff from other divisions on a range of issues. These will include day-to-day operational issues and other matters, such as potential new products or other projects and initiatives that may raise Exchange Rule compliance issues. In having these interactions, Legal, Compliance and Issuer Regulation Division Employees will be conscious of their confidentiality obligations and will be required to only discuss confidential matters of a regulatory nature with other staff on a strict 'need to know' basis.
- 8.3 None of the following files may be left lying around allowing unauthorised people or other divisions to copy, extract information from or view them:
- 8.3.1 any files containing information relating to Authorised Users, Issuers, their Clients, their particulars, fee arrangements, mandates, orders or trades;
  - 8.3.2 any files containing information on transactions, Authorised Users or Clients identified for or being the subject of a market surveillance investigation;
  - 8.3.3 any files relating to trades, whether completed or not;
  - 8.3.4 any information relating to research in progress, not yet authorised for general distribution;
  - 8.3.5 accounting and financial information, especially information relating to profitability, margins and the like;
  - 8.3.6 strategically sensitive information such as, but not limited to, marketing strategies;
  - 8.3.7 personnel files and human resources type confidential information; and
  - 8.3.8 any other documentation designated as such by the Board.
- 8.4 In addition to the physical separation of files for the divisions, it is important that only the following will be granted access to such documentation or electronic files:
- 8.4.1 Board Members;
  - 8.4.2 the CEO;
  - 8.4.3 Employees of that particular division;
  - 8.4.4 regulatory bodies such as the FSB;
  - 8.4.5 4AX's external auditors;
  - 8.4.6 Legal, Compliance and Issuer Regulation Division staff who will report to the Compliance Committee, Audit Committee and Board directly and independently; and
  - 8.4.7 any other body with appropriate legal authority such as those with court orders (such as search warrants). Any inspections by authorised third parties should immediately be reported to the Board to decide what additional action should be taken. Should the Board feel that there are grounds for any other person to be given access to such information the Board may authorise this after taking into account:
    - 8.4.7.1 the nature and reasons for such a request;
    - 8.4.7.2 the person to whom this information would be made available; and

## **4AX CONFLICTS OF INTEREST POLICY**

- 8.4.7.3 the interests of any Clients that may be compromised, whether actually or potentially, through such disclosure.
- 8.5 Should the Board, after taking these factors into account, decide to allow such access, the Board should consider informing affected Clients of the Board's decision and the reasons therefore, unless precluded from doing so by law.

### **9 GENERAL DISCLOSURE PRINCIPLES:**

- 9.1 4AX ensures that Authorised Users, Issuers and Clients are adequately informed about any Conflict that may affect the provision of financial services to them. Disclosures made to these:
- 9.1.1 are made on a timely basis, allowing the Authorised User, Issuer or Client a reasonable time to assess the impact of the Conflict;
  - 9.1.2 are prominently shown and not hidden in small print or otherwise obscured;
  - 9.1.3 are specific and meaningful to the Authorised User, Issuer or Client in the sense that they provide enough detail in a clear, concise and effective form to allow others to make an informed decision about how the Conflict may affect the service being provided to them – excessive disclosure aimed at confusing Authorised Users, Issuers and Clients is to be avoided;
  - 9.1.4 refer to the specific service to which the Conflict relates; and
  - 9.1.5 are focused on material Conflict.

### **10 ORGANISATIONAL AND REPORTING STRUCTURES**

- 10.1 4AX has a company-wide corporate governance framework led by the Board that find application throughout 4AX in terms of this Conflicts Policy. 4AX has *inter alia* been guided by the King Report on Corporate Governance, 2009 and has adopted an approach it considers appropriate for the scope, scale and nature of its activities. The governance structure ensures that the Board and the Executive Committee implement appropriate internal monitoring and reporting systems, actively analyse current and required human, technological and financial resources, and ensures that risk management and compliance practices are appropriate. The governance framework will promote accountability and transparency of the decision-making practices of 4AX. More than half of the Board are and will remain to be South African residents.
- 10.2 The key participants in 4AX's governance structure are:
- 10.2.1 the Board, who will take ultimate responsibility for 4AX and ensure 4AX's compliance with the Exchange Licence and the FMA;
  - 10.2.2 the Executive Committee;
  - 10.2.3 the Audit Committee;
  - 10.2.4 the Compliance Committee; and
  - 10.2.5 the Issuer Regulation Committee.

### **11 BOARD**

- 11.1 The Board is responsible for the strategic direction and control of 4AX.
- 11.2 The Board will, amongst others:
- 11.2.1 be responsible for the strategic direction and control of 4AX;

## **4AX CONFLICTS OF INTEREST POLICY**

- 11.2.2 set the values to which 4AX will adhere;
- 11.2.3 ensure that its conduct and that of the CEO, Senior Managers and 4AX staff align to its values and is adhered to in all respects of its business;
- 11.2.4 inform the FSB as soon as it becomes aware of any matter that may pose systemic risk to the financial markets;
- 11.2.5 promote a stakeholder inclusive approach to governance;
- 11.2.6 consider the following, only on recommendation from the Compliance Committee:
  - 11.2.6.1 Exchange Rules, Exchange Procedures and Exchange Directives and, where appropriate, to issue, amend or withdraw these, with the consent of the FSB, and to ensure that these are communicated, implemented and enforced in terms of the FMA and the Exchange Licence; and
  - 11.2.6.2 the appointment of the directors and Senior Managers and ensure that such appointments comply with the FMA and the Exchange Licence;
- 11.2.7 consider, only on recommendation from the Issuer Regulation Committee, Listing Requirements and where appropriate to issue, amend or withdraw these, with the consent of the FSB, and to ensure that these are communicated, implemented and enforced in terms of the FMA and the Exchange Licence; and
- 11.2.8 consider the Audit Committee's recommendations and, where appropriate, approve the appointment of the CFO and ensure that such an appointment complies with the FMA.
- 11.3 The Board is elected by shareholders in accordance with the memorandum of incorporation of 4AX.
- 11.4 The quorum for Board meetings is a majority of Directors.
- 11.5 Boards meetings are chaired, subject to the memorandum of incorporation, by the chairperson who is appointed by the majority of 4AX shareholders.
- 11.6 The Board meets as and when required, but no less than four times a year.

## **12 THE CEO**

- 12.1 The CEO is responsible for the day-to-day management of 4AX with the assistance of other members of the Executive Committee.
- 12.2 The CEO reports to the Board.
- 12.3 The CEO may be a Board member.
- 12.4 The key responsibilities of the CEO are to:
  - 12.4.1 take ultimate responsibility for the executive management of 4AX;
  - 12.4.2 lead the development and execution of 4AX's strategy;
  - 12.4.3 take ultimate responsibility that 4AX and its Employees comply with the FMA, the Exchange Licence and any other obligations;
  - 12.4.4 be responsible for business development and promoting 4AX amongst existing and potential Authorised Users, Issuers, Clients, the FSB and other regulators, Employees and any other stakeholders;



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- 12.4.5 ensure effective, professional and appropriate communication with and between strategic stakeholders such as existing and potential Authorised Users, Issuers, Clients, the FSB and other regulators, Employees and any other stakeholders;
- 12.4.6 act as a direct liaison between the Board and the Executive Committee; and
- 12.4.7 manage, supervise, train and develop the CFO, COO and Head of Legal, Compliance and Issuer Regulation directly and all other staff of 4AX indirectly.
- 12.5 The 4AX Board of directors appoints the CEO.

## **13 EXECUTIVE COMMITTEE**

- 13.1 The Executive Committee (other than the CEO) reports to the CEO and is responsible for the day-to-day management of 4AX.
- 13.2 The Executive Committee shall be comprised of the following members:
  - 13.2.1 the CEO (see further details in section 12);
  - 13.2.2 the COO;
  - 13.2.3 the Head of Legal, Compliance and Issuer Regulation; and
  - 13.2.4 the CFO.
- 13.3 The quorum for Executive Committee meetings is the majority of members, and all of Executive Committee meetings are chaired by the CEO or in his absence by another of the members elected by the majority of the remaining members.
- 13.4 The Executive Committee meets as and when required but no less than once a quarter. On written request by the FSB, 4AX will also provide minutes and other reports from the Executive Committee to the FSB.

## **14 AUDIT COMMITTEE**

- 14.1 The Audit Committee reports to the Board and is responsible for:
  - 14.1.1 oversight and review of the financial, operational, compliance and risk management of 4AX's activities;
  - 14.1.2 ensuring the integrity of the financial reporting process which shall include the Audit Committee annually attending to and executing the annual report;
  - 14.1.3 risk management system;
  - 14.1.4 internal reporting and controls;
  - 14.1.5 compliance with the FMA and Exchange Licence; and
  - 14.1.6 management of strategic and major financial and operational risks including the external audit process.
- 14.2 The Audit Committee has all powers necessary to fulfil its mandate including broad powers to require input from Employees and auditors.
- 14.3 The Audit Committee consists of at least three Independent Directors with substantial relevant professional experience.
- 14.4 The chairperson of the Audit Committee must be an Independent Director who is not the Chairperson of the Board.
- 14.5 The quorum for Audit Committee meetings is a majority of members.

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- 14.6 The Audit Committee meets as and when required but no less than twice a year. On written request by the FSB, 4AX will also provide minutes and other reports from the Audit Committee to the FSB.
- 14.7 The Audit Committee may elect to invite the CFO, COO or Head of Legal, Compliance and Issuer Regulation and or the engagement partner of 4AX's auditors to any of its meetings or any part thereof, but they will not have voting rights.
- 14.8 Employees are prohibited from attempting to influence members of the Audit Committee from performing their roles and any instance of this conduct must be escalated immediately to the Head of Legal, Compliance and Issuer Regulation and to the CEO and, through them, to the Board. This is to ensure that relevant compliance and enforcement decisions are made exclusively by the Audit Committee, rather than by commercially driven divisions of 4AX.

## **15 COMPLIANCE COMMITTEE**

- 15.1 The Compliance Committee serves to balance the Conflicts between the commercial interests of 4AX with its compliance with the FMA and its Exchange Licence conditions.
- 15.2 The Compliance Committee shall report to the Board and be responsible for 4AX's self-regulation which shall include:
- 15.2.1 responsibilities in terms of the Exchange Rules:
- 15.2.1.1 advising the Board on the rules, procedures and exchange directives and any matters arising therefrom;
- 15.2.1.2 informing the FSB as soon as it becomes aware of any matter that may reasonably pose systemic risk to the financial markets, if not reported to the FSB by the CEO or Senior Management;
- 15.2.1.3 reviewing decisions of the CEO and the Senior Managers on an *ad hoc* basis in accordance with the rules and the procedures, including and act or omission dealing with:
- 15.2.1.3.1 temporary modify, restrict or suspend Authorised Users' access to the Exchange; and
- 15.2.1.3.2 disputes with or between Authorised Users;
- 15.2.1.4 supervising compliance by Authorised Users with the rules, procedures and exchange directives;
- 15.2.1.5 supervising compliance with the FMA by Authorised Users and to report any non-compliance to the FSB to assist the Registrar in enforcing the FMA;
- 15.2.1.6 fair and consistent enforcement and disciplinary action of Authorised Users, imposing appropriate sanctions for non-compliance and allowing the Issuer Regulation Committee to hear and adjudicate on any appeals against acts and omissions of the Compliance Committee; and
- 15.2.1.7 hearing and adjudicating on any appeals against the acts and omissions of the Issuer Regulation Committee, as set out in the Listing Requirements,
- 15.2.2 additional responsibilities include:

## **4AX CONFLICTS OF INTEREST POLICY**

- 15.2.2.1 reporting to the Board and Audit Committee on a semi-annual basis or on request from either the Board or Audit Committee on:
  - 15.2.2.1.1 compliance by the Legal, Compliance and Issuer Regulation Division and the Issuer Regulation Committee with the Listing Requirements;
  - 15.2.2.1.2 whether 4AX has cooperated with the FSB and other applicable regulators to investigate and enforce the applicable laws and regulations;
  - 15.2.2.1.3 whether 4AX has appropriately managed actual and perceived Conflict in relation to its self-regulation and oversight functions and has avoided using its regulatory authority to allow itself or any Authorised User to gain an unfair advantage; and
  - 15.2.2.1.4 whether 4AX has followed professional standards of behaviour on matters such as confidentiality and procedural fairness in performing its self-regulation and oversight activities; and
- 15.2.2.2 considering and, if appropriate, recommending to the Board, the appointment of and terms of appointment for any directors or Senior Managers, if such an appointment complies with the FMA.
- 15.3 The Compliance Committee has all powers necessary to fulfil its mandate including broad powers to require input from Board members, the CEO, Senior Managers and staff as well as those of the Authorised Users.
- 15.4 The Compliance Committee consists of:
  - 15.4.1 the Head of Legal, Compliance and Issuer Regulation or, in his or her absence, the CEO who may be required to be recused for purposes of any obligations, responsibilities and duties as envisaged in this Conflicts Policy; and
  - 15.4.2 a minimum of two Independent Directors;
- 15.5 The Board will appoint appropriately qualified persons to a panel from which reserve members of the Compliance Committee will, when required, be drawn.
- 15.6 The quorum for Compliance Committee meetings is a majority of non-conflicted members.
- 15.7 Compliance Committee meetings are chaired by a member who the Compliance Committee will elect for a one year term who must be an independent non-executive director. In the absence of the permanent chairperson, the other independent non-executive director will be chairperson of the Compliance Committee meeting.
- 15.8 Compliance Committee members should promptly excuse themselves if they have a Conflict and the Chairperson of the Compliance Committee will draw a replacement from the reserve panel (as outlined in section 15.4).
- 15.9 The Compliance Committee meets as and when required but no less than twice a year.
- 15.10 On written request by the FSB, 4AX will also provide minutes and other reports from the Compliance Committee to the FSB.
- 15.11 The FSB will be invited to send a representative to each Compliance Committee meeting and the Compliance Committee may deem it appropriate to invite other invitees from time to time. Invitees will have no voting rights on the Compliance Committee.

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15.124AX Employees are prohibited from attempting to influence members of the Compliance Committee from performing their roles and any instance of this conduct must be escalated immediately to the Head of Legal, Compliance and Issuer Regulation and to the CEO and, through them, to the Board. This is to ensure that relevant compliance and enforcement decisions are made exclusively by the Compliance Committee, rather than by commercially driven divisions of 4AX.

## **16 ISSUER REGULATION COMMITTEE**

16.1 The Legal, Compliance and Issuer Regulation Division serves to balance the conflict of interests between the commercial interests of 4AX with the compliance of Issuers with the Listing Requirements.

16.2 The Issuer Regulation Committee shall report to the Board and be responsible for:

16.2.1 advising the Board on the Listing Requirements and any matters arising therefrom;

16.2.2 approving, suspending or removing any Issuer from being listed on the Exchange in compliance with the Listing Requirements on conditions the Issuer Regulation Committee deems appropriate;

16.2.3 reviewing decisions of the Legal, Compliance and Issuer Regulation Division on an *ad hoc* basis in accordance with the Listing Requirements including and act or omission dealing with:

16.2.3.1 temporary suspension of Issuers; and

16.2.3.2 disputes with or between Issuers;

16.2.4 informing the FSB as soon as it becomes aware of any matter that may pose systemic risk to the financial markets;

16.2.5 supervising compliance with the FMA by Issuers and to report any non-compliance to the FSB to assist the FSB in enforcing the FMA;

16.2.6 fair and consistent enforcement and disciplinary action of Issuers, imposing appropriate sanctions for non-compliance and allowing the Compliance Committee to hear and adjudicate on any reviews and appeals against acts and omissions of the Issuer Regulation Committee; and

16.2.7 hearing appeals from Authorised Users against acts and omissions of the Compliance Committee as set out in the Exchange Rules.

16.3 The Issuer Regulation Committee has all powers necessary to fulfil its mandate including broad powers to require input from 4AX's directors and staff as well as those of Issuers.

16.4 The Issuer Regulation Committee consists of:

16.4.1 the Head of Legal, Compliance and Issuer Regulation or, in his absence, the CEO;

16.4.2 a minimum of 2 (two) Independent Directors;

16.4.3 a representative of a major accounting firm in South Africa, provided, however, that should such accounting firm audit, represent or advise an Issuer that is subject to the Issuer Regulation Committee's deliberations or be in any other way conflicted, then a representative from another major accounting firm in South Africa, as agreed by the majority of the other members of the Issuer Regulation Committee will be sought for at least such deliberations;

## **4AX CONFLICTS OF INTEREST POLICY**

- 16.4.4 a representative of a major legal firm in South Africa, provided, however, that should such legal firm represent or advise an Issuer that is subject to the Issuer Regulation Committee's deliberations or be in any other way conflicted, then a representative from another major legal firm in South Africa, as agreed by the majority of the other members of the Issuer Regulation Committee will be sought for at least such deliberations; and
- 16.4.5 other *ad-hoc* members based on particular skills (e.g. industry experience).
- 16.5 The FSB will be invited to send a representative to every Issuer Regulation Committee meeting and the Issuer Regulation Committee may deem it appropriate to invite other invitees from time to time. Invitees will have no voting rights on the Issuer Regulation Committee.
- 16.6 The quorum for Issuer Regulation Committee meetings is three members of which the majority are Independent Directors.
- 16.7 Issuer Regulation Committee meetings are chaired by a member who the Issuer Regulation Committee will elect for a one year term. If the elected Chairperson of the Issuer Regulation Committee is absent the remaining Issuer Regulation Committee members will elect a chairperson for that meeting by majority vote.
- 16.8 The Issuer Regulation Committee meets as and when required but no less than twice a year. On written request by the FSB, 4AX will also provide minutes and other reports from the Issuer Regulation Committee to the FSB.
- 16.9 The Legal, Compliance and Issuer Division will be responsible for maintaining a register of personal interests and a register of review parties.
- 16.10 The Legal, Compliance and Issuer Division is required to report any Conflict to the Audit Committee to consider and decide on any actions to be taken in relation to the Conflict.

## **17 GIFTS, ENTERTAINMENT ANTI CORRUPTION**

- 17.1 4AX does not condone the giving or receiving of gifts, other than of a personal or nominal nature. 4AX intends to act with the highest regard as to standards of integrity and honesty in all it does, thereby ensuring that Clients have confidence when entrusting their business to it. 4AX recognizes that corruption has an adverse effect on communities wherever it occurs. 4AX is therefore committed to enforcing high moral and ethical standards in all its business activities. 4AX believes that business success should depend on a fair and open assessment of its products and services rather than being reliant on illegal, unauthorised and/or unorthodox gratifications/payments provided to or by Employees.
- 17.2 The following guidance notes are provided to assist Employees in deciding whether a proposed gift would be contrary to the above philosophy.
- 17.2.1 It is important to note that the Policy is to be applied to all Employees, and further, all Employees are to ensure that they and their Immediate Family Members are aware of the Policy as they may be held accountable for an action undertaken by Immediate Family Members.

## **4AX CONFLICTS OF INTEREST POLICY**

- 17.2.2 In general terms, 4AX staff may not give or receive a gift (or entertainment) with a monetary value in excess of Threshold Value without the express permission of the CEO. The giving or receiving of a gift (and entertainment) is to include the promise of the giving or receiving. Even where the item has not changed hands, but an expectation of receipt is created, a gift will be deemed to have been made or received if above the Threshold Value.
- 17.3 The following list is a list of examples of gifts that may be offered, and must be considered as forming part of this Policy:
- 17.3.1 money, whether in cash or otherwise;
  - 17.3.2 any donation, gift, loan, fee, reward, valuable security, property or interest in property of any description, whether movable or immovable, or any other similar advantage;
  - 17.3.3 the avoidance of a loss, liability, penalty, forfeiture, punishment or other disadvantage;
  - 17.3.4 any office, status, honour, employment, contract of employment or services, any agreement to give employment or render services in any capacity and residential or holiday accommodation;
  - 17.3.5 any payment, release, discharge or liquidation of any loan, obligation or other liability, whether in whole or in part;
  - 17.3.6 any forbearance to demand any money or money's worth or valuable thing;
  - 17.3.7 any other service or favour or advantage of any description, including protection from any penalty or disability incurred or apprehended or from any action or proceedings of a disciplinary, civil or criminal nature, whether or not already instituted, and includes the exercise or the forbearance from the exercise of any right or any official power or duty;
  - 17.3.8 any right or privilege;
  - 17.3.9 any real or pretended aid, vote, consent, influence or abstention from voting;
  - 17.3.10 any valuable consideration or benefit of any kind, including any discount, commission, rebate, bonus, deduction or percentage; or
  - 17.3.11 any provision of meals, travel, or accommodation or entertainment.
- 17.4 A reference in this Policy to accept or agree or offer to accept any gratification includes to:
- 17.4.1 demand, ask for, seek, request, solicit, receive or obtain;
  - 17.4.2 agree to demand, ask for, seek, request, solicit, receive or obtain; or
  - 17.4.3 offer to demand, ask for, seek, request, solicit, receive or obtain any gratification.
- 17.5 A reference in this Policy to give or agree or offer to give any gratification includes to:
- 17.5.1 promise, lend, grant, confer or procure;
  - 17.5.2 agree to lend, grant, confer or procure; or
  - 17.5.3 offer to lend, grant, confer or procure such gratification.
- 17.6 Any person:

## **4AX CONFLICTS OF INTEREST POLICY**

- 17.6.1 who is party to an employment relationship with 4AX or any of its affiliated companies and who, directly or indirectly, accepts or agrees or offers to accept from any other person any unauthorised gift, whether for the benefit of that person or for the benefit of another person; or
- 17.6.2 who, directly or indirectly, gives or agrees or offers to give to any person who is party to an employment relationship any unauthorised gratification, whether for the benefit of that party or for the benefit of another person, in respect of that party doing any act in relation to the exercise, carrying out or performance of that party's powers, duties or functions within the scope of that party's employment relationship,  
is guilty of the offence of receiving or offering an unauthorised gift may be found guilty of the offence of corruption.
- 17.7 This misconduct may, subject to the normal disciplinary procedures in place and depending on the severity of the act of corruption lead to summary dismissal.
- 17.8 There will be a presumption of wrongdoing in any such action that has not been fully disclosed to the in a transparent and honest manner as set out in this Policy.
- 17.9 No Employee must offer any benefit, of any value, to a Restricted Recipient, without prior approval from the Board. This includes offering or providing entertainment to a Restricted Recipient, or inviting a Restricted Recipient to a seminar or conference.

## **18 GIFTS, LUNCHES, SPORTS EVENTS, PLAY AND SOCIAL EVENTS ETC**

### **18.1 Gifts**

- 18.1.1 No Employee is ever to accept a gift from an actual, past or prospective Authorised User, Issuer, Client, or supplier or other business associate which is value received in excess of the equivalent of Threshold Value given to him/her as a consequence of his/her employment at 4AX.
- 18.1.2 Corporate gifts are, however, a part of business – especially around the festive season. Therefore, all gifts below this amount received by an Employee will be donated to 4AX, where it will be raffled off to interested Employees. This is a means of ensuring that all Employees can share in the gifts. The proceeds from these raffles will be donated to a local charity. This includes all Christmas gifts including diaries and calendars. If any gifts have been personalised with an individual's name, this must be brought to the CEO's attention, who may then request that an equivalent amount be donated to the raffle pool. This applies not only to gifts received but also to discounts granted, commissions, kick-backs or any other similar schemes.
- 18.1.3 When 4AX is giving gifts to a supplier, regulator or Client, this should never be excessive, so as not to create the impression that 4AX is buying favours.

### **18.2 Trips Away**

- 18.2.1 Employees are never to accept a trip away where an Authorised User, Issuer or supplier pays anything towards transport, accommodation, drinks or entertainment.
- 18.2.2 In the event that an Employee feels that it does make business sense to go on a trip away, then he/she can motivate that 4AX picks up his/her costs for such a trip away.

### **18.3 Lunches, Sport Events, Plays, Social Events, etc.**

## **4AX CONFLICTS OF INTEREST POLICY**

- 18.3.1 Employees are, where applicable, encouraged to attend functions with Authorised Users, Issuers, influential business contacts and suppliers. But any event costing over the Threshold Value should be considered a gift, and, accordingly not accepted. If however, the invited Employee believes that there is compelling business reason to accept an invitation in excess of the Threshold Value he may disclose this fact to the Head of Legal, Compliance and Issuer Regulation and request the CEO's permission to either:
- 18.3.1.1 contribute the excess value over the Threshold Value to the person extending the invitation himself; or
  - 18.3.1.2 have 4AX pay the excess value over the Threshold Value to the person extending the invitation.
- 18.3.2 At no time should any Employee go to a lunch or event with a business competitor by his/her self, irrespective of who issues the invitation, without permission. The invitation should be disclosed to the relevant Senior Manager and an appropriate person will then be asked to accompany him/her to the event. In the event of uncertainty, treat the invitation as having come from a competitor.
- 18.3.3 When 4AX is hosting an event for Authorised Users, Issuers, suppliers, regulators or Clients, this should never be excessive, so as not to create the impression that 4AX is buying favours.
- 18.4 Giving Benefits
- 18.4.1 No benefit should be given or offered with the intention of obtaining an improper business advantage, or where such a benefit could give rise to a Conflict.
  - 18.4.2 Pre-approval from 4AX the relevant Senior Manager must be obtained before giving or offering benefits exceeding the Threshold Value. All benefits given to Clients or third parties, of any value, must be noted in a Gifts Register maintained by Head of Legal, Compliance and Issuer Regulation.

## **19 AVOIDING CONFLICTS**

- 19.1 Some Conflicts have such a serious potential impact that the only way to adequately manage them is to avoid them. In such cases merely disclosing them and imposing internal controls is inadequate. 4AX has documented those types of Conflict that cannot be managed and staff is not permitted to enter into such situations, in section 19.2 below.
- 19.2 The following Conflicts are considered so significant that all Employees are to avoid them all together:
- 19.2.1 no Employee may be an Employee of another FSB regulated exchange; and
  - 19.2.2 no Employee may have an beneficial or economic interest in any Authorised User .

## **20 WHISTLEBLOWING**

- 20.1 "Whistleblowing" is the term used to describe the reporting of malpractice within a company by an Employee of that company. 4AX takes internal malpractice very seriously. Employees, Authorised Users, Issuers and Clients are encouraged to report any malpractice they encounter.
- 20.2 Malpractice for purposes of this Policy includes (but is not confined to):



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- 20.2.1 a breach or contravention of the FMA, a FSB regulation, the Exchange Licence, this Policy or similar transgressions;
- 20.2.2 a criminal offence or failure to otherwise comply with a legal obligation other than those of a petty or purely administrative nature;
- 20.2.3 a miscarriage of justice;
- 20.2.4 putting the health or safety of an individual in danger;
- 20.2.5 damage to the environment; and
- 20.2.6 deliberately concealing any of the above actions.
- 20.3 A qualifying disclosure is one which, in the reasonable belief of the person, suggests that malpractice has been, is being, or is likely to be committed.
- 20.4 If an Employee, Authorised User, Issuer or Client makes a qualifying disclosure, the Employee, Authorised User, Issuer or Client can be assured that their confidentiality will be respected, and they will be treated fairly and taken seriously. The Employee, Authorised User, Issuer or Client will be supported in their actions and protected from reprisals to the full extent possible by 4AX.
- 20.5 Whistleblowing Procedure
  - 20.5.1 The purpose of the facility is to enable Employees, Authorised Users, Issuers or Clients or the public to report any unethical behaviour, fraud, and theft relating to 4AX, Issuers, Authorised Users or breach of the FMA by Clients. It is not a complaints line and it is not a platform which can be used to slander fellow Employees. Differences of opinion should still be openly discussed with the relevant Senior Manager and/or Executive Committee. This facility should only be used should an Employee, Authorised User, Issuer or Client feel that their safety would be compromised and/or they could be victimized, and the Employee, Authorised User, Issuer or Client does not feel comfortable discussing the issue with anyone else in 4AX.
  - 20.5.2 The email address [Tip-Offs@4AX.co.za](mailto:Tip-Offs@4AX.co.za) will be created for the reporting of any incidents. Information will come through to the CEO, Head of Legal, Compliance and Issuer Regulation and the Chairperson of the Audit Committee who will examine the merits of the case and put forth recommendations for a formal investigation and/or action.
  - 20.5.3 Should the tip off or information involve the Chairperson of the Audit Committee, the person reporting the incident should email the Head of Legal, Compliance and Issuer Regulation who will review the merits of the incident and take a decision as to further action required.
  - 20.5.4 Anonymity: Obviously the main concern of all stakeholders is whether they will be identified and as a result be victimized or prejudiced in any way. To cover this, one of the following two options is suggested:
    - 20.5.4.1 send an email from an external public site such as an internet café or from an email address which the Employee, Authorised User, Issuer or Client feels comfortable to: [Tip-Offs@4ax.co.za](mailto:Tip-Offs@4ax.co.za); alternatively
    - 20.5.4.2 send a letter via the postal system to 4AX's registered address.

## **4AX CONFLICTS OF INTEREST POLICY**

Should any names of people reporting an issue be included on communications, the Chairperson of the Audit Committee will ensure these have been removed along with any other possible identifying material. A report will be recreated by Group Internal Audit for discussion action required.

- 20.6 If an Employee uses 4AX internet facilities, no cost will be incurred by the Employee personally. At this stage, if the Employee uses their own private telephone or facilities, they will incur the costs.
- 20.7 Feedback: As the information supplied to 4AX is anonymous, 4AX will not be able to provide feedback to the Employee, Authorised User, Issuer or Client unless the Employee, Authorised User, Issuer or Client opts for one of the following:
- 20.7.1 the Employee, Authorised User, Issuer or Client is prepared to provide 4AX with their name in which case 4AX can liaise directly with the Employee;
- 20.7.2 the Employee, Authorised User, Issuer or Client provides 4AX with contact details of an external party with whom the Employee, Authorised User, Issuer or Client wishes 4AX to communicate; or
- 20.7.3 the Employee, Authorised User, Issuer or Client asks for feedback to be sent to the originating email/address used by the Employee, Authorised User, Issuer or Client.
- 20.8 This initiative is one of the ways that 4AX is demonstrating its commitment to sound corporate governance.

## **21 PERSONAL TRADING**

- 21.1 To better prevent insider trading and front-running, and to ensure the satisfaction of 4AX's fiduciary obligations to the Exchange and South African financial markets generally, 4AX has adopted certain restrictions on personal trading by Employees of 4AX. Accordingly, 2 (two) categories of Securities have been identified:
- 21.1.1 Permitted Securities; and
- 21.1.2 Prohibited Securities
- 21.2 Regulation of personal account dealing will follow South African regulation, where any investment in a single stock equity, single stock equity derivative or corporate bond done by any member of staff will need prior approval by the Head of Legal, Compliance and Issuer Regulation to ensure that there is no Conflict. The minimum holding period for such investments is 3 (three) months unless otherwise agreed to by the CEO.
- 21.3 4AX will maintain a list of all Employees' holdings in Securities, with the Head of Legal, Compliance and Issuer Regulation receiving duplicate statements for review on a regular basis.
- 21.4 No Employee shall acquire, directly or indirectly, beneficial ownership of any Securities in a private placement or security in an initial public offering without the prior approval of the Head of Legal, Compliance and Issuer Regulation. This approval shall take into account whether the opportunity is being offered to an Employee by virtue of his or her relationship with 4AX, the public at large, all affected Issuer shareholders and any other relevant factors. If an Employee has purchased a covered security in a private placement or initial offering, then (a) such individual must disclose his or her ownership of the covered security if he or she has a material role in 4AX's subsequent consideration to purchase the covered security and (b) 4AX's decision to purchase the covered security will be reviewed by a firm principal with no personal interest in the Issuer.

## **4AX CONFLICTS OF INTEREST POLICY**

- 21.5 An Employee shall not trade in Prohibited Securities, even for the purpose of closing out a pre-existing investment position, for a proprietary account or for the account of any person, unless such trade:
- 21.5.1 is not occurring in closed period (as defined in the Listing Requirements);
  - 21.5.2 had been specifically approved in writing in advance by the CEO. Any transaction that requires such a prior written approval will be cancelled by the end of the business day. A personal securities trading request form will be provided by the CEO to any Employee seeking approval of a personal Securities trade for which prior written approval is required (Personal Securities Trading Request Form). The CEO shall promptly notify the Employee of approval or denial of clearance to trade by indicating such action on the Personal Securities Trading Request Form and returning it to the Employee. Notification of approval or denial to trade may be orally given; however, it shall be confirmed in writing by indicating such action on the Personal Securities Trading Request Form and returning it to the Employee within 24 (twenty four) hours of the oral notification. In evaluating whether to approve a proposed transaction relating to a Prohibited Security, the CEO may consider, among other factors, whether the Employee has agreed to hold such Securities for at least 3 (three) months following acquisition.
- 21.6 Each Employee is required to identify to Head of Legal, Compliance and Issuer Regulation within 10 (ten) days of his/her initial hire date and thereafter at least annually, all Securities accounts which constitute proprietary accounts with respect to such Employee (other than accounts in which such Employee trades only in Permitted Securities for investment purposes). In addition, each Employee must immediately inform Head of Legal, Compliance and Issuer Regulation any time such Employee opens a new such brokerage or trading account.
- 21.7 Each Employee shall arrange for duplicate copies of all account statements relating to his or her proprietary accounts (other than statements relating to accounts in which such Employee trades only in Permitted Securities for investment purposes) to be sent by the broker-dealer directly to Head of Legal, Compliance and Issuer Regulation at least monthly, at the same time as they are sent to such Employee.
- 21.8 Prior to arranging a personal loan with a financial institution that would be collateralised by Securities; an Employee must obtain the written approval of the CEO as if such financing arrangement constituted a sale of such Securities by the Employee.

## **22 PERSONAL INTERESTS OF EMPLOYEES**

- 22.1 Board members are made aware of their disclosure duties and obligations in relation to Conflict at the time of joining 4AX and on an ongoing basis. Board members are required to disclose to the Board any material personal financial interests, such as being a director or a substantial shareholder of another company, which is applying to become, an Authorised User or Issuer. A Board member is also required to act in accordance with section 75 of the Companies Act if the Board member has a personal financial interest in a matter being considered by the Board. If a Board member becomes aware of an actual or potential Conflict, he or she must immediately notify the Head of Legal, Compliance and Issuer Regulation.
- 22.2 Staff: 4AX will adopt a code of conduct setting standards of behaviour required of all officers and Employees including:
- 22.2.1 acting in the best interests of 4AX and with honesty, integrity and fairness;

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- 22.2.2 complying with the laws and regulations which apply to 4AX and its operations, including not participating in any illegal or unethical activity;
  - 22.2.3 not entering into any arrangement or participating in any activity that would conflict with the interests of 4AX, or would cause 4AX to breach or contravene its Exchange Licence obligations;
  - 22.2.4 not acting in a way which would be likely to affect 4AX's reputation negatively;
  - 22.2.5 not taking advantage of 4AX's property, information or one's position (or opportunities arising from these) for personal gain or to compete with 4AX; and
  - 22.2.6 not taking advantage of or misusing a third party's property or information.
- 22.3 Under such a code of conduct, Employees will be required to disclose their personal financial interests relating to 4AX and Securities and Conflicts (actual or perceived) and must not be involved in any decision involving those personal interests or Conflicts.
- 22.4 If an Employee becomes aware of an actual or potential Conflict, they must immediately notify the Head of Legal, Compliance and Issuer Regulation.

## **23 ANNUAL ASSESSMENTS**

- 23.1 The Compliance Committee and Audit Committee will be required to annually assess the efficacy of the policies, processes and measures in terms of this Conflicts Policy.
- 23.2 The Compliance Committee will be responsible for preparing a conflicts of interest assessment policy annually as required in terms of the FMA (**Conflicts of Interest Assessment Policy**).
- 23.3 The Compliance Committee must annually submit the Conflicts of Interest Assessment Policy to the registrar and publish it on the 4AX website, and any other media 4AX considers appropriate.

## **24 COMPLAINT PROCESS**

- 24.1 A Client, Authorised User or any interested party may notify the CEO or a Senior Manager of any complaint regarding any Employee in relation to this Conflicts Policy. Where a complaint relates to the CEO, the complainant may approach the Compliance Committee directly and this paragraph should be read accordingly.
- 24.2 The CEO or Senior Manager (or the Compliance Committee, if applicable) will consider a complaint as soon as reasonably practicable following the referral in terms of this paragraph.
- 24.3 In considering a complaint, the CEO or Senior Manager (or the Compliance Committee, if applicable) may make any enquiries relevant to the complaint, seek information from the relevant Client, Authorised Users or Employee and determine how the complaint will be considered.
- 24.4 The CEO or Senior Manager (assuming the complaint does not involve either of them) may take action against employees and such action will in terms of labour law and if applicable civil or criminal law. The Conflicts Policy and a Code of Conduct will be built into each employment contract and thus if any employee acts contrary to the Conflicts Policy, we shall proceed with take legal action in terms of the labour law, civil law and criminal law, depending on the circumstances relating to the breach.
- 24.5 If the investigation involves the CEO, then the Compliance Committee, will take action against him/her as set out in this paragraph 24 and 25 below. The Exchange may still take action against the CEO in terms of his contract of employment and labour law.

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- 24.6 If the investigation involves a director the CEO or Senior Manager may investigate the matter and make a recommendation to the Compliance Committee. Notwithstanding the Exchange can still take action in terms of labour law, civil law and criminal law against the director if he is also an employee of the Exchange.
- 24.7 The Compliance will finalise all investigations involving directors in terms of their letters of appointment as directors and decide whether or not to take action against.

## **25 POWERS TO IMPOSE PENALTIES AND SANCTIONS**

- 25.1 The Compliance Committee may, impose a penalty of the kind described below, in relation to a contravention of this Conflict Policy.
- 25.2 The Compliance Committee may impose or utilise one or more of the penalties set out below:
- 25.2.1 a public statement outlining the contravention of the Conflicts Policy;
  - 25.2.2 disgorgement of any profit arising from the contravention of the Conflicts Policy;
  - 25.2.3 an order to pay the reasonable costs of the Compliance Committee; and/or
  - 25.2.4 in relation to executive directors a penalty not exceeding the previous year's salary and in relation to non-executive directors and committee members a penalty not exceeding twice the previous year's fees earned as a non-executive on the 4AX Board.
- 25.3 No provision contained in this Conflict Policy will limit the rights of 4AX against any person including Employees under an employment agreement or any similar agreement.

## **26 TRAINING**

- 26.1 4AX shall ensure that all 4AX staff members annually undergo training as to obtain a full understanding of the Conflict Policy, conflicts of interest in general and who the role players are.