

	DENEL SOC LTD COMPANY POLICY	NUMBER 41
SUBJECT: CODE OF ETHICS AND BUSINESS CONDUCT		EFFECTIVE DATE 22 FEBRUARY 2018
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COMPILED BY BT ZWELIBANZI	APPROVED AT THE DENEL BOARD MEETING HELD ON 22 FEBRUARY 2018	SIGNATURE (Original signed by Mr Z Ntshepe) GROUP CHIEF EXECUTIVE OFFICER



1. INTRODUCTION

The board, executive management, and all staff in the organisation shall demonstrate zero tolerance for unethical behaviour and promptly and consistently addresses it whenever and in whatever form it arises. As a minimum Denel commits its officers, executives, managers and supervisors to:

- Conducting themselves with integrity and demonstrating high ethical standards at all times , both within the Company and in the markets in which we operate;
- Ensure compliance with local and national laws and regulations as well as those of the countries in which Denel conducts business;
- Ensuring that employees are provided with the Employee Code of Ethics and Business Conduct policy and that they understand it;
- Inculcating a culture of openness, and probity in the organisation in order to promote a work environment where employees can freely express themselves and raise questions or concerns without fear of retaliation or retribution;
- Acting in a way that shows observance of the rules of trade and objective discharge of authority; and
- Providing appropriate platforms for all to address unethical conduct

Therefore, Denel enjoins all stakeholders to support the organisation in promoting ethical conduct for common good and to report suspected unethical conduct affecting Denel to Denel through the mechanisms provided below in order for action to be taken.

Such reports can be made by submitting a report through to the Denel Anti-fraud Hotline or any of the other mediums of communications listed below.

- Dedicated Denel Anti-fraud Hotline (South Africa): 0800 20 4880
- Dedicated Denel Anti-fraud Hotline (International): +27 12 543 5418
- Unique e-mail address which is fraud@kpmg.co.za
- Generic Free Post address: BNT 371, P O Box 14671, Sinoville, 0129
- Generic Free Facsimile: 0800 200 796
- Generic Denel Anti-fraud Hotline website which is <http://www.thornhill.co.za/kpmgethicslinereport>

The Group Company Secretary,
Denel (SOC) Limited
PO Box 8322
Centurion
0046

T: 012 671 2896
F: 012 671 2860

Denel will treat any reported suspicion of fraud and corruption seriously, review and analyse it as part of the investigation process and take appropriate corrective action.



2. DEFINITIONS

“Conflict of interest” means conflict of interest as defined in this policy and any other applicable legislation of protocol

‘Director’ means Executive or Non-Executive director of Denel (SOC) Limited or its subsidiaries

‘Employee’ means a part-time or full-time employee as defined in the conditions of employment

‘Immediate family member’ means spouse, domestic partner, cohabitant, child, stepchild, grandchild, parent, stepparent, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, great grandparent, brother, sister, half-brother, half-sister, stepsibling, brother-in-law, sister-in-law, aunt, uncle, niece, nephew, or first cousin (that is, a child of an aunt or uncle).

‘Politically Exposed Persons’ (PEP) are individuals who are or have been entrusted with prominent public functions in a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to those with PEPs themselves.

Based on the Financial Action Task Force definition PEP is commonly:

- ***current or former senior official in the executive, legislative, administrative, military, or judicial branch of a foreign government (elected or not)***
- ***a senior official of a major foreign political party***
- ***a senior executive of a foreign government owned commercial enterprise, being a corporation, business or other entity formed by or for the benefit of any such individual***
- ***an immediate family member of such individual; meaning spouse, parents, siblings, children, and spouse's parents or siblings***
- ***any individual publicly known (or actually known by the relevant financial institution) to be a close personal or professional associate.***

PEPs exist both in the public and private sectors.

3. SCOPE

This code applies to Directors, employees, representatives, consultants, and suppliers, whilst doing business for and on behalf of Denel i.e. any persons engaged to act in the name of Denel in the course and scope of their employment or appointment will be expected to adhere to all elements of this code.



4. UNDERTAKING IN RESPECT OF CORE COMPANY VALUES

4.1 In dealings with customers, suppliers, governments, employees and the public, Denel is committed to do so with:

4.1.1 **Integrity** at all times by being honest, truthful and ethical

4.1.2 **Excellence** by performing to the expectations of stakeholders and delivering quality products, services and solutions to our customers

4.1.3 **Innovation** by creating sustainable innovative solutions and improvements including improve processes to satisfy customers and address stakeholder expectations.

4.1.4 **Caring** for people, customers, communities, and the environment and acting in the best interests of stakeholders to create a sustainable future for our business and societies in which we operate.

4.1.5 **Accountability** – by taking responsibility for its actions and exposing wrong-doing for corrective action to be taken.

5. ETHICAL CONDUCT

- Ethics refer to a person's attitude and commitment towards doing the right thing and going beyond what is legally right. Therefore ethics do not replace legal provisions but supplement them.
- Actions of all those acting on behalf of Denel must be in the best interests of Denel, and not damage or compromise Denel's reputation or public confidence in Denel in any manner.
- Judgement must be exercised with a high degree of accountability and the understanding that acting contrary to this could harm Denel's reputation in which Denel will have the right to redress in terms of the disciplinary code and/or any means in law.
- Complying with national and/or prevailing laws and regulations, regardless of the jurisdiction including obtaining and observing conditions of licences and permits to operate is the way of doing business in Denel.
- There are no tolerable levels of unethical conduct. Any breach of Denel's Code of Ethics constitutes a breach of discipline and will be dealt with in terms of Denel's disciplinary code and procedure.

6. KEY ISSUES THAT COULD IMPACT ETHICAL CONDUCT

6.1 Conflict of interest

In the interest of fairness, equity and transparency, Denel seeks to avoid actual and perceived inequities caused by conflict of interest or personal interest in all areas of its operations. Interests of Denel will take precedence over the personal interests of employees and Directors. Therefore:



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- 6.1.1 Directors and employees must refrain from placing themselves in a position that could be or perceived to interfere with their objectivity in discharging their obligations to Denel.
- 6.1.2 Conflicts of interest include the following:
- Having a financial interest, or being closely related to someone with a financial interest, in one of Denel's suppliers, customers, sub-contractors or competitors (or potential suppliers, customers or sub-contractors).
 - Part-time employment in areas similar to those in which Denel is involved.
 - Employment of relatives or family connections for individuals on management to executive manager level. Employees involved in recruitment should recuse themselves from the interview process when their relatives apply for positions.
 - Accepting gifts of more than token nature from a supplier or a supplier's representative.
 - Soliciting loans from customers or suppliers other than those registered with the with the Financial Services Board.
 - Participation in any activity that might lead to disclosure of Denel's proprietary information.
- 6.2 Managing conflict of interest**
- 6.2.1** Denel requires directors and employees to declare in writing, in the "Declaration of Interests" form provided, all their interests including the names of businesses, companies, close corporations, partnerships or work with which they are associated, *or in which they have a financial interest*, within 30 days after appointment or acquiring a new interest through the office of the Company Secretary **and line manager, respectively.**
- 6.2.2** Denel requires directors and employees to **update their register of interests with the Company Secretary and line manager, respectively, annually and immediately when a new interest arises.**
- 6.2.3 Directors and employees may not retain an interest without written authorisation issued through the Company Secretary and **line manager, respectively.**
- 6.2.4** Directors and employees are also required to declare in writing before commencement of any meeting any conflict of interest they may have in relation to the matters to be discussed **and recuse themselves. [This will foster a culture of transparency in their business dealings.]**
- 6.2.5 If for any reason whatsoever an employee unavoidably finds him/herself in a position of conflict or potential conflict of interest, this must be immediately disclosed to his/her **line manager.** In instances where an employee is unsure whether a situation constitutes a conflict of interest, it is advisable that he/she consults his/her superior before taking any further action.
- 6.2.6 Should an employee finds him/herself in a conflict of interest situation, he/she should if possible, and depending on the circumstances, delegate/re-assign all affected decisions or transactions to another employee who has no conflict of interest. If this is not possible,



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then all affected decisions or transactions should be approved by a higher ranking employee.

- 6.2.7 Employees in management or strategic positions who are members of unions or any other interest group of any form may not use privileged information they obtained by virtue of their positions as employees of Denel to advance the interests of such organisations in any form what so ever.
- 6.2.8 Employees in management or strategic positions who are members or hold positions in unions or any other interest group are required to declare their interest in any discussion that may place them in a position of conflict with regard to Denel's interest and those of their unions and/or interest group of any form and must recuse themselves in such discussions.
- 6.2.9 Where line managers are uncertain about how to deal with the potential conflict declared by their employees they must seek guidance from the Company Secretary.
- 6.2.10 **[Denel recognises that there are borderline situations and it does not intend to be arbitrary in considering these cases. However,]** The following principles may be helpful in providing guidance in situations where there may be a question of a conflict of interests:

a) **Business opportunities**

No employee may divert any business opportunity in which Denel may have an interest away from Denel for the employee's or family, friends or their associates' direct or indirect benefit, or compete with Denel for the purchase or sale of any property in any way.

Employees must obtain consent in writing from the ***line manager [Denel]*** to pursue any business opportunities which the company is not pursuing.

Clarification regarding business opportunities may be sought from the Business Development Head and Legal Manager/Company Secretary.

b) **Gifts**

No employee, or members of his or her immediate family, shall accept any gift or favour from third persons which might reasonably be interpreted by others as being of such a nature that it could influence his or her duties to Denel.

Gifts or favours of more than token nature may not be accepted on any occasion from any supplier, customer, sub-contractor, or competitor of Denel or from any other person or corporation having a business relationship with Denel, without the prior written consent of the ***line manager [Denel.]***

For purposes of this policy a "gift" or "favour" means anything exceeding a value prescribed in the Code of Conduct for Public Service, including discounts, entertainment, travel, and loans, except loans upon normal terms from a qualified lending institution.



For purposes of this policy such value is R350.00

Employees are required to complete a declaration of business courtesies/gifts, approved by their supervisor **[to hand it to the Company Secretary]** to be included in the gift register).

[The Legal Manager/Company Secretary may be approached for any clarification regarding the acceptance of gifts.]

Relevant Policy: Code of Ethics and Business Conduct
Relevant Form: DCO_018

c) Outside business activity

No employee may hold a paid position anywhere else without the permission of Denel. Employees are required to obtain written consent from Denel before accepting any alternative employment. Directorships, paid or otherwise, should be discussed with the Departmental Head and approved by Denel beforehand to the extent that they interfere with their work.

[Divisional HR Executive and/or Legal Manager/Company Secretary may be approached for any clarification regarding outside business activity.]

Relevant Policy : External Director's policy 71
: Code of Ethics and Business Conduct
Relevant Form : DCO_005).

d) Affiliation with suppliers

No employee shall without Denel's consent, have an interest in any business enterprise which is a supplier or has any other business relationship with Denel. For purposes of this policy, an "appreciable interest" shall mean being engaged in the management of such business enterprise or having any financial interest in such business.

[Divisional Supply Chain Executive, HR Executive or Legal Manager/Company Secretary may be approached for any clarification regarding Denel suppliers.]

Relevant Policy: External Director's Policy 71
Code of Ethics and Business Conduct
Group Supply Chain Policy
Relevant Form: DCO_005).

e) Sub-contracting

Employees may not use their positions to their own advantage, for instance to engage in sub-contracting in their personal capacities with customers or potential customers of Denel.



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[Divisional Supply Chain Executive, Legal Manager/Company Secretary be approached for clarification regarding subcontracting.]

Relevant Policy: External Director's Policy 71
Code of Ethics and Business Conduct
Group Supply Chain Policy
Relevant Form: DCO_005).

f) Denel resources

Unless with the prior written consent of Denel through the Divisional CEO, no employee may use Denel funds, facilities, property or time to further their own business or personal endeavours.

[Divisional Security Manager, Chief Financial Officer, Legal Manager/Company Secretary may be approached for clarification regarding Denel resources.]

Relevant Policy: Security Policy
Code of Ethics and Business Conduct

6.3 Ignoring or overriding controls

- 6.3.1 One of the requirements of good corporate governance is to implement and maintain adequate financial controls in order to reduce Denel's exposure to loss and legal liability.
- 6.3.2 Under no circumstances may any off-the-books funds or other unrecorded assets be maintained. Payments to 'slush funds' or similar funds or accounts where no accounting for receipts or expenditure is made, are strictly prohibited.
- 6.3.3 No false, misleading or artificial entries may be made in any financial books, records or accounts. No payment on behalf of Denel may be approved or made with the intention or understanding that any part of such payment is to be used for any purpose other than that described by the documents supporting the payment. An employee must promptly advise Denel of any inaccuracy or deficiency in the accounting records of which he or she becomes aware.
- 6.3.4 ***Employee in executive management, middle management, finance and supply chain*** who has been provisionally or finally sequestered or commits an act of insolvency is obliged to disclose this fact to ***his/her line manager [Denel]*** as soon as possible.
- 6.3.5 Employees must duly and faithfully account for all monies, cheques, documents and property of Denel under their control.
- 6.3.6 When handing over cash or any other property to Denel, employees should make sure that they receive receipts. Failure to obtain such receipts could lead to the presumption that Denel did not receive the cash or property. Employees receiving cash or property on behalf of Denel must confirm receipt thereof in writing. Copies of such documentation should be placed on record.



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- 6.3.7 Employees entitled to any type of allowance (such as travel or entertainment expenses) have a duty to use such allowances in good faith and strictly for the purposes for which they are intended. Employees should consult management beforehand when in doubt as to the appropriateness of a particular expenditure.
- 6.3.8 Denel will reimburse extraordinary but necessary business-related expenses in accordance with applicable company policy.
- 6.3.9 Employees must be vigilant and fully aware of the kind of documents they sign. When authorising payments, employees must ensure that the goods or services being paid for are delivered according to agreement, that the prices are reasonable and that valid documentation such as VAT invoices support the payments.

[Divisional Chief Financial Officer may be approached for clarification regarding governance around financial books.]

Relevant Policy: Financial Accounting
 Code of Ethics and Business Conduct
 Travelling and Subsistence Allowances

6.4 Improper commercial transactions

- 6.4.1 Denel's policy is to provide products and services which meet applicable standards including advertising, labelling, promoting and packaging them in an accurate and proper manner
- 6.4.2 Everyone must strive to achieve the above-mentioned goals in the execution of their duties.
- 6.4.3 Employees who receive or generate contracts, , purchase orders, letters of agreement or any other binding commitments, should ensure that the goods, contract duration and commercial terms are specifically addressed therein. Legal advice should be obtained if necessary.
- 6.4.4 Employees may not conclude any contracts or make any undertakings on behalf of Denel unless authorised to do so in terms of the general or specific responsibilities delegated to them.
- 6.4.5 *Denel may not defend employees who are guilty of ethical misconduct even if the intention was to benefit Denel.***
- 6.4.6 *In the event Denel, for whatever reason, initially defended the employee, Denel reserves its rights to recover any cost incurred should it be found that such misconduct was in breach of Denel Ethics and Business Conduct Policy.***
- 6.4.7 Orders, contracts and commitments must be awarded strictly on merit. Merit constitutes quality, price, performance as well as any other distinguishing business factors relating to the product or service to be supplied.



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- 6.4.8 Denel's services and products must be promoted truthfully and under no circumstances should misleading or exaggerated claims be made about the services and products.
- 6.4.9 Fees payable to consultants or agents must be market related and consistent with the value of the services rendered, or to be rendered. Fees must be disclosed in advance. Payments aimed at influencing the agent or consultant to take improper action will not be allowed.
- 6.4.10 Employees may not employ or participate in dishonest methods or schemes, including methods involving fraud, deceit or overreaching, or methods which depart from fundamental standards of honesty and fair play for the purposes of obtaining personal or business advantage or reward.
- 6.4.11 Employees are required to execute all reasonable instructions by persons officially assigned to give them, provided these are not contrary to the provisions of the Constitution and/or any other law/or Denel policy
- 6.4.12 No bribes or kickbacks may be solicited by or offered to an employee. Solicitation, payment or receipt of a bribe constitutes a criminal offence and will be prosecuted to the full extent of the law.

[The Chief Financial Officer, Divisional Head of Business Development, and Group Communications Executive may be approached for clarification regarding product standards and quality and advertising and payment of fees to consultants, agents and Technical Advisors.]

Relevant Policy: Policy and Procedure for Participation in Shows
Appointment of Technical Advisors
Fraud and Corruption Prevention Strategy Policy
Code of Ethics and Business Conduct

6.5 Disclosure of confidential/proprietary information

- 6.5.1 **Directors and** employees **shall protect** Denel's trade secrets and proprietary information for the benefit of Denel's **[are important for its]** business profile, profitability and continued competitiveness.
- 6.5.2 **Directors** and employees exposed to confidential customer or third party confidential information in Denel's custody shall treat such information with strict confidentiality and not disclose it to any third party.
- 6.5.3 **Directors** and employees are under a duty, both during after their tenure and period of employment, respectively, with Denel to keep confidential and not to make use of or disclose any of Denel's proprietary or confidential information **such as [Examples of such information are:]** technical know-how and data, systems, methods, software, processes, client lists, business affairs, suppliers' lists, marketing or financial information and any trade secrets or confidential information of other persons in the custody of Denel.
- 6.5.4 Trade secrets or confidential information may only be disclosed to individuals who require such information in the execution of their duties and only after the necessary authorisation



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has been obtained from the rightful owner. Any solicitation to disclose confidential information to parties other than the aforementioned must be reported to the **line manager** immediately.

- 6.5.5 Whenever there is uncertainty regarding the confidentiality of information, employees must seek a ruling from Denel and will be bound by such ruling made in good faith.
- 6.5.6 Employees may not, without Denel's written consent, give lectures, speak at public meetings, or publish any articles dealing with Denel's affairs or any matter or subject which may affect Denel, whether technical, commercial, manufacturing or otherwise.
- 6.5.7 Denel values its relationship with the media and will, when necessary, provide full and prompt disclosure of newsworthy developments or events. All statements to the media or responses to enquiries from the media, shall however, be made through the Corporate Affairs Department in accordance with Denel's communication procedures. In the event that a media enquiry concerns a pending legal, environmental, or safety-related matter, legal advice should be obtained prior to communicating with the media. Any employee asked for a statement by any member of the media should refer such a request to the Corporate Affairs Department.
- 6.5.8 Information about Denel may not be made public other than through the recognised channels. Transgressions could result in disciplinary and/or legal action.
- 6.5.9 Employees should at all times promote Denel's interests and refrain from making derogatory remarks about Denel, either during or after working hours.

[The Divisional Legal Manager/Company Secretary and the Group Communication's Executive may be approached for clarification regarding Intellectual Property, confidential information, media and public affairs matters respectively.]

Relevant Policy: Intellectual Property Policy
Communication's Policy
Code of Ethics and Business Conduct

6.6 Use of company resources

- 6.6.1 Employees are **[accountable]** responsible for the protection **[all]** of Denel's assets under their control and held **accountable [should protect them against any risk of]** for losses or damages **thereon due to negligence**.
- 6.6.2 Denel's assets may comprise land, buildings, products, equipment, stock, funds, office supplies, etc. It also specifically includes designs, drawings, software, trade secrets, financial data and other commercial information.
- 6.6.3 Denel's assets may only be used for the benefit of Denel and not for the personal gain of employees or **[others] third parties**. Employees should take reasonable care of all assets under their control; ensure that the assets are not abused and that they are only used for valid business purposes.
- 6.6.4 Regardless **[Assets belonging to Denel, irrespective]** of value, **age, condition, quantity [whether new, old, used, partially used, scrap, left-over, abandoned or**



discarded,] Denel assets may not be removed from the premises without prior written authorisation from the **line manager**.

- 6.6.5 Whenever assets are temporarily removed from Denel's premises to an alternative site or workplace, the authorising manager or delegate shall keep, and shall regularly up-date, a register of such assets and their whereabouts and shall take steps to ensure the timeous return of such assets to Denel.
- 6.6.6 Should an employee become aware of a situation where assets temporarily removed from Denel's premises are used under suspicious circumstances, he/she must inform his/her manager in order to recover the assets. Failure to report such findings may be regarded as a misconduct that may lead to disciplinary action.
- 6.6.7 Employees should take care that their personal belongings such as bags or vehicles are not used by others to illegally remove company assets.
- 6.6.8 Upon termination of employment, employees must hand over all of Denel's assets in their possession or under their control, including books, documents, manuals, specifications, technical and commercial data, computer discs, microfiche copies, keys, security cards, tools or any other property.

[Divisional Security Manager, Chief Financial Officer, Legal Manager/Company Secretary may be approached for clarification regarding Denel resources.]

Relevant Policy: Security Policy
Code of Ethics and Business Conduct
Fraud and Corruption Prevention Strategy Policy

6.7 Private trading on Denel premises

- 6.7.1 Denel does not permit any form of private trading on its premises unless approved in writing by an authorised manager.
- 6.7.2 Employees should not without Denel's prior written permission, engage in solicitation of any kind on the premises of Denel or during working hours. This includes distribution of personal notices, circulars or any other written material.

[Divisional Security Manager and Legal Manager/Company Secretary may be approached for clarification regarding Denel resources.]

Relevant Policy: Security Policy
Code of Ethics and Business Conduct
Fraud and Corruption Prevention Strategy Policy

6.8 Transactions [Relations] with customers, suppliers, intermediaries and Politically Exposed Persons.

- 6.8.1 Integrity in dealings with customers, suppliers, intermediaries and **Politically Exposed Persons** is a prerequisite for sound business practice and relationships.



6.8.2 Business relationships with customers, suppliers, intermediaries and Politically Exposed Persons shall be based on a comprehensive due diligence and monitoring to mitigate reputational risk, operational risk and legal risk.

6.8.3 Business with Politically Exposed Persons may only be conducted with prior approval of the Board.

6.8.4 In all advertising and other public communications, untruths, concealment and overstatement will be avoided. We will never deliberately give inadequate or misleading descriptions of products or services.

6.8.5 In accepting business or entering contracts, employees are expected to observe the highest standards of integrity and to act in the best interests of the Group. Business should not be placed or accepted, or contracts or arrangements entered into, for any improper motive.

6.8.6 In dealing with customers, suppliers or intermediaries, employees may not give or receive money directly or indirectly,

6.8.7 Gifts are limited to promotional items or activities that are not of any special nature.

6.8.8 We will maintain the confidentiality of information received from customers, suppliers and intermediaries.

[Divisional Business Development Head, Divisional Supply Chain Executive, Group Executive Communication and Corporate Affairs may be approached for clarification regarding relations with customers, suppliers and intermediaries.]

Relevant Policy: Code of Ethics and Business Conduct
Communications Policy

6.9 Relations with shareholders and other investors

6.9.1 We will protect the interests of shareholders and other investors and will not do anything which will advantage one class of investor at the expense of another.

6.9.2 Our accounting statements will be true and timely.

6.9.3 We aim to generate an attractive return to investors on a long-term basis.

6.9.4 We will communicate business policies, achievements and prospects honestly.

[The Group Financial Director and Group Executive Communication and Corporate Affairs may be approached for clarification regarding shareholder and investor relations.]

Relevant Policy: Code of Ethics and Business Conduct
Communications Policy



6.10 Relations with employees

- 6.10.1 Relations with employees are based on respect for the dignity of the individual.
- 6.10.2 Our principle is to recruit and promote employees on the basis of their suitability for the job without discrimination in terms of race, religion, national origin, colour, gender, age, marital status, sexual orientation or disability, unrelated to the task at hand. In South Africa this principle needs to be balanced against the requirement to address the issues of employment equity and our practices will be cognisant of this.
- 6.10.3 Employees are required to deal fairly, professionally and equitably with other employees, irrespective of race, gender, ethnic or social origin, colour, sexual orientation, age, disability, religion, political persuasion, conscience, belief, culture or language
- 6.10.4 We will seek to provide a healthy and safe work environment. Employees for their part have a duty to take every reasonable precaution to avoid injury to themselves, their colleagues and members of the public.
- 6.10.5 We do not countenance forced or child labour.
- 6.10.6 We will recognise the efforts of the individual in helping to create the success of the group. Pay systems will seek to recognise both the contribution of individuals and the performance of the sector of the business in which they work.
- 6.10.7 We will encourage and help employees at all levels to develop relevant skills and competencies, through both work-related training and self-development, in order to progress in their careers with the group.
- 6.10.8 Information received by employees in the course of business dealings will not be used for personal gain or any purpose except that for which it is given.
- 6.10.9 Employees may not engage in any outside business interest or additional employment, which could in any way conflict with the proper performance of their duties, unless given specific written permission to do so by the relevant business head.
- 6.10.10 Any personal interest, which an employee or a member of his/her immediate family has, in relation to the group's business, must be disclosed. This conflict of interest could include directorships, significant shareholdings and employment of family members.
- 6.10.11 We recognise the need to develop effective processes for communication and consultation with employees in the natural groupings in which they work and, where appropriate, for individuals to be suitably represented in negotiations. The rights of freedom of association and collective bargaining are respected, where allowed by law, to facilitate constructive dialogue.
- 6.10.12 Our companies will have appropriate dispute procedures and will make all reasonable efforts to resolve issues without recourse to strikes or lockouts.



[The Divisional HR Executive, Group Transformation Manager and Group Executive HR & Transformation may be approached for clarification regarding employee relations.]

Relevant Policy: Code of Ethics and Business Conduct
Anti-discrimination policy
Employment equity
Sexual harassment
Recruitment and selection

6.11 Relations with the government and the local community

- 6.11.1 We will take into account the concerns of the wider community, including both national and local interests. We seek to serve the community by providing our services efficiently and profitably, and by providing good employment opportunities and conditions.
- 6.11.2 We will support communities in which we operate. Charitable donations and educational and cultural contributions will be made within a policy set and reviewed by the companies' Social and Ethics Committee.
- 6.11.3 The Environment: we are concerned with the conservation of the environment in its broadest sense, and recognise that certain resources are finite and must be used responsibly. We aim to limit the use of finite resources in all business ventures and in particular recognise our role in managing responsibility for buildings and land we occupy, waste management and usage of energy.

[Group Executive Communication and Corporate Affairs, Group Manager Corporate Social Investment and Stakeholder and Government Relations may be approached for clarification regarding relations with the government and the local community.]

Relevant Policy: Code of Ethics and Business Conduct
Communications Policy

6.12 Relations with competitors

- 6.12.1 We will not unfairly damage the reputation of competitors, either directly or by implication or innuendo.
- 6.12.2 In any contacts with competitors, employees will avoid discussing proprietary or confidential information.
- 6.12.3 We will not attempt to acquire information regarding a competitor's business by disreputable means. This includes industrial espionage, hiring competitors' employees to obtain confidential information, urging competitive personnel or customers to disclose confidential information, or any other approach which is not above board.
- 6.12.4 We will not engage in restrictive trade practices or abuse any position of market dominance.



[Group Executive Communication and Corporate Affairs, Divisional Business Development Head may be approached for clarification regarding relations with the government and the local community.]

Relevant Policy: Code of Ethics and Business Conduct
Communications Policy

6.13 Issues relating to international business

- 6.13.1 We will respect the traditions and cultures of each country in which we operate.
- 6.13.2 In line with international trade practices where our agreements so specify we shall fulfil our obligations in respect of offsets and other related arrangements whose aim is to contribute to the economic well-being and social development of countries and communities where we conduct business.
- 6.13.3 We will act responsibly in international trade and investment. In particular, inter-company pricing policy will be objectively justifiable.
- 6.13.4 Where business practices differ in different countries in which the group operates, we will favour consistent procedures among subsidiaries and associates. We will work for multilateral action aimed at achieving high common standards.
- 6.13.5 We will comply with competition laws throughout the world. We will not take part in unlawful cartels.

[Divisional Business Development Head, Divisional Legal Manager/Company Secretary Group Financial Director and Group COO may be approached for clarification regarding geo-cultural issues, offsets, competitive matters and legal and regulatory matters.]

Relevant Policy: Code of Ethics and Business Conduct
Communications Policy

6.14 Compliance and verification

- 6.14.1 Strict compliance with local and national laws and regulations as well as those of the countries in which Denel conducts business including but not limited to arms control, tax, employment shall be adhered to and rigorously monitored.
- 6.14.2 Strict adherence to the provisions of this Code is a condition of employment with the group.
- 6.14.3 We aim to create the climate and opportunity for our employees to voice genuine concerns about behaviours or decisions that they perceive to be unethical.



- 6.14.4 The group company secretary is responsible for initiating and supervising the investigation of all reports of breaches of this Code and ensuring that appropriate disciplinary action is taken when required.
- 6.14.5 The group's auditors may be asked to report on any practice, uncovered in the course of their work, which appears to breach this Code.

[Legal Manager/Company Secretary may be approached for clarification regarding geo-cultural issue, offsets, competitive matters and legal and regulatory matters.]

Relevant Policy: Code of Ethics and Business Conduct
Communications Policy

6.15 Reporting ethical issues

- 6.15.1 If you become aware of a circumstance or action that violates, or appears to violate, the code of conduct, Denel's policy, or applicable law, contact your supervisor, or local managements as soon as possible.
- 6.15.2 If you are not able to get an answer to a question, or resolve an issue, under the Code of Conduct by working with your supervisor or local management, you can contact the Denel Ethics Hotline.
- 6.15.3 Denel has appointed an independent entity, KPMG, to provide this service and employees or others can report unethical behaviour that affects the Denel Group by this independent and confidential system.
- 6.15.4 The KPMG number to report Fraud and Corruption is 0800 20 48 80 and is available 24 hours and seven days a week. Remember that stamping our fraud starts with you! Blow the whistle on unethical behaviour by calling the anonymous hotline today.

Line Manger, Legal Manager/Company Secretary and Group Audit Executive may be approached for clarification regarding ethical issues.

Relevant Policy: Code of Ethics and Business Conduct
Communications Policy

6.16 Communication of the policy to employees

Management should put in place processes to communicate the policy to employees through:

- Induction where new employees will be issued with copy of the policy
- Refresher awareness sessions for existing employees
- Denel Infogram and other media

Management shall ensure that each employee shall have a copy of the policy and that the employees are familiar with the contents thereof



6.17 Enquiries regarding ethical dilemmas

Directors and employees may contact the Company Secretary, line managers, and/or any member of the Denel Executive regarding any ethical dilemma or clarification.

7. FAILURE TO COMPLY WITH THE POLICY

Failure to comply with the policy may lead to disciplinary action, which could result in o termination of employment.

8. POLICY ADMINISTRATION

The policy shall be reviewed when the business process, or new standards and even legislation warrant or to address deficiencies found identified during an audit.

9. REVISION HISTORY

Date	Version	Comments
10 November 2008	001	
22 November 2013	002	
1 March 2017	003	
22 February 2018	004	



QUESTIONS AND ANSWERS

- Q** My spouse owns a company that can offer great discounts to Denel. Would it still be considered a conflict of interest even if I was not involved in the decision to award the contract?
- A** Yes. Business transactions involving spouses or close family relations must be avoided.
- Q** A supplier's representative sent me a pen and pencil set as a token of appreciation. May I accept the gift?
- A** Yes, provided that the gift is of a nominal value and is available to others in similar circumstances. Frequent gifts should be avoided as they create or may be perceived as creating indebtedness. The same principle applies to invitations to meals by suppliers.
- Q** A supplier has offered me rugby tickets together with overnight accommodation vouchers. Can I accept this gift?
- A** If a courtesy involves travel outside your geographical area or overnight accommodation it is advisable for you to bear the costs for such accommodation. However entertainment and courtesies may differ according to employees' seniority. In cases of substantial courtesies, full disclosure must be made and prior approval must be obtained.
- Q** What should I do if I receive an unacceptable gift/courtesy?
- A** You must politely decline and explain that Denel's policy prohibits acceptance of the gift.
- Q** Can I invite my friends to Denel's suite at the stadium?
- A** No. Allocation of sporting tickets and access to suites are mainly intended for customers and suppliers. Employees may also be invited to sporting events to foster team spirit. If you require tickets to entertain an outside person, you must provide the Corporate Affairs Department with the name of the client or customer. The tickets are for the sole use of that particular person and are not transferable to 3rd parties. In the event that the invited person cannot attend, the tickets must be returned to the Corporate Affairs department.
- Q** Can I give Denel branded apparel and items to potential customers?
- A** Yes. The items are important marketing features. However, their value should not be excessive. The items must be available to all Denel's customers. Procurement of corporate gifts should at all times be facilitated through the Corporate Affairs Department.
- Q** Can I spend two additional days in Brazil after completion of my business trip?
- A** You must refrain from combining business with leisure trips.
- Q** Are obscene and sexist jokes regarded as discriminatory?
- A** Yes. They undermine human dignity and can also be regarded as sexual discrimination.
- Q** My manager keeps asking me frequent questions about my sex life. Is this sexual harassment?
- A** Yes. Sexual harassment includes any unwelcome physical or verbal conduct.



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- Q A senior manager hints sexual favours from subordinates and trainees. I am a junior staff member and I'm afraid of being victimised. Should I speak up?
- A Yes. Denel views sexual harassment in a serious light. All reported incidents will be investigated thoroughly and treated with confidentiality before any action is taken.
- Q Is it acceptable to occasionally overstate my kilometre claims by a few kilometres? I have seen my colleagues do it from time to time.
- A No. This amounts to fraud.
- Q I am aware of unethical practices by some executive managers. Can I tell the press about this?
- A No. The matter must be reported through Denel's channels e.g. to the person to whom the respective manager reports.
- Q A friend wants to benchmark his company's systems and procedures with those of Denel. Can I divulge the information to my friend?
- A No. Prior approval must always be sought in these instances as such information could be regarded as being confidential.
- Q I have just acquired reliable and potentially damaging information about a competitor. Can I go public with this information and boost Denel's image in the process?
- A No. This type of behaviour is unethical.
- Q I have agreed a delivery date with the customer. The product includes controlled items and it will take long to obtain an export permit. May I export the product before the export permit has been granted?
- A No. Controlled items may not be exported or imported before a permit is or without a valid import or export permit issued by the NCACC. Equally employees may not apply for an export or import permit after a controlled item has already been shipped. Such actions are illegal and may cause those responsible to be liable to criminal action.
- Q What is a Politically Exposed Person?
- A According to FATF Guideline, Politically Exposed Persons:2013, (Recommendations 12 and 22) a politically exposed person (PEP) is defined by the Financial Action Task Force (FATF) as an individual who is or has been entrusted with a prominent public function. Due to their position and influence, it is recognised that many PEPs are in positions that potentially can be abused for the purpose of committing money laundering (ML) offences and related predicate offences, including corruption and bribery, as well as conducting activity related to terrorist financing (TF). This has been confirmed by analysis and case studies. The potential risks associated with PEPs justify the application of additional anti-money laundering / counter-terrorist financing (AML/CFT) preventive measures with respect to business relationships with PEPs. Examples of PEPs and the process of identifying and monitoring them is included in the due diligence process,