MANAGEMENT OF POLITICALLY EXPOSED PERSONS (“PEPS”) POLICY

DOCUMENT DETAILS

<table>
<thead>
<tr>
<th>Document Title</th>
<th>Management of Politically Exposed Persons Policy</th>
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KEY REVIEW AMENDMENTS

KEY AMENDMENTS (IF POLICY IS REVIEWED)

Inclusion of JSE Debt Listings Requirements (Paragraphs 5 and 8)

APPROVAL SIGNATURE RECORD

This Policy was APPROVED at DBSA’s EXCO on 15 February 2021
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DEFINITIONS

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<th>Associate</th>
<th>The JSE Debt Listings Requirements sets out the definition as follows:</th>
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**“Associate” in relation to an individual means:**
1. that individual's immediate family; and/or
2. the trustees, acting as such, of any trust of which the individual or any of the individual's immediate family is a beneficiary or discretionary subject, including trustees of a trust without nominated beneficiaries, but who have been provided with a letter of wishes or similar document or other instruction, including a verbal instruction, naming desired beneficiaries (other than a trust that is either an occupational pension scheme, or an employees' share scheme that does not, in either case, have the effect of conferring benefits on the individual or the individual's family); and/or
3. any trust, in which the individual and/or his family referred to in 1 above, individually or taken together have the ability to control 35% of the votes of the trustees or to appoint 35% the trustees, or to appoint or change 35% of the beneficiaries of the trust. Without derogating from the above, and for the purposes of this definition, the term trust may also be replaced with any other vehicle or arrangement set up for similar purposes to that of a trust; and/or
4. any company in whose equity securities the individual or any person or trust contemplated in 1 or 2 above, taken together, are directly or indirectly beneficially interested, or have a conditional, contingent or future entitlement to become beneficially interested, and that the individual or any person or trust contemplated in 1 or 2 above are, or would on the fulfilment of the condition or the occurrence of the contingency be, able
   (a) to exercise or control the exercise of 35% or more of the votes able to be cast at general meetings on all, or substantially all, matters; or
   (b) to appoint or remove directors holding 35% or more of the voting rights at board of directors’ meetings on all, or substantially all, matters; or
   (c) to exercise or control the exercise of 35% or more of the votes able to be cast at a board of directors’ meeting on all, or substantially all, matters; and/or
5. any close corporation in which the individual and/or any member(s), taken together, of the individual’s family are beneficially interested in 35% or more of the members’ interest and/or are able to exercise or control the exercise of 35% or more of the votes able to be cast at members’ meetings on all, or substantially all, matters; and/or
6. any associate as defined below with reference to a company of the company referred to in 4 above. For the purpose of 4(a), (b) and (c) above, where more than one director of the same listed company is directly or indirectly beneficially interested in the equity securities of another company, then the interests of those directors and their associates will be aggregated when determining whether such a company is an associate of any one director of such listed company.

**“Associate” in relation to a company (“company”) means:**
1. any other company that is its subsidiary, holding company or subsidiary of its holding company; and/or
2. any company whose directors are accustomed to act in accordance with the company’s directions or instructions; and/or
3. any company in the capital of which the company, and any other company under 1 or 2 taken together, is, or would on the fulfilment of a condition or
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<td>the occurrence of a contingency be, interested in the manner described in 4 above; and/or 4. any trust that the company and any other company under 1 and 2 above, individually or taken together, have the ability to control 35% of the votes of the trustees or to appoint 35% of the trustees, or to appoint or change 35% of the beneficiaries of the trust. Without derogating from the above, and for the purposes of this definition, the term trust may also be replaced with any other vehicle or arrangement set up for similar purposes to that of a trust.</td>
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| **Board** | Refers to the board of directors as defined in the Companies Act 71 of 2008. |
| **Close Associates** | For known close associates, examples from FATF guidance include the following types of relationships: o Known sexual partners outside the family unit (e.g. girlfriends, boyfriends, mistresses etc); o Prominent members of the same political party, civil organization, labour or employee union as the prominent person; o Business partners or associates, especially those that share (beneficial) ownership of legal entities with the prominent person, or who are otherwise connected (e.g. through joint membership of a company board); o Any individual who has sole beneficial ownership of a legal entity or legal arrangement set up for the actual benefit of a prominent person. |
| **Close Family** | Individuals who are related to the PEP either directly (consanguinity) or through marriage or similar (civil) forms of partnership. The following examples serve as aids in defining and identifying close family members: o Spouses, civil and life partners; o The previous spouse, civil partner or life partner; o Children and step children and their spouse, civil partner or life partner; o Siblings and step siblings and their spouse, civil partner or life partner; o Parents and grandparents; o Uncles and aunts; o Nephews and nieces; and o Relatives by marriage |
| **Director** | A member of the board of a company or an alternate director of a company and includes any person occupying the position of a director or alternate director by whatever name designated as defined in the Companies Act 71 of 2008. |
| **Domestic Prominent Influential Person** | Schedule 3A of FICA defines a domestic prominent influential person as an individual who holds, including in an acting position for a period exceeding six months, or has held at any time in the preceding 12 months, in the Republic – (a) a prominent public function including that of – (i) the President or Deputy President; [http://www.gov.za/about-government/leaders](http://www.gov.za/about-government/leaders) (ii) a government minister or deputy minister; [http://www.gov.za/about-government/leaders](http://www.gov.za/about-government/leaders) |
(iii) the Premier of a province;  
https://provincialgovernment.co.za/units/type/5/premiers

(iv) a member of the Executive Council of a province;  

(v) an executive mayor of a municipality elected in terms of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);  
http://www.salga.org.za/Municipalities%20MCD.html

(vi) a leader of a political party registered in terms of the Electoral Commission Act, 1996 (Act No. 51 of 1996);  
http://www.elections.org.za/content/Parties/Political-party-list/  
Note: The leader of a political party is the person identified by the party to occupy the position of the highest level of authority in the party.

(vii) a member of a royal family or senior traditional leader as defined in the Traditional Leadership and Governance Framework Act, 2003 (Act No. 41 of 2003);  
http://www.cogta.gov.za/?p+938  
Note: The description of a “senior” traditional leader, therefore applies to such traditional leaders who exercise authority over a number of headmen or headwomen in accordance with customary law, or within whose area of jurisdiction a number of headmen or headwomen exercise authority.

(viii) the head, accounting officer or chief financial officer of a national or provincial department or government component, as defined in section 1 of the Public Service Act, 1994 (Proclamation No. 103 of 1994);  

(ix) the municipal manager of a municipality appointed in terms of section 54A of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000), or a chief financial officer designated in terms of section 80(2) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003);  
http://www.salga.org.za/Municipalities%20MCD.html

(x) the chairperson of the controlling body, the chief executive officer, or a natural person who is the accounting authority, the chief financial officer or the chief investment officer of a public entity listed in Schedule 2 or 3 to the Public Finance Management Act, 1999 (Act No. 1 of 1999);  
https://www.gov.za/about-government/contact-directory

(xi) the chairperson of the controlling body, chief executive officer, chief financial officer or chief investment officer of a municipal entity as defined in section 1 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);  
http://www.salga.org.za/Municipalities%20MCD.html
(xii) a constitutional court judge or any other judge as defined in section 1 of the Judges’ Remuneration and Conditions of Employment Act, 2001 (Act No. 47 of 2001); [https://www.judiciary.org.za/](https://www.judiciary.org.za/)

(xiii) an ambassador or high commissioner or other senior representative of a foreign government based in the Republic; [http://www.dirco.gov.za/foreign/forrep/index.htm](http://www.dirco.gov.za/foreign/forrep/index.htm)

(xiv) an officer of the South African National Defence Force above the rank of major-general; [http://www.dod.mil.za/SitePages/Home.aspx](http://www.dod.mil.za/SitePages/Home.aspx)

(b) the position of –
   (i) chairperson of the board of directors;
   (ii) chairperson of the audit committee;
   (iii) executive officer; or
   (iv) chief financial officer, of a company, as defined in the Companies Act, 2008 (Act No. 71 of 2008), if the company provides goods or services to an organ of state and the annual transactional value of the goods or services or both exceeds an amount determined by the Minister by notice in the Gazette; or

Note: It is envisaged that the Minister will delay the operational date of this paragraph in the legislation, given that information about persons who may fall in this category is not publicly available currently. The National Treasury will explore ways to make such information readily available to enable easier compliance by accountable institutions.

(c) the position of head, or other executive directly accountable to that head, of an international organisation based in the Republic.

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<th>Entity</th>
<th>A “legal” person, incorporated as a company, close corporation, foreign company or any similar form of corporate arrangement.</th>
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<tr>
<td>Foreign Prominent Public Official</td>
<td>Includes persons who hold or have held at any time in the preceding 12 months, in any foreign country a prominent public function which includes:</td>
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<td>o Head of State or Head of a country or government;</td>
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<td>o Member of a foreign royal family;</td>
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<td>o Government Minister or equivalent senior politician or leader of a political party;</td>
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<td>o Senior judicial official;</td>
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<td>o Senior executive of a state-owned corporation; or</td>
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<td>o High-ranking member of the military</td>
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<td>Improper Influence</td>
<td>Personal power that induces another person to give consideration or to act on any basis other than the merits of the matter.</td>
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<td>Key leaders of SOE’s</td>
<td>The team of individuals who exercise general control over and management of the activities of the whole or significant portion of the business, regularly participate to a material degree in the control over and general management of the business and activities of the organization. They are responsible for ensuring that they map out values of the organization, build the organization’s vision and set direction on the future of the organization. These individuals</td>
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<td><strong>PEPs</strong></td>
<td>Definitions of PEPs are wide-ranging. According to the FIC, a PEP is the term used for an individual who is or has in the past, been entrusted with a prominent public or private sector position. FICA sets out two categories of PEPs, that is, foreign prominent public officials and domestic prominent influential persons.</td>
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| **PEP Register** | A register maintained by the DBSA disclosing the following information relating to PEPs:  
  - Parties to the agreement;  
  - Brief description as to the nature of the agreement;  
  - Date of the agreement and duration; and  
  - Total value of the agreement for the duration period. |
| **Prescribed Officer** | A person that exercises general executive control over and management of the whole, or a significant portion, of the activities of a company or 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 activities of the company as defined in the Companies Act 71 of 2008. |
| **Related Party** | Section 10(1)(b) of the JSE Limited Listings Requirements defines a “related party” as follows:  
  (i) a material shareholder;  
  (ii) any person that is, or within the 12 months preceding the date of the transaction was, a director of the issuer or its holding company. For the purpose of this definition, a director includes a person that is, or within the 12 months preceding the date of the transaction was, not a director, but in accordance with whose directions or instructions the directors are or were accustomed to act;  
  (iii) any adviser to the issuer that has, or within the 12 months preceding the date of the transaction had, a beneficial interest, whether direct or indirect, in the listed company or any of its associates;  
  (iv) any person that is, or within the 12 months preceding the date of the transaction was, a principal executive officer of the issuer, by whatever position he may be, or may have been, designated and whether or not he is, or was, a director;  
  (v) the asset manager or management company of a property entity, including anyone whose assets they manage or administer;  
  (vi) the controlling shareholder of the persons in paragraph 10.1(b)(v);  
  (vii) an associate of the persons in paragraph 10.1(b)(i) to (vi) above. |
| **Senior Management** | A team of individuals at the highest level of management of an organization who have the day-to-day tasks of managing that organization. This includes top Management, general managers, Chief Executives & General Executives. |
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1. PURPOSE
The purpose of this policy is to provide guidance on the acceptance, management and monitoring of individuals who are classified as PEPs; in order to mitigate reputational risk, operational risk and legal risk, based on internationally accepted best practice, standards and guidelines on the management of PEPs; whilst simultaneously meeting regulatory compliance standards imposed by FICA. These compliance standards are set out in the DBSA’s RMCP. This policy applies to all PEPs who may have an interest in obtaining any form of financing from the DBSA; shortlisted prospective suppliers and/or service providers; and any employees of the DBSA.

2. BACKGROUND
PEP’s are considered to be high risk as they hold positions of power and influence that may be used for private gain or to benefit associates, close family members and/or related parties. Such individuals may also be used to conceal funds or assets that were gained corruptly. Due to these risks, it is imperative that the DBSA takes steps to identify PEPs and ensure the necessary EDD and enhanced monitoring processes are applied. The methodology for EDD for high risk clients is set out in the DBSA’s RMCP Level 2 Policy. By setting up these processes the DBSA will ensure that it is able to appropriately manage any legal and reputational risks that may arise from entering into business relationships with PEPs. It will also ensure compliance with various guidelines and directives issued by the FIC which are aimed at combating money laundering and the prevention and detection of fraud and other corrupt practices including financing of terrorist activities. The DBSA's RMCP Level 2 Policy sets out the provisions applicable to persons in prominent positions, in terms of sections 21F, 21G and 21H.

3. POLICY
The DBSA is not precluded from doing business with a PEP, therefore the identification of a PEP does not on its own create an automatic reason to decline or reject an application for funding. However, when a PEP is identified, an EDD should be conducted prior to a decision on whether to establish a business relationship or not. Refusing a business relationship based on the determination of a client as a PEP, is contrary to the letter and spirit of the FATF recommendations. Furthermore, the FIC guidance notes on the management of PEPs are intended to assist financial institutions to develop appropriate controls in order to verify PEPs before establishing a business relationship with them.
3.1 IDENTIFICATION OF A PEP

The DBSA identifies PEPs by:

▪ Screening clients against identified PEP lists, to augment the information obtained from clients;
▪ Risk profiling a client as a PEP, in accordance with regulatory standards; and
▪ Considering other reputable sources of information such as industry publications, government publications or press releases and/or company issued updates etc.

3.2 TREATMENT OF PEPS

In making the decision to approve or not approve a funding, tender and/or employment application, where a PEP is involved, the approving committee shall take into consideration information discovered regarding the identified PEP.

3.3 ENTITIES IN WHICH PEPS HAVE BENEFICIAL INTEREST

In the event that a PEP is an associated party to an entity and holds more than 25% voting rights in the entity, the entity itself will be regarded as high risk due to the association with a PEP. The PEP designation stems from the beneficial owner or shareholder, it is not driven by the entity itself. An entity should also be considered as high risk if significant influence over the policy, business and strategy of that entity is performed by a PEP. To determine if a PEP exercises significant influence over the policy, business and strategy of an entity, regard needs to be had to the nature of the position held by the individual concerned i.e. day-to-day management position versus an individual in an isolated consultative role or a non–executive role.

4. CDD MEASURES

4.1 IDENTIFICATION OF CLIENTS AND OTHER PERSONS

▪ When the DBSA engages with a prospective client to enter into a single transaction or to establish a business relationship, the DBSA must:
  (a) establish and verify the identity of the client;
  (b) if the client is acting on behalf of another person, establish and verify:
    ➢ the identity of that other person; and
    ➢ the client’s authority to establish the business relationship or to conclude the single transaction on behalf of that other person; and
  (c) if another person is acting on behalf of the client, establish and verify:
    ➢ the identity of the other person; and
    ➢ that other person’s authority to act on behalf of the client.
Client facing employees are required to make sure that the correct information is obtained from clients as per the uniform client data and client due diligence methodology, as set out in the DBSA's RMCP.

4.2 PRE-APPROVAL - CDD

- CDD is the key and primary source of information used for the purposes of determining whether a client is a PEP or not.
- Client facing employees are required to bring all the information concerning a potential transaction to CU for screening in order to verify and to ensure that clients are not listed on any sanctions lists, as well as to determine whether they or their family members or relatives or close associates or beneficial owners are PEPs.
- When conducting CDD on PEPs, beneficial owners may be uncovered and will be verified accordingly by CU.
- CDD is conducted before a transaction is submitted to IC and BCIC for approval. Business relationships with domestic prominent influential persons are not inherently high-risk. The DBSA must consider each relationship on its own merits. Business relationships with foreign prominent officials must always be considered high-risk. Approval must be obtained to establish such a business relationship, in accordance with governance structures as per the DBSA’s delegations of authority. The DBSA must also take reasonable measures to establish the source of wealth and source of funds of the PEP.
- Where there is a positive identification of a PEP, CU will furnish the relevant information for inclusion in the appraisal template and ensure that an EDD is conducted.
- Once an EDD has been conducted, CU will also furnish an analysis for inclusion in the appraisal template. CU will update the PEP Register accordingly.

It must be noted that despite the need to ensure that an EDD is conducted on PEPs to ensure compliance with the FATF recommendations and other various guidelines and directives issued, in the application and implementation of this policy, caution must be exercised to ensure that the basic rights of all clients to privacy are not infringed.

4.3 POST APPROVAL DISCOVERY- CDD

- If any employee uncovers that a client is a PEP post approval, the employee is required to inform CU accordingly.
- If there are any changes in the shareholding structure of a client, the new shareholder/s must be sent to CU in order to conduct CDD and an EDD if necessary and the PEP Register must be updated accordingly.
Where a PEP has been uncovered by CU, through ongoing monitoring and sometimes on a case-by-case basis as deemed necessary, the PEP Register will also be updated accordingly.

When the existing client re-applies for further additional funding or when a client’s facility is being restructured, the relevant CDD should be conducted.

5. DOMESTIC PROMINENT INFLUENTIAL PERSONS

In accordance with the JSE Debt Listings Requirements, the DBSA, in its capacity as an issuer, sets out the following provisions, in respect of the disclosure and treatment, as a minimum, with domestic prominent influential persons (i) at board level and (ii) for prescribed officers of the DBSA in respect of any transactions/dealings by the DBSA, with domestic prominent influential persons.

- Any such transactions/dealings are governed by the DBSA’s Board of Director’s Policy on Conflict of Interest or the DBSA Employees Policy on Conflict of Interest and Outside Involvement.
- A PEP Register of such domestic prominent influential persons and the relationship with the issuer is maintained by the DBSA and will be made available on the DBSA’s website (https://www.dbsa.org/about-us/governance).
- A negative statement will be made if there are no such domestic prominent influential persons.
- Any instances of amendments and/or deviations from this policy dealing with the disclosure and treatment of domestic prominent influential persons will be announced on SENS immediately together with reasons for the amendments and/or deviations.

6. PROCUREMENT MATTERS

- In line with the DBSA’s Procurement Policy, SCM must ensure that shortlisted prospective suppliers and/or service providers are screened accordingly.
- When PEPs are identified in the procurement process, SCM is required to forward the details of PEP’s to CU in order to conduct an EDD.
- Once an EDD has been conducted, CU will advise SCM of the information that was discovered (if any) concerning the PEP.
- Approval process for suppliers and/or service providers - SCMC, after consideration of all relevant information in respect of a PEP, will approve or decline such a supplier and/or service provider - CU will update the PEP Register accordingly.
7. SCREENING OF EMPLOYEES AS PART OF THE HR PROCESS

7.1 IDENTIFICATION OF A PEP

PEP verification will be incorporated into the HR process and all new employees will be screened as a confirmation of their PEP status. If a staff member’s PEP status changes they are required to notify both HC and CU of such change in PEP status.

7.2 APPROVAL PROCESS FOR EMPLOYEES

For the appointment of non-Group Executive employees with a PEP status, the employing Group Executive will recommend the appointment of such a PEP to the CE and the CE will exercise his discretion on whether to approve or decline the appointment. In the case of a senior position, such as the appointment of a Group Executive or a position with a direct reporting line to the CE, a recommendation must be made to HRN Committee for approval.

8. DISCLOSURE REQUIREMENTS – LOANS AND PROCUREMENT

In accordance with the JSE Debt Listings Requirements, the DBSA, in its capacity as an issuer, sets out the following provisions, in respect of the disclosure and treatment of loans and procurement, as a minimum, with Related Parties; Domestic Prominent Influential Persons; and Prescribed officers.

- A PEP Register of such loans and procurement is maintained by the DBSA and will be made available on the DBSA’s website (https://www.dbsa.org/about-us/governance).
- A negative statement will be made if there are no loans or procurement with such parties.
- This policy is also available on the DBSA’s website (https://www.dbsa.org/about-us/governance).
- Any instances of amendments and/or deviations from this policy must be announced on SENS immediately together with reasons for the amendments and/or deviations.

9. MONITORING AND REPORTING

- Once the DBSA has established a business relationship with a PEP, CU is required to conduct on-going monitoring on PEPs and advise the business on any changes that may be identified.
- Ongoing monitoring of PEP clients is required to be conducted:
  - Every 12 months (i.e. periodic review) as part of the compliance monitoring process;
  - or
  - As a result of a trigger event (whichever is the sooner).
Periodic reviews must be completed for all clients, identified as a PEP or those clients with an indirect relationship through their association with a PEP. A trigger event could include, but is not limited to:

- A change in the PEP’s role;
- A change in the PEP’s residency;
- A new application involving the same PEP;
- Adverse media report; and
- The receipt of a court order/subpoena etc. against the client.

The following information and documentation must be reviewed/ reconfirmed/ updated when conducting a periodic review of a PEP client:

- All CDD information;
- The relevance of the EDD conducted initially; and
- Where adverse information such as ongoing litigation or regulatory proceedings were noted as part of the on-boarding information, further checks must be undertaken to ascertain any outcomes or obtain updated information.

10. TRAINING AND AWARENESS
CU will ensure that there is ongoing training of employees and awareness will be created around this policy to ensure that employees have a better understanding of PEPs, as well as the risks associated with PEPs.

11. REVIEW OF POLICY
This policy shall be reviewed every 2 years or earlier, as required.