

	<p align="center"><b>DENEL SOC LTD</b> COMPANY POLICY</p>	<p align="center"><b>NUMBER</b></p> <p align="center">79</p>
<p><b>SUBJECT: POLITICALLY EXPOSED PERSONS</b></p>		<p align="center"><b>EFFECTIVE DATE</b></p> <p align="center">16 August 2021</p>
<ol style="list-style-type: none"> <li>1. DEFINITIONS</li> <li>2. GUIDING PRINCIPLES FOR BUSINESS RELATIONSHIPS</li> <li>3. POLICY STATEMENT</li> <li>4. PURPOSE OF THE POLICY</li> <li>5. SCOPE OF THE POLICY</li> <li>6. REGULATORY FRAMEWORK</li> <li>7. MANAGING POLITICALLY EXPOSED PERSONS <ul style="list-style-type: none"> <li>7.1 Pre- boarding and monitoring Screening</li> <li>7.2 Due diligence</li> <li>7.3 Enhanced Due Diligence</li> <li>7.4 Risk assessment for potential business relationship</li> <li>7.5 Approval of the Politically Exposed Persons business relationship</li> <li>7.6 Reporting and monitoring</li> </ul> </li> <li>8. NON-COMPLIANCE</li> <li>9. POLICY ADMINISTRATION</li> <li>10. REVISION HISTORY</li> </ol> <p align="center"><b>ANNEXURES</b></p>		
<p><b>COMPILED BY</b></p>  <p><b>GROUP RISK AND COMPLIANCE MANAGER</b></p>	<p align="center"><b>APPROVED BY THE DENEL BOARD</b></p> <p align="center">16 August 2021</p>	<p align="center"><b>SIGNATURE</b></p>  <p align="center"><b>ACTING GROUP CHIEF EXECUTIVE OFFICER</b></p>



## DENEL SOC LTD COMPANY POLICY

### 1. DEFINITIONS

- 1.1 Beneficial Owner – refers to a person who ultimately owns, controls and benefits from a company or Trust and the income it generates and in respect of a legal person, means a natural person, who, independently or together with another person, directly or indirectly:-
- 1.1.1 Owns the legal entity;
- 1.1.2 Exercises Effective Control of the legal entity.
- 1.2 Close associates – means individuals who are closely connected to PEP, either socially or professionally. The category of closely associated persons should include close business associates and or personal advisors and or persons acting in a financial fiduciary capacity, partners (especially those that share beneficial ownership of legal entities with the PEP or who are otherwise connected).
- 1.3 Close family – means individuals who are related to the PEP either directly or through marriage or similar (civil) forms of partnership. The following relationships will be regarded as close family: Direct family members, including, spouses and life partners, children, parents and grandparents.
- 1.4 Politically Exposed Persons means, - means individuals who are, or have been, entrusted with prominent public functions and their family members and close associates" and for the purposes of this policy includes:
- 1.4.1 Domestic Politically Exposed Person - refers to a person referred to Annexure A, hereto.
- 1.4.2 Foreign Politically Exposed Person - refers to a person referred to in Annexure B, hereto.

*For purposes of this policy the family members and close associates of Politically Exposed Persons will be treated as a Politically Exposed Person.*

### 2. GUIDING PRINCIPLES FOR BUSINESS RELATIONSHIPS

- 2.1 Denel conducts business in conventional arms which is regulated in terms of the various applicable Arms Control Regulations.
- 2.2 Denel procures services and /or products and may enter into business transactions with any person locally and/or globally subject to the prevailing laws, regulations and sound corporate governance business and provided that such transactions fall within its risk appetite.
- 2.3 In conducting its business Denel may enter into business relationships with entities who are or whose beneficial ownership may include individuals who may be considered to be Politically Exposed Persons as defined in this policy.
- 2.4 As an authorised user of the Johannesburg Stock Exchange (JSE) as defined in the Securities Service Act, 2004 (Act 36 of 2004), Denel is an accountable institution listed in Schedule 1 of the Financial Intelligence Centre Act, No 38 of 2001 as well as the 2020 JSE Debt Listing Requirements.



## DENEL SOC LTD COMPANY POLICY

2.5 Accordingly, Denel is required to implement systems to comply with the above and other laws and to maintain a good corporate governance environment that protects and enhances its reputation as a good corporate citizen.

### 3. POLICY STATEMENT

3.1 As a state-owned company and as a good corporate citizen, Denel commits that it shall implement process to ensure that its business relationships comply with applicable laws, regulations and good business practices and do not unfairly prejudice the company, its shareholders and stakeholders.

3.2 Accordingly, Denel shall:

3.2.1 Screen current and potential service providers to establish their beneficiary ownership and other relevant credentials to establish that doing business with them does not violate the principles of this policy;

3.2.2 Identify Politically Exposed Persons or entities and assess the risk of entering into business relationships with them and process them accordingly;

3.2.3 Where the business relationships with Politically Exposed Persons or entities are concluded, ensure that this is within Denel's risk tolerance levels;

3.2.4 Ensure that business relationships with Politically Exposed Persons or entities are concluded and approved at appropriate levels and in terms of the Delegations of Authority Policy No. 2.

3.3 In order to effectively assess service providers in line with this policy, Denel shall put in place processes to obtain the relevant information and consent to process such information for purposes of this policy which may include the publishing transactions and parties involved as well as reporting to the relevant authorities where appropriate.

### 4. PURPOSE OF THIS POLICY

The primary purpose of this Policy is to outline Denel's approach regarding the handling of business relationships with Politically Exposed Persons or their businesses.

### 5. SCOPE OF THIS POLICY

This Policy is applicable to all Denel entities.

### 6. REGULATORY FRAMEWORK

6.1 JSE Debt Listing Requirements;

6.2 Financial Intelligence Centre Act, 2001 as amended;

6.3 Financial Action Task Force ("FATF") Guidance on Politically Influential Persons June 2013.

### 7. THE SYSTEM OF MANAGING POLITICALLY EXPOSED PERSONS



## **7.1 Pre-boarding and Monitoring Screening**

- 7.1.1 The process of identifying Politically Exposed Persons must take place prior to concluding the business relationship – as part of the tender/sourcing stage and on-boarding.
- 7.1.2 Annually Denel shall conduct follow up screening reviews with existing business partners for purposes of identifying Politically Exposed Persons.
- 7.1.3 The purpose of the screening process is to establish whether the persons in question appear in the lists published by authorities including the Financial Intelligence Centre or any other related data base.
- 7.1.4 The criteria for Politically Exposed Person include:
  - 7.1.4.1 The level of (informal) influence that the individual could still exercise;
  - 7.1.4.2 The seniority of the position that the individual held as a PEP; or
  - 7.1.4.3 Whether the individual's previous and current function are linked in any way (e.g., formally by appointment of the PEPs successor, or informally by the fact that the PEP continues to deal with the same substantive matters).
  - 7.1.4.4 Association and holding in excess of 5% of voting rights in the entity; and
- 7.1.5 The Annexure Specific screening of potential business partners to determine whether they fit the definition of Politically Exposed Person based on Annexures A and B or any other related databases as prescribed by the Financial Intelligence Centre in terms of:

## **7.2 Due Diligence**

Due Diligence shall put in place systems to ensure due diligence is conducted effectively and according to the prevailing risk.

- 7.2.1 Enhanced Due Diligence.
- 7.2.2 Once a business partner has been identified as a Politically Exposed Person or entity enhanced due diligence must be conducted to assist in determining the appropriateness of establishing a business relationship.
- 7.2.3 Due diligence shall include:
  - 7.2.3.1 Verifying the nature of the business;
  - 7.2.3.2 Establishing the intended purpose of the business;
  - 7.2.3.3 Verifying the ownership and control structure of the business;
  - 7.2.3.4 Verifying the identity of the beneficial owner of the company;



## DENEL SOC LTD COMPANY POLICY

- 7.2.3.5 Establishing if and the extent to which a Politically Exposed Person influences business policies and strategy of the company;
- 7.2.3.6 Establishing and confirming past and present positions held by the Politically Exposed Person involved and the extent of their involvement in the business;
- 7.2.3.7 Establish the source of funds for the intended transaction or business pertaining to the business relationship with Denel.

### 7.4 Risk Assessment of the Potential Business Relationship

- 7.4.1 The Compliance officer shall use the screening and due diligence information to assess the appropriateness of the possible business relationship;
- 7.4.2 The decision whether to conclude the business relationship with a Politically Exposed Person shall be informed by Denel's risk appetite, and
- 7.4.3 Where the risk of concluding a business relationship with a politically exposed person falls outside Denel's risk appetite Denel reserves the right not to enter into such a relationship.

### 7.5 Approval of the Politically Exposed Persons Business Relationship

- 7.5.1 The process owner shall prepare a report in consultation with the Compliance Officer regarding the outcome of the due diligence process for tabling to the Group Executive Committee.
- 7.5.2 Conclusion of business relationships with Politically Exposed Person shall be recommended by the Group Executive Committee to Board.
- 7.5.3 The process owner is responsible for communicating the decisions regarding the approval or otherwise of a transaction involving Politically Exposed Persons.

### 7.6 Reporting and Monitoring

- 7.6.1 Denel shall report to the Department of Enterprises and/or other authorities regarding business relationships with Politically Exposed Persons.

## 8. NON-COMPLIANCE

Non-compliance with this policy may result in disciplinary action in terms of Denel's disciplinary procedures.

## 9. 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.

## 10. REVISION HISTORY

Date	Version	Comments
16 August 2021	001	



**LIST OF DOMESTIC PROMINENT INFLUENTIAL PERSONS**

**(A) PROMINENT PUBLIC FUNCTION (SCHEDULE 3A) INCLUDING THAT OF:**

- (i) The President or Deputy President;
- (ii) A government Minister or Deputy Minister;
- (iii) The Premier of a Province;
- (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);
- (vi) A Leader of a Political Party registered in terms of the Electoral Commission Act, 1996 (Act No. 51 of 1996);
- (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);
- (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);
- (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); or
- (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);
- (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);
- (xiii) An Ambassador or High Commissioner or other senior representative of a foreign government based in the Republic;



**DENEL SOC LTD  
COMPANY POLICY**

- (xiv) An Officer of the South African National Defence Force above the rank of Major-General.

**(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.
- (v) (v) The position of head or other executive directly accountable to that Head of an international organisation based in the Republic.



**DENEL SOC LTD  
COMPANY POLICY**

**ANNEXURE B**

**LIST FOREIGN PROMINENT PUBLIC OFFICIALS**

**(A) A FOREIGN PROMINENT PUBLIC OFFICIAL IS AN INDIVIDUAL WHO HOLDS, OR HAS HELD AT ANY TIME IN THE PRECEDING 12 MONTHS, IN ANY FOREIGN COUNTRY A PROMINENT PUBLIC FUNCTION INCLUDING THAT OF A:**

- (i) Head of State or Head of a Country or Government;
- (ii) Member of a Foreign Royal Family;
- (iii) Government Minister or Equivalent Senior Politician or Leader of a Political Party;
- (iv) Senior Judicial Official;
- (v) Senior Executive of a State-Owned Corporation; or
- (vi) High-Ranking Member of the Military.

**(B) THE POSITION OF:**

In addition to the definitions prescribed in the FICA, Denel includes the following relating to foreign prominent individuals:

- (i) Directors, Executives and/or Chief Financial Officers of foreign companies who have known business linkages to individuals defined as Politically Exposed Persons.