



# **POLARSTAR MANAGEMENT PTY LTD.**

## CONFLICT OF INTEREST MANAGEMENT POLICY

July 2022

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## DOCUMENT CONTROL

Version	Date	Change Details:
1.0	January 2018	Creation
2.0	June 2020	Annual Review
3.0	July 2022	General Review

### 1. INTRODUCTION

PolarStar Management (Pty) Ltd. ("PolarStar" or "Company") is a registered financial services provider with FSP No. 45053 that transacts business in the following license categories:

The Company provides advice and intermediary services by making direct or indirect recommendations to clients or by providing research or opinions on financial services and by providing the associated intermediary services and support. The Company is compensated for providing this analysis and advice. The FSP services institutional clients only.

### 2. PURPOSE

Section 3A(2)(a) of the General Code of Conduct stipulates that every provider, other than a representative, must adopt, maintain and implement a Conflict of Interest management policy that complies with the provisions of the FAIS Act. The policy is to provide for mechanisms in place at PolarStar to identify, mitigate and manage the conflicts of interest to which the Company is a party. This Conflict of Interest Management Policy (the "Policy") is designed as prescribed in the General Code of Conduct for Financial Services Providers and Representatives as amended by Board Notice 58 of 2010 and Board Notice 146 of 2014.

This Policy contains instructions and rules that must be observed by the Company's governance bodies, as applicable and by its employees. This Conflict of Interest Management Policy does not change our existing conflict of interest management procedures but intends to document them in a simple form as required by the Financial Services Board.

In terms of the Financial Advisory and Intermediary Services Act, 2002, PolarStar is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage conflict of interest. PolarStar has put in place a policy to safeguard its clients' interests and ensure fair treatment of clients.

All providers, key individuals, representatives, associates and administrative personnel will commit to such policy and the processes will be monitored on an ongoing basis. Failure to comply with the standards set out in this Policy shall be considered a violation of the Company's rules.

Non-compliance will be subject to disciplinary procedures in terms of FAIS and employment conditions and can ultimately result in debarment or dismissal as applicable.

Avoidance, limitation or circumvention of this policy via an associate will be deemed non-compliance.

PolarStar keeps and maintains a register in which all actual or potential conflicts are recorded.

This Policy has been prepared by the Compliance Officer and approved by the Board of Directors.

### 3. MISSION STATEMENT ON CONFLICT OF INTEREST

PolarStar is committed to ensuring that all business is conducted in accordance with good business practice. PolarStar conducts business in an ethical and equitable manner and in a way that safeguards the interests of all stakeholders to minimise and manage all real and potential conflicts of interests. Like any financial services provider, PolarStar is potentially exposed to conflicts of interest in relation to various activities. However, the protection of our clients' interests is our primary concern and so our policy sets out how:

- we will identify circumstances which may give rise to actual or potential conflicts of interest entailing a material risk of damage to our clients' interests;
- we have established appropriate structures and systems to manage those conflicts; and
- we will maintain systems in an effort to prevent damage to our clients' interests through identified conflict of interest.

### 4. CONCEPT OF CONFLICT OF INTERESTS

Many conflicts of interest apply to a wide range of behaviours and circumstances. Typically, a conflict of interest arises when two or more persons have competing interests and a duty of care or trust exists between those persons. For example, an employee may face a conflict of interest in the course of working for PolarStar, which could have the potential to compromise or bias his or her professional judgment and objectivity or otherwise hinder the proper discharge of duties and responsibilities owed by the employee to PolarStar. Failure to recognise and appropriately manage conflicts of interest could result in inappropriate or adverse consequences for Clients, PolarStar and its employees.

A Conflict of Interest under this Policy includes both an actual Conflict of Interest (i.e. a Conflict of Interest that has arisen) and a potential Conflict of Interest (i.e. a Conflict of Interest that may arise given particular facts and circumstances). It also includes a perceived Conflict of Interest (i.e. a situation which may give rise to the perception of a Conflict of Interest), even where a Conflict of Interest may not in fact exist.

A conflict of interest may occur when in rendering a financial service we do not act objectively or do not render an unbiased or fair service or do not act in the client's interests, including but not limited to:

- a) A financial interest;
- b) An ownership interest;
- c) Any relationship with a third party.

#### *Financial Interest*

Any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, valuable consideration, other incentive or valuable consideration (exceeding R1000 per annum) other than –

- An ownership interest;
- Training, that is not exclusively available to a selected group of providers or representatives, on –
  - a) Products and legal matters relating to those products;
  - b) General financial and industry information;
  - c) Specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training.

### *Ownership Interest*

- i. any equity or proprietary interest for which a fair value was paid on acquisition other than such an interest held by a nominee;
- ii. includes any dividend, profit share or similar benefit derived from such interest.

### *Fair Value*

Has the meaning assigned to it in the financial reporting standards adopted or issued under the Companies Act, 61 of 1973.

### *New Entrant*

Is a person who has never been authorised as a financial services provider or appointed as a representative by any FSP.

### *Sign-On Bonus*

Is any financial interest offered or received directly or indirectly, upfront or deferred, and with or without conditions, as an incentive to become a provider.

Here a financial interest includes but is not limited to a:

- i. Loan, advance, credit facility or any other similar arrangement; or
- ii. Compensation for the:
  - Potential or actual loss of any benefit including any form of income, or part thereof; or
  - Cost associated with the establishment of a provider's business or operations, including the sourcing of business, relating to the rendering of financial services;

Failure to identify and appropriately manage Conflicts of Interest could result in inappropriate or adverse consequences for Clients, PolarStar and its employees.

To assist in the identification of Conflicts of Interest, Schedule 1 includes non-exhaustive lists of (i) relationships where Conflicts may arise (ii) Conflicts of Interest types, as well as (iii) a sample of specific examples of circumstances in which these Conflicts of Interest arise.

### *What We May Give and Receive*

We confirm that we will only receive or offer financial interest from or to the aforesaid providers or other third party in the form of:

- i. Commission authorized under the Long-term Insurance Act, 52 of 1998;
- ii. Commission authorized under the Short-term Insurance Act, 53 of 1998;
- iii. Commission authorized under the Medical Schemes Act, 131 of 1998;
- iv. Fees under the aforesaid acts if these fees are reasonably commensurate to the service being rendered;
- v. Fees for rendering a financial service in respect of which no commission or fees are paid as aforesaid, if those fees are specifically agreed to by you in writing and may be stopped at your discretion;
- vi. Fees or remuneration for the rendering of a service to a third party, which fees are reasonably commensurate to the service being rendered;
- vii. Subject to any other law, an immaterial financial interest;
- viii. A financial interest for which a consideration, fair value or remuneration that is reasonably commensurate to the value of the financial interest, is paid at the time of receipt thereof.

## **5. POLARSTAR'S DUTY AND RESPONSIBILITIES**

PolarStar Company has a fiduciary duty to manage and deal in the best interests of its clients and – where applicable – the investors in the Fund in respect of which the Company acts as investment adviser of the Fund. The Company has an obligation to manage and deal in the best interests of its clients.

PolarStar is required to manage conflicts of interest fairly, between the Company and its clients and between one Client and another client. Where the Company acts as investment advisor to a Fund, this obligation is extended to managing conflicts in such a manner to prevent them from adversely affecting the interests of the Fund or its investors and to ensure that the Fund managed are fairly treated.

The Company is required to take all reasonable steps to identify conflicts of interest between:

- The Company (including its managers, employees or any person directly or indirectly linked to them by control), and a client of the Company/the Fund; or
- One Client of the Company/the Fund and another client of the Company/the Fund.

With respect to the Fund in respect of which the Company acts as investment advisor, the requirement is extended to identifying conflicts of interest between:

- the Company and the Fund or its investors;
- the Fund or its investors and another Fund or its investors;
- the Fund or its investors and another client of the Company.

## 6. MANAGING CONFLICT

### ***Governance***

The Company has robust governance arrangements and management oversight of the business. Key business decisions are taken by the Board, who understand the Company's obligations to manage and mitigate conflicts of interest.

The Compliance Officer is tasked with identifying conflicts of interest and reports directly to the Board. Management information relevant to identifying conflicts is reviewed by the Compliance Officer (including risk reports, monitoring of account and position statements produced by the Company's third-party administrators for client assets and other risk scenarios). The Compliance Officer can alert the Board of incidents at any time and by any means.

### ***Disclosures from Employees***

Employees and Directors are required to disclose in writing any conflicts of interest upon commencement of employment with the Company and periodically. Employees and Directors will disclose any conflicts of interest directly to the Compliance Officer and, if necessary, to the Board.

All employees must disclose their commodity investment accounts annually to the Company's Compliance Officer.

### ***Segregation of functions***

The Company has defined, clear reporting lines. An organisational chart is maintained by the Compliance Officer. The Company has structured its senior management to appropriately segregate duties so as to avoid conflicts of interest wherever possible.

The Company also has external compliance consultants to advise on the Company's compliance programme, and to undertake independent monitoring of the Company's regulatory obligations, including management of conflicts of interest.

### ***Remuneration***

The Company's interests and the employees' interests are aligned with those of the Company's Clients. The level of remuneration is dependent on the success of the Company as a whole and key individual remuneration is an annual discretionary bonus linked to client gains. Additionally, as an incentive and a way of avoiding insider trading, all employees of the Company invest in the Fund, therefore, they have the same risk exposure and performance returns as the Fund's investors.

### ***Representative Incentives***

We confirm we will not offer any financial interest to our key individuals or representatives for-

- i. favouring quantity of business over quality of service; or
- ii. giving preference to a specific product supplier where more than one supplier can be recommended to a client; or
- iii. giving preference to a specific product of a supplier where more than one product of that supplier can be recommended.

### ***Sign-On Bonus***

As a Category I provider that is authorised or appointed to give advice, we confirm that we do not receive a sign-on bonus from any person.



## ***Execution/ Client Order Handling***

PolarStar requires employees to act honestly, fairly and professionally in accordance with the best interests of a Client, including when executing, receiving or transmitting orders on behalf of a Client. A Client's interests are protected by PolarStar's Best Execution Policy.

## ***Employee Trading***

Each designated person is required to adhere to the Company's Code of Conduct. This involves adherence and agreement not only to the process detailed below, but also to the spirit of ensuring that all trades and/or deals (Long or Short) in any investment in which the Company's Fund (under advisory, management or sub management) may invest, are based on the designated persons better judgment when executed.

Designated persons can be involved in the market, but any such involvement with regards to trading in the below list of financial instruments must be pre-approved by the Directors or the Compliance Officer through the process of completing the Pre-Trade Approval Form:

- Exchange cleared and OTC traded commodity derivatives and indices and exchange cleared or OTC traded derivatives and financial instruments linked or referenced to commodity derivatives and indices;
- Exchange cleared and OTC traded freight derivatives and indices and exchange cleared or OTC traded derivatives and financial instruments linked or referenced to freight indices;

This includes position names, size and intended date of trading activity.

The Directors reserve the right to implement trading restrictions/controls on designated persons where deemed necessary. Designated persons undertake to disclose the name of dealing agent/ brokers used for personal trading and to ensure their signed code of conduct is amended with any additional relationships created.

The Directors act confidentially in the role of ensuring the Fund, the Company, and the clients are not disadvantaged or prejudiced by the trading of any individual or party connected with the Company.

Any invested interest, directly or indirectly in a firm that conducts dealing on behalf of clients (brokerage firm) or is involved in market maker activities, must be disclosed separately in writing to the Company's Compliance Officer.

## ***Gifts and Entertainment***

A conflict of interest may arise when an employee receives or offers a gift or entertainment that constitutes an inappropriate incentive for an employee, third party representative, a Client or vendor to act in a certain way. Accordingly, PolarStar does not permit the offering or acceptance of gifts or entertainment by an employee unless it is reasonable, proportionate and for a legitimate business purpose. Where applicable, in-scope employees must obtain pre-approval for gifts and entertainment and approval will not be granted by PolarStar where such gift or entertainment would give rise to an actual or potential conflict of interest, is inappropriate in nature or otherwise breaches any of the applicable policies.



## ***Vendors and Third Party Representatives***

PolarStar carries out due diligence on Vendors and Third Party Representatives and has contractual arrangements in place to protect the interest of PolarStar and its Clients. Conflicts of interest may arise with regards to Vendors and Third Party Representatives where, for example, an employee involved in the procurement or hiring process has a close relationship with a particular Vendor or Third Party Representative. Employees are expected to identify, escalate and manage potential conflicts of interest. It is the Employees' responsibility to escalate all matters that might reasonably be expected to impact their independence and objectivity, or otherwise interfere with their respective duties to PolarStar or its Clients or give rise to a perception of a conflict of interest. Furthermore, PolarStar seeks to manage actual or potential vendor relationships which are also actual or potential Client relationships independently and on an arm's length basis and sets out the rules of engagements between PolarStar, Vendors and Clients so as to manage actual or potential conflicts of interest.

## ***Training***

PolarStar provides and expects relevant employees to attend or take regular training on conflict management and conflicts of interest related topics. This training is critical in ensuring that employees are able to identify and escalate conflicts of interest and are aware of the processes by which they are identified, escalated and resolved. Appropriate resources are dedicated to the training and building awareness of conflicts of interest to develop the knowledge and understanding of employees.

All employees and representatives are required to read Board Notice 58 of 2010 together with Board Notice 146 of 2014 as well as this policy and to sign a statement to the effect that they have done so and fully understand the provisions of all three documents and the application thereof.

The Key Individual will conduct ad hoc checks on business transactions to ensure the policy has been complied with.

The Compliance Officer will include monitoring of the Conflict of Interest policy as part of the general monitoring duties and will report thereon in the annual compliance report.

## **7. DISCLOSURE TO CLIENTS**

The Company discloses to the Fund's investors, in the Fund's legal documents and other documents, all material conflicts in sufficient detail so as to allow the Client or the Fund's investor to take an informed decision in relation to the service offered.

If the Company's arrangements to manage a potential conflict of interest is insufficient to ensure with reasonable confidence that the risk of damage to the Fund's investor's interests is prevented, the Company will inform the Client or the Fund's investor in writing or on the Company's website.

While PolarStar has procedures to prevent or manage conflicts of interest, in certain circumstances those arrangements may not be sufficient to protect a Client's interest from material damage and the Client must be made aware, or alternatively, PolarStar may decide in the particular circumstances, that the Client should be made aware of a potential for a conflict of interest and the arrangements that will be put place to manage the conflict. Where permissible by applicable rules and appropriate, disclosure to an affected Client may be made to inform the Client of the arrangements or to specifically seek Client consent to act.

## **8. REGISTERS**

With regard to existing third-party relationships, we confirm that we do not have an ownership interest or are subject to exclusive training nor are there any other circumstances which could lead to a potential conflict of interest. Should any conflicts arise with regard to any of these, we undertake to disclose these in the registers below to our Clients.

PolarStar has implemented the registers below (templated can be found in Schedules 2, 3 and 4 to this Policy):

1. Nature and Extent of Ownership interests
2. Financial Interest Received
3. Nature and Extent of Business Relationships

## **9. POLICIES & PROCEDURES**

The Company has comprehensive policies and procedures documented in the Compliance Manual, which are designed to establish consistent controls to manage and mitigate conflicts. The Compliance Manual is reviewed by the Company annually and when the Company's business changes, to ensure the policies and procedures are current and effective.

## **10. REVISION**

This Policy shall be reviewed annually and whenever the Compliance Officer or the Board of Directors understand it as necessary. Any changes to this document shall be subject to the prior approval of the Board of Directors.

## **11. CONCLUSION**

This Policy serves as a guide in terms of Conflict of Interests and shall be read jointly with the other Policies and Procedures established by the Company.

## **SCHEDULE 1 - CONFLICTS OF INTEREST RELATIONSHIPS, SCENARIOS AND NON-EXHAUSTIVE LIST OF SPECIFIC EXAMPLES OF CONFLICTS OF INTEREST**

### 1. Relationships giving rise to Conflicts of Interest (non-exhaustive)

Conflicts of interest relevant to PolarStar include those that arise between:

- i. PolarStar and one or more Clients;
- ii. an employee and a Client;
- iii. a third party Representative and a Client;
- iv. two or more Clients in the context of the provision of services by the PolarStar to those Clients;
- v. an employee of PolarStar;
- vi. a shareholder and PolarStar;
- vii. a third party Representative and PolarStar; or
- viii. PolarStar and its Vendors.

### 2. Conflict of Interest scenarios (non-exhaustive)

Conflicts of interest relating to Clients (client-related conflicts) can be where PolarStar, an Employee or a Third Party Representative:

- i. is likely to make an inappropriate financial gain or avoid financial loss at the expense of a Client;
- ii. has an interest in the outcome of a service provided to a Client or of a transaction carried out on behalf of a Client which is different from the Client's interest in that outcome;
- iii. has a financial or other incentive to favour the interest of one Client or group of Clients over the interests of another Client or group of Clients;
- iv. carries on the same business as a Client;
- v. receives or will receive from a person (other than the Client) an inducement in relation to a service provided to the Client, in the form of monies, goods or services, other than a standard commission or fee for that service; or
- vi. has a financial or other incentive to favour the sale of a particular product or service to a Client, which is not in the best interest of the Client.
- vii. receives or will receive from a person other than the Client an inducement in relation to a service provided to the Client, in the form of monies, goods or services other than the standard commission or fee for that service.

Conflicts of interest relating to PolarStar (PolarStar related conflicts) can be broadly described as scenarios where:

- i. an employee's interest in the outcome of a particular activity or endeavour differs from PolarStar's interest;
- ii. an employee (or, where applicable, a family member<sup>1</sup> or close personal relationship<sup>2</sup>) receives a financial or other significant benefit as a result of the employee's position at PolarStar that is inappropriate in nature;
- iii. an Employee has the opportunity to influence PolarStar granting business or making administrative and other material decisions in a manner that leads to personal gain or advantage for the Employee or a family member or close personal relationship;
- iv. an Employee's existing financial or other interest or previous engagement in an endeavour or activity or relationship with another person, impairs or could impair his or her judgment or objectivity in carrying out his or her duties and responsibilities to PolarStar;

### 3. Non-exhaustive list of specific examples of conflicts of interest

The below is a non-exhaustive list of specific examples of transactions and activities at PolarStar that give rise to conflicts of interest which require appropriate management, mitigation or prevention:

- Employee trades of a public company's stock or other securities after receiving price sensitive information or confidential information from clients;
- A family member or a close personal relationship who has an interest in a transaction or activity where either a Client or PolarStar also has an interest and the employee favours the family member or a close personal relationship;
- as a result of excessive or lavish gifts or entertainment provided to an employee, such judgement is improperly influenced, or the employee engages in improper conduct;
- PolarStar holds a proxy for a Client and votes the shares in a way that reflects the PolarStar's interests or that of another Client rather than those of the first Client;
- PolarStar allocates trades to favoured clients and performance fee accounts
- Employee trades excessive to generate commissions that benefit the broker or investment firm
- PolarStar provides investment advice to a Client and is paid by transaction volume/turnover.

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<sup>1</sup> Family member means in relation to an Employee, a spouse, civil partner, domestic partner, parent, sibling, children or step-children, grandparent.

<sup>2</sup> means any of the following:

- a) a romantic relationship of an employee;
- b) a personal business, commercial or financial relationship;
- c) a cohabitee of an employee.

## SCHEDULE 2 - FINANCIAL INTEREST RECEIVED

Any cash, cash equivalent, voucher, gift, service, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, valuable consideration, other incentive or valuable consideration (exceeding R1000 per annum) other than –

- a) An ownership interest;
- b) Training, that is not exclusively available to a selected group of providers or representatives, on –
  - i. Products and legal matters relating to those products;
  - ii. General financial and industry information;
  - iii. Specialised technological systems of a third party necessary for the rendering of a financial service, but excluding travel and accommodation associated with that training.

Description	Date Received	From	Reason	Value

### **SCHEDULE 3 - BUSINESS RELATIONSHIP / ASSOCIATION**

List the different product suppliers, outsource agreements and referral agreements you have with each company, and any associate in relation to a person

<b>Company</b>	<b>Nature of Relationship/ Association</b>	<b>Status</b>	<b>Benefits</b>

## SCHEDULE 4 - OWNERSHIP INTEREST

Any equity or proprietary interest, for which fair value was paid by the owner at the time of acquisition, other than equity or a proprietary interest held as an approved nominee on behalf of another person. This includes any dividend, profit share or similar benefit derived from that equity or ownership interest.

Company Name	Percentage Ownership	Date Obtained