

**GRINDROD BANK LIMITED**

**CONFLICT OF INTERESTS  
POLICY**

**(DIRECTORS AND PRESCRIBED OFFICERS)**

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## 2. DOCUMENT CHANGE CONTROL

<b>Entity</b>	<b>Grindrod Bank Limited</b>
<i>Division Name</i>	<i>Governance</i>
<i>Author Name</i>	<i>PW Bester</i>
<i>Author Position</i>	<i>Company Secretary</i>
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<i>5 July 2021</i>	<i>Pieter Bester</i>	<i>1</i>	<i>Create new policy document</i>

### 3. DEFINITIONS

TERM	DEFINITION
“conflict of interest”	<p>“A conflict of interest, used in relation to members of the governing body and its committees, occurs when there is a direct or indirect conflict, in fact or in appearance, between the interests of such member and that of the organisation. It applies to financial, economic and other interests in any opportunity from which the organisation may benefit, as well as use of the property of the organisation, including information. It also applies to the member's related parties holding such interests.” [Glossary of Terms - King IV]</p>
“director”	<p>A <b>director</b> is a member of the board. It includes an alternate director; a prescribed officer (see below) and a person who is a member of a committee of the board of the company, irrespective of whether the person is also a member of the company's board.</p>
“prescribed officer”	<p>Regulation 38(1) of the Companies Act provides that:</p> <p><i>“Despite not being a director of a particular company, a person is a ‘prescribed officer’ of the company for all purposes of the Act if that person;</i></p> <p><i>(a) exercises general executive control over and management of the whole, or a significant portion, of the business and activities of the company; or</i></p> <p><i>(b) regularly participates to a material degree in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of the company.</i></p>
“related person”	<p>A related party of a director is another individual if they:</p> <p>(i) are married, or live together in a relationship similar to a marriage; or</p> <p>(ii) are separated by no more than two degrees of natural or adopted consanguinity or affinity.</p> <p>A director is also related to a juristic person if they directly or indirectly control the juristic person. A director will be regarded as having control:</p> <p>(i) of a company, if the director (together with any related parties): (a) is directly or indirectly able to exercise or control the exercise of a majority of the voting rights associated with securities of that company, whether pursuant to a shareholder agreement or otherwise; or (b) has the right to appoint or elect, or control the appointment or election of, directors of that company who control a majority of the votes at a meeting of the board;</p>

TERM	DEFINITION
	<p>(ii) of a close corporation, if the director owns the majority of the members' interest, or controls directly, or has the right to control, the majority of members' votes in the close corporation;</p> <p>(iii) of a trust, if the director has the ability to control the majority of the votes of the trustees or to appoint the majority of the trustees, or to appoint or change the majority of the beneficiaries of the trust; or</p> <p>(iv) if the director has the ability to materially influence the policy of the juristic person in a manner comparable to a person who, in ordinary commercial practice, would be able to exercise an element of control referred to in paragraph (i), (ii) or (iii) above.</p> <p>In this regard, it should be noted that for purposes of section 75 the definition of a “related person”, when used in reference to a director, not only has the ordinary meaning as set out in the Act, but also includes an additional company of which the director or a related person is also a director, or a close corporation of which the director or a related person is a member.</p>
“personal financial interest”	<p>A personal financial interest is a direct material interest of a person, of a financial, monetary or economic nature, or to which a monetary value may be attributed, but excludes any interest held by a person in a unit trust or collective investment scheme in terms of the Collective Investment Schemes Act, unless that person has direct control over the investment decisions of that fund or investment.</p>
“material interest”	<p>Material means significant in the circumstances of a particular matter, to a degree that is:</p> <p>(i) of consequence in determining the matter; or</p> <p>(ii) might reasonably affect a person's judgement or decision-making in the matter.</p> <p>The scope of potential disclosure is therefore quite wide.</p> <p>The definition of the term “material” as set out in section 1 of the Companies Act has been criticised for lack of clarity and consequently, being open to various interpretations. The general view is that the “materiality” and “significance” tests are tests which depend on the facts and circumstances of a particular case. In this context, the tests should not be used in isolation but should be applied to a particular set of facts or circumstances in order to achieve the correct results.</p>

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## 4. INTRODUCTION

One of the fundamental duties of a director (who, for purposes of this policy, includes a “prescribed officer”) is to avoid any possible conflict of interests with the company. It is an accepted principle in South African law that, as a result of the trust placed in the director, he or she is bound to put the interests of the company before their own personal interests.

Section 75 of the Companies Act (“Section 75”) makes clear provision for dealing with a director’s use of company information and conflict of interest. Where a director has a conflicting personal financial interest (where his or her own interests are at odds with the interests of the company), he or she is prohibited from making, participating in the making, influencing, or attempting to influence any decision in relation to that particular matter. Section 75 extends the application of the conflict of interest provisions to prescribed officers and members of board committees (even if those persons are not directors).

The conflict of interest provisions apply equally to persons related to the director or prescribed officer. Thus, where a director or prescribed officer knows that a related person has a personal financial interest in a matter to be considered at a meeting of the board, or knows that a related person will acquire a personal financial interest in a matter, after the board has approved that agreement or matter, the director or prescribed officer should disclose that fact to the board. Furthermore, director’s duties are expanded to apply not only where a director has an interest in a matter, but also where a director knows, or ought to have known after reasonable enquiry, that a related person to the director has an interest in a matter.

In terms of common law, directors have:

- A fiduciary duty to avoid any conflicts of interests. To act honestly, promote the best interests of the company, not usurp corporate opportunity, not to take secret or unauthorised profits, not to fetter votes and to exercise powers for the purpose for which they were granted and not for any collateral purpose;
- A duty of care, skill and diligence, which essentially amounts to the duty to manage the affairs of the company in the same manner as would be done by a reasonably prudent business person .

## 5. OBJECTIVES

The purpose of the Conflicts of Interest Policy – Directors and Prescribed Officers (the Policy) is to:

- Ensure compliance with the relevant legislation, including best corporate governance practice, on the disclosure of interest by directors and prescribed officers;
- Ensure that the Board has proactive mechanisms to manage and deal with conflicts of interests as they may arise (refer clause 8. below);
- Manage conflict of interest effectively for the company, its subsidiaries and all stakeholders, in order to uphold good corporate governance and organisational integrity, and to safeguard the organisation’s reputation.

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The Policy aligns with the Board Charter. The Policy also adheres to paragraphs 7.4 to 7.6 of the JSE Debt Listing Requirements, Section 75 of the Companies Act, No 71 of 2008 (Companies Act) and Regulations, 2011, promulgated under the 2008 Companies Act, the King IV Report on Corporate Governance for South Africa 2016 (King IV), as well as with common law principles.

## **6. SCOPE**

This Policy shall apply to all directors and prescribed officers on the Board of Grindrod Financial Holdings Limited and Grindrod Bank Limited (collectively referred to as “Grindrod Bank”).

## **7. DISCLOSURE OF INTERESTS**

7.1 In line with the requirements of the Companies Act and King IV Code on Corporate Governance, directors (including prescribed officers per definition) are required to provide a declaration of interests at least annually in a manner that is acceptable to the company and complies with legislation. Further, the directors and prescribed officers must provide the Company Secretary with any changes to the declaration as soon as they occur for tabling at the next Board meeting.

7.2 At the start of every Board and Board committee meeting, directors should declare if they have any conflict of interests in respect of matters on the agenda. Any such conflicts should be proactively managed as determined by the Board and subject to legal provisions.

## **8. MANAGEMENT OF CONFLICTS**

8.1 A director that has a personal financial or a conflict of interest in respect of a matter to be considered at a meeting of the Board or knows that a related person has a personal financial or conflict of interest in the matter, that director:

8.1.1 Must disclose the interest or conflict and its general nature before the matter is considered at the meeting;

8.1.2 Must disclose to the meeting any material information relating to the matter and known to the director;

8.1.3 May disclose any observations or pertinent insights relating to the matter if requested to do so by the other directors;

8.1.4 If present at the meeting must leave the meeting immediately after making any disclosure contemplated in paragraph 8.1.2 or 8.1.3;

8.1.5 Must not take part in the consideration of the matter except to the extent contemplated in paragraph 8.1.2 and 8.1.3;

8.1.6 While absent from the meeting in terms of the provisions above, the director shall:

(i) be regarded as being present at the meeting for the purposes of determining whether sufficient directors are present to constitute the meeting; and

(ii) not to be regarded as being present at the meeting for the purpose of determining whether the resolution has sufficient support to be adopted;

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- 8.1.7 Must not execute any document on behalf of the company in relation to the matter unless specifically requested or directed to do so by the Board.
  - 8.1.8 The Company Secretary shall keep a record of all declarations made under 7.2 and the decisions taken.
  - 8.1.9 Any disclosures or and/or observations made in terms of 8.1.1, 8.1.2 and 8.1.3 above shall be recorded in the minutes of the relevant Board or Committee meeting.

## **9. REVIEW**

Company Secretariat is the owner of this policy and is responsible for periodically reviewing and updating it.

This policy shall be reviewed in three-year cycles or more frequently if there is a need to review the policy before three-year cycle lapses due to any changed circumstances such as legal requirements, changes in the businesses, or the need to reflect current practices or activities.

## **9. GENERAL**

This Policy does not place any legally binding obligations on the Company. The Board shall accordingly always be entitled at any time to amend and/or deviate from any of the terms of the policy where the Board, in its sole discretion, considers it appropriate to do so, provided that such deviation is permissible under such legislation and/or regulation as is applicable to the Company from time to time.

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