

**The Industrial Development Corporation
(IDC) Domestic Prominent Influential
Persons (DPIP) and Foreign Prominent
Public Official (FPPO) Policy**

(“The PIP Policy”)

Version 3.1

POLICY OWNERSHIP	
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1. DEFINITIONS

1.1 Accountable Institutions

Is defined as a person referred to in Schedule 1 of the Financial Intelligence Act, No. 38 of 2001 ("FIC Act). Thus, a person or organisation that carries on the business of any entity listed in Schedule 1 of the Act would be regarded as an accountable institution".

1.2 Anti-Money Laundering Control

A set of procedures and controls which are aimed at ensuring that a financial institution is not aiding in a Money Laundering scheme and does not get abused by Money Launderers in their Money Laundering schemes.

1.3 Anti-Money Laundering Legislation

Acts and legislation which governs Anti-Money Laundering Control. The South African Legislation comprises of the FIC Act of 2001, Regulations to the FIC Act, PRECCA and POCA.

1.4 Beneficial Owner

Natural person(s) who ultimately owns or controls a client and/ or the person on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

1.5 Business Relationship

An arrangement between a client and an Accountable Institution for the purposes of concluding transactions on a regular basis.

1.6 Client

Refers to a person (legal or natural) who has entered into a business relationship or a single transaction with the IDC, this includes vendors or service providers, Corporate and Social Investments (CSI) beneficiaries, grant recipients and general business partners.

1.7 Close Associates

Are individuals who are closely connected to a DPIP or FPPO, either socially or professionally. The category of closely associated persons should include close business associates/ partners (especially those that share beneficial ownership of legal

entities with the DPIP or, FPPO who are otherwise connected e.g. through joint membership of a company board), and personal/ financial advisors/ consultants or persons acting in a fiduciary capacity to the DPIP or FPPO as well as any other person(s) who benefit significantly as a result of being close with such a person.

1.8 Customer Due Diligence

Refers to a process of establishing and verifying the Identity of the client, and if applicable, the person representing the client as well as any other person on whose behalf the client is acting on the basis of documents, data or information obtained from a reliable and independent source.

1.9 Deal Maker / Account Manager

Is any person who is responsible for the development and maintenance of client relationships, such as Account Managers, Post Investment Monitoring Department (PIMD) Associates and Managers, Workout and Restructuring Account Managers, CSI Officers, Procurement Officers and Sponsorship Managers.

1.10 Domestic Prominent Influential Person (DPIP)

A domestic prominent influential person is 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), a prominent public function in the Republic.

1.11 Employee

In this context, the word employee refers to any staff member, the director (executive and non-executive), temporary (either full or part time) staff member or contract worker who receives compensation, from the IDC.

1.12 Enhanced Customer Due Diligence (ECDD)

Is required where the client and product/ service combination is considered to be a greater risk. This higher level of due diligence is required to mitigate the increased risk. A high-risk situation generally occurs where there is an increased opportunity for Money Laundering or Terror Financing through the services and products that an institution is providing for their client.

1.13 **FINANCIAL ACTION TASK FORCE (FATF)**

Financial Action Task Force, is an intergovernmental organisation founded in 1989 on the initiative of the G7 to develop policies to combat Money Laundering. In 2001 the purpose expanded to act on Terrorism Financing.

1.14 **FATF Recommendations**

A set of comprehensive and consistent framework of measures which countries should implement in order to combat Money Laundering and Terrorist Financing, as well as the financing of proliferation of weapons of mass destruction.

1.15 **FINANCIAL INTELLIGENCE CENTRE ACT**

Financial Intelligence Centre Act 38 of 2001 (as amended). The FIC Act is introduced to fight financial crime, such as Money Laundering, tax evasion, and Terrorist Financing activities.

1.16 **Foreign Prominent Public Official (FPPO)**

A foreign prominent public official is an individual who holds, (or has held at any time in the preceding 12 months), a prominent public function in any foreign country.

1.17 **Immediate Family Members**

Are defined as individuals who are closely related to the DPIP or FPPO either directly (consanguinity) or through marriage or similar (civil) forms of partnership.

1.18 **Ineligible Person**

Refers to any person who:

- is threatened with or the subject of litigation, arbitration or administrative proceedings before any court, arbitral body or agency, which allege the violation of any laws, breach any contractual obligations which, if adversely determined, might reasonably be expected to have a material adverse effect on the business operations, condition (financial or otherwise), aggregate properties or aggregate assets of such person, or result in any material liability on the part of such person; or
- has a judgment entered against it or any of its directors or officers which remain unsatisfied; or
- has, or any of whose directors, shareholders or officers have been charged with or found guilty of any act of dishonesty;

- has committed or is engaged in (i) any Sanctionable Practice, (ii) Money Laundering or acted in breach of any applicable law relating to Money Laundering, (iii) Financing of Terrorism, or (iv) any activities in violation of core international labour standards or South African labour laws such as child labour or other forms of forced labour.

1.19 **Money Laundering**

An activity which has or likely to have the effect of concealing or disguising the nature, source, location, disposition or movement of the proceeds of unlawful activities or any interest which anyone has in such proceeds, and includes any activity which constitutes an offence in terms of section 64 of FICA or sections 4, 5 or 6 of the Prevention of Organised Crime Act 121 of 1998.

1.20 **POCA**

Prevention of Organised Crime Act 121 of 1998 – South African legislation which creates the main Money Laundering offences and provides for the forfeiture of the proceeds of crime.

1.21 **POCDATARA**

Protection of Constitutional Democracy Against Terrorist and Related Activities Act 33 of 2004 – South African legislation that imposes the duty to report any terrorist or terrorist related activities.

1.22 **PRECCA**

Prevention and Combating of Corrupt Activities ACT 12 of 2004, is an ACT that aims to provide for;

- Strengthening of measures to prevent and combat corruption and corruption activities;
- The offence of corruption and offences relating to corrupt activities;
- Investigative measures in respect of corruption and related corrupt activities;
- The establishment of a register in order to place certain restrictions on persons and enterprises convicted of corrupt activities relating to tenders and contracts;
- The placement of a duty on certain persons holding a position of authority to report certain corrupt transactions.
- Extraterritorial jurisdiction in respect of the offence relating to corrupt activities.

1.23 **¹Prescribed Officer**

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 –

- (a) exercises general executive control over and management of the whole, or a significant portion, of the business and activities of the company; or
- (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.
- (c) This regulation applies to a person contemplated in sub-regulation (1) irrespective of any particular title given by the company to –
 - an office held by the person in the company; or
 - a function performed by the person for the company.

1.24 **Risk Based Approach**

In the context of Money Laundering and Terrorist Financing, a Risk-Based Approach (RBA) is a process that encompasses the following:

- The risk assessment of your business activities using certain factors;
- The risk-mitigation to implement controls to handle identified risks;
- Keeping customer identification and, if required for your sector, beneficial ownership information up to date; and
- The ongoing monitoring of financial transactions that pose higher risks.

1.25 **Risk Management and Compliance Program (RMCP)**

A formal document required in terms of sections 42 of the FIC Act, detailing how the IDC conducts and implements risk based Anti-Money Laundering and Counter Terrorist Financing measures.

1.26 **Sanctions**

An economic or military coercive measure adopted usually by several nations in concert for forcing a nation violating international law to desist or yield to adjudication. An action

¹ As defined in the Companies Act

is taken or an order is given to force a country to obey international laws by mainly limiting or stopping trade with that country or by not allowing economic aid for that country.

1.27 **Terrorism**

In its broadest sense, Terrorism is any act designed to cause terror, using violence and threats to intimidate or coerce a country or state, especially for political purposes.

1.28 **Terrorist Financing**

An activity that provides financial support to designated terrorist groups.

1.29 **Transaction**

Refers to any activity of a financial nature (or the use of other non-financial instruments, such as property) concluded between a client and an accountable institution in accordance with the type of business carried on by that institution.

1.30 **Unlawful activity**

It is a conduct which constitutes a crime or which contravenes any law, whether such conduct occurred before or after the commencement of POCA and, whether such conduct occurred in the Republic or elsewhere.

1.31 **Undue Influence**

Refers to personal power that induces another person to give consideration or to act on any basis other than the merits of the matter.

2. INTRODUCTION

- 2.1 The IDC is required in terms of section 21F - 21H of the FIC Act to determine whether the prospective client or the beneficial owner of that client is a Domestic Prominent Influential Person (DPIP) or a Foreign Prominent Public Official (FPPO), Immediate family member or close associate of a domestic or foreign prominent influential person and ensure the following;
- 2.1.1 Obtain senior management approval for establishing the business relationship;
 - 2.1.2 Take reasonable measures to establish the source of wealth and source of funds of the client; and
 - 2.1.3 Conduct enhanced ongoing monitoring of the business relationship.
- 2.2 The Industrial Development Corporation (IDC) took a policy decision to employ a risk-based approach to classify all its clients in terms of High, Medium and Low and as a result also identify, track and maintain a register of all the identified DPIPs and FPPOs who are existing clients, new applicants, loan/ grant recipient entities and those that may have a vested interest in an IDC investee company. The process will also entail the relevant Authorising Committees being appraised of all identified DPIPs and FPPOs prior to considering an application or where there is new material information that may impact an existing account.
- 2.3 In October 2017, the new FIC Amendment Act came into effect which includes sections relating to dealings of a Financial Institution with DPIPs and FPPOs. The IDC Management through the relevant Authorising Committees is required to consider all known information regarding a DPIP or FPPO in terms of the full identification background, close business associates, any known adverse media reports, the extent of the DPIP's or the FPPO's involvement and/ or interests in the transaction or target entity before a business relationship can be established or maintained.
- 2.4 This policy has also been reviewed and updated in accordance with the recent Debt Listing Requirements (2020).

3. PURPOSE AND SCOPE OF THE POLICY

3.1 Purpose of the Policy

The purpose of the PIP policy is to establish and provide a framework within which acceptable maintenance and monitoring of clients with DPIPs/ FPPOs, how implications are managed through adequate procedures to reduce potential reputational, operational and legal risks to the Corporation, thereby satisfying international and local standards, whilst simultaneously meeting regulatory compliance standards recommended by FATF and imposed by the Financial Intelligent Centre Act (FICA) on both member states and Accountable institutions respectively.

Furthermore, the purpose of the policy is to ensure that the IDC, its staff and the Executive Management are not unduly influenced in anyway by a DPIP or FPPO.

3.2 Scope of the Policy

This policy applies to all the IDC staff members at all levels including contractors; part time employees; the IDC Board and its sub-committees; the IDCs Prescribed Officers (as defined).

4. Who are Domestic Prominent Influential Persons (DPIPs) and Foreign Prominent Public Officials (FPPO's)?

4.1 Domestic Prominent Influential Person (DPIP)

A Domestic Prominent Influential Person is 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), a prominent public function in the Republic of South Africa including that of;

- 4.1.1 The President or Deputy President;
- 4.1.2 A government minister or deputy minister;
- 4.1.3 The Premier of a province;
- 4.1.4 A member of the Executive Council of a province;
- 4.1.5 An executive mayor of a municipality;
- 4.1.6 A leader of a registered political party;

- 4.1.7 A member of a royal family or senior traditional leader;
- 4.1.8 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);
- 4.1.9 The municipal manager or a chief financial officer of a municipality;
- 4.1.10 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);
- 4.1.11 The chairperson of the controlling body, chief executive officer, chief financial officer or chief investment officer of a municipal entity;
- 4.1.12 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);
- 4.1.13 An ambassador or high commissioner or other senior representative of a foreign government based in the Republic; or
- 4.1.14 An officer of the South African National Defence Force above the rank of major-general;
- 4.1.15 Chairperson of the board of directors, chairperson of the audit committee, executive officer or chief financial officer, of a company 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
- 4.1.16 The position of head, or other executive directly accountable to that head of an international organisation based in the Republic.

4.2 **Foreign Prominent Public Official (FPPO)**

A foreign prominent public official is an individual who holds, or has held (at any time in the preceding 12 months), a prominent public function in any foreign country including that of a;

- 4.2.1 Head of State or head of a country or government;
- 4.2.2 Member of a foreign royal family;
- 4.2.3 Government minister or equivalent senior politician or leader of a political party;
- 4.2.4 Senior judicial official;
- 4.2.5 Senior executive of a state-owned corporation; or
- 4.2.6 High-ranking member of the military.

4.3 **Close Associates**

Refers to individuals who are closely connected to a DPIP or FPPO, either socially or professionally. The category of closely associated persons should include close business associates/ partners (especially those that share beneficial ownership of legal entities with the DPIP or FPPO or who are otherwise connected e.g. through joint membership of a company board), and personal/ financial advisors/ consultants or persons acting in a fiduciary capacity to the politically exposed person as well as any other person(s) who benefit significantly as a result of being close with such a person, Including;

- 4.3.1 Known sexual partners outside the family unit.
- 4.3.2 Prominent members of the same political party, civil organisations, labour or employee union as the prominent person.
- 4.3.3 Business partner, associates, especially those that share beneficial owners of legal entities with the prominent person, or who are otherwise connected.
- 4.3.4 Any person who has sole beneficial ownership of a legal entity or legal arrangement which was set up for the actual benefit of the prominent person.

4.4 **Family Members**

Refers to people who are related to the DPIP or FPPO either directly (consanguinity) or through marriage or similar (civil) forms of partnership. Business relationships with close family members of DPIPs or FPPOs attract similar risks to those with DPIPs or FPPOs themselves, and therefore organisations must ensure that proper systems and procedures are in place to aptly identify and monitor the activities of family members. The following assist in identifying family members:

- 4.4.1 Spouses and life partners;
- 4.4.2 Children and siblings;
- 4.4.3 Parents and grandparents;
- 4.4.4 Uncles and aunts;
- 4.4.5 Nephews and nieces; and
- 4.4.6 Relatives by marriage.

5. GROUNDS FOR SCREENING DPIPs OR FPPOs

5.1 Classification of DPIPs and FPPOs

5.1.1 DPIPs and FPPOs carry a heightened risk due to their political seniority positions and political influence that they have and consequently all financial institutions must mitigate the inherent risk by ensuring that they have rigorous processes to screen for DPIPs and FPPOs. This is done in order to ensure that the organisation is not exposed to unknown risk and, its reputation is adequately protected. It is crucial that accountable institutions address the issue of DPIPs or FPPOs in their risk framework.

5.1.2 Due to their position and influence, it is recognised that many DPIPs and FPPOs are in positions that can potentially be abused for the purpose of committing commercial crimes such as Money Laundering (ML) offences and related offences, including corruption and bribery, as well as conducting activities related to Terrorist Financing (TF).

5.1.3 The potential risks associated with DPIPs and FPPOs justify the application of additional Anti-Money Laundering/ Counter-Terrorist Financing (AML/ CFT) preventive measures with respect to business relationships with DPIPs and FPPOs. These requirements are preventive (not criminal) in nature, and should not be interpreted as stigmatising DPIPs as being involved in criminal activities.

5.1.4 Although both DPIPs and FPPOs carry a heightened risk due to positions of power and influence, the FIC guidance notes recommends that DPIPs be classified as Medium Risk provided that other risks factors of Money Laundering and Terrorist Financing are considered and also results in a low or medium risk rating.

5.1.5 FPPOs will be classified as high risk.

5.2 Customer Due Diligence (CDD)

Consistent with the objectives of the FATF Recommendations, financial institutions must have appropriate risk management systems in place to determine whether customers or beneficial owners are DPIPs / FPPOs, or related or connected to a DPIP or FPPO, and, if so, to take additional measures beyond performing the basic Customer Due Diligence (CDD).

The provisions of the Amended FIC Act require a deep dive CDD process where financial institutions are required to conduct the same level of CDD process for both high risk and low risk client at onboarding level, this done so that the financial Institution is able to collect enough information to be able risk rate the clients adequately.

5.2.1 **Basic Customer Due Diligence**

5.2.2 **At Onboarding**

When conducting Client Due Diligence (CDD), the IDC is required to;

- 5.2.2.1 Identify the client and the beneficial owner, and take reasonable measures to verify the identity of the beneficial owner;
- 5.2.2.2 Establish and verify the identity of the person acting on behalf of the client;
- 5.2.2.3 Establish and verify the authority to act on behalf of the client;
- 5.2.2.4 Understand the nature of the business relationship between the client and the IDC;
- 5.2.2.5 Understand the intended purpose of the business relationship; and
- 5.2.2.6 Obtain information about the source of funds which the client expects to use in honoring the business relationship;
- 5.2.2.7 In a case where a person is purporting to act on behalf of a beneficial owner (or is acting on behalf of a natural person), it is best practice to inquire the reason for doing so this may lead to awareness that the beneficial owner of the client is a DPIP or FPPO.

5.2.3 **Identification of Beneficial Owner**

- 5.2.3.1 For a close corporation, every member of the close corporation will be regarded as a beneficial owner.
- 5.2.3.2 For an unlisted company, a beneficial owner would be identified as that natural person who directly or indirectly holds ten percent (10%) of the company's ordinary shares.
- 5.2.3.3 For a trust, each named beneficiary. Where beneficiaries are unnamed and the discretion lies with the trustees, then the trustees will be regarded as beneficial owners.
- 5.2.3.4 For a partnership, each partner, every member of a partnership including silent partner's will be regarded as beneficial owners.

5.2.4 Ongoing Customer Due Diligence

IDC is required to conduct ongoing Customer Due Diligence which entails the following;

- 5.2.4.1 Monitoring the client's repayment pattern to ensure that it is consistent with the client's source of funds.
- 5.2.4.2 Monitoring the client's repayment pattern and method for any activity which constitute a suspicious and reportable activity to the Financial Intelligence Centre.
- 5.2.4.3 Monitoring the client's Audited Annual Financial Statement to ensure that the source of funds which the client uses for repayments are from legitimate sources.
- 5.2.4.4 Monitoring the client's governance structures to ensure that the IDC is always aware of who controls the client.
- 5.2.4.5 Conducting ongoing screening on a regular basis for sanctions and any adverse media reports.
- 5.2.4.6 Monitoring the business relationship for any activity that constitute suspicious and reportable activity in terms of the FIC.

5.2.5 Enhanced Client Due Diligence (ECDD) Measures

- 5.2.5.1 A business relationship or a single transaction will be regarded as high risk for Money Laundering or Terrorist Financing where there is an increased opportunity for the commission of commercial crimes such as Money Laundering (ML) offences and related offences, including corruption and bribery, as well as conducting activities related to Terrorist Financing (TF) through the services and products that an institution or their client is providing.
- 5.2.5.2 Where a business relationship or a single transaction is regarded as high risk, the IDC is required to take following additional steps in addition to the steps taken when conducting Basic Customer Due Diligence;
 - Ensure that the business relationship or transaction is specifically approved at an executive level;
 - Take reasonable measures to establish the source of wealth and source of funds of the client;
 - Conduct enhanced ongoing monitoring.
 - Obtain the source of wealth of the client.

5.2.5.3 Enhanced ongoing monitoring for high risk clients entails the following on a more regular basis and includes verifications measures;

- Monitoring the client's repayment pattern to ensure that it is consistent with the client's source of funds.
- Monitoring the client's repayment pattern and method for any activity which constitute a suspicious and reportable activity to the Financial Intelligence Centre.
- Monitoring the client's Audited Annual Financial Statement to ensure that the source of funds which the client uses for repayments are from legitimate sources.
- Monitoring the client's governance structures to ensure that the IDC is always aware of who controls the client.
- Conducting ongoing screening on a regular basis for sanctions and any adverse media reports.
- Monitoring the business relationship for any activity that constitute suspicious and reportable activity in terms of the FIC.

6. Other factors that may warrant classification of a business relationship with a client as high risk

6.1 New Clients

6.1.1 Client types such Trusts and Non-Profit Organisations are recommended to be classified as high risk;

6.1.2 Where the transaction is expected to be a high value or a complex transaction in line with the approval authority guideline;

6.1.3 Nature of Business or Industry in which the clients operates, such as mining industry, dealing in precious metals, import and export and industries which are high cash intensive;

6.1.4 Country risk caution alerts from bodies such as FATF and the International Monetary Fund. These can include warnings about territories that have been adjudicated by FATF as posing substantial ML/TF risk to the international financial system or as having strategic deficiencies in their ML/TF regimes;

6.1.5 Alerts due to concerns arising from notices or directives on sanctions issues.

6.2 Existing Clients

- 6.2.1 Where there is a material change in the way an account is operated;
- 6.2.2 When the IDC becomes aware that it lacks material information (e.g. tax clearance certificate, financial statements or full particulars of Directors) about an existing client;
- 6.2.3 Significant change in ownership and/ or control and/ or nature of business and/ or location of business (CDD risk, jurisdictional risk, beneficial owner risk, industry sector risk, product risk) including de-listings and de-regulation; and/ or;
- 6.2.4 Significant adverse news arising from, but not limited to, litigation, sanctions breaches and/or fines, regulatory breaches and/ or fines;
- 6.2.5 As a result, the IDC should increase the degree, nature and frequency of monitoring of the business relationship, in order to determine whether those transactions or activities appear unusual or suspicious.

7. DECLINING OR TERMINATION OF A BUSINESS RELATIONSHIP OR TRANSACTION INVOLVING A PIP

- 7.1 Refusing a business relationship with a DPIIP or FPPO simply based on the determination that the client is a DPIIP or FPPO is contrary to the letter and spirit of the FATF Recommendations.
- 7.2 The decision to decline or terminate the transaction should be taken on the basis of the client due diligence process, the risk appetite of the corporation and with an understanding of the particular characteristics of the public functions that the DPIIP or FPPO has been entrusted with.
- 7.3 The decision to establish or continue a client relationship with a DPIIP or FPPO should be guided primarily based on the basic business qualifying criteria followed by an assessment of ML/TF risks and other considerations, such as regulatory risk, reputational risk or commercial interests, are taken into account.
- 7.4 The IDC is not allowed to enter into a business relationship in the following situations;
 - 7.4.1 Where the IDC is unable to conduct CDD, which Include identification of beneficial owner.
 - 7.4.2 Where the prospective client has an anonymous or fictitious name.
 - 7.4.3 Where the prospective client or the beneficial owner of that client is listed on the UN.

- 7.4.4 Where the prospective client or the beneficial owner of that client constitute an ineligible person as defined in this policy.
- 7.5 Where the prospective client or the beneficial owner of that client is listed on the EU, HMT, OFAC, French or any other recognized Sanctions List. The IDC will consider all relevant information on a case by case basis before deciding on whether to establish, maintain or terminate the business relationship.

8. AUTHORISING COMMITTEES

- 8.1 The Compliance Department performs background checks on all prospective, new and existing clients and if there are any identified DPIPs or FPPOs, the information concerning the discovered DPIP or an FPPO will be forwarded to the relevant Authorising Committee (inclusive of the Procurement Committee).
- 8.2 The committee will be responsible for approving a business relationship where a prospective client or the beneficial owner of that client is a Domestic Prominent Influential Person (DPIP) or a Foreign Prominent Public Official (FPPO), immediate family member or close associate of a domestic or foreign prominent influential person.
- 8.3 In considering and approving a business relationship where a prospective client or the beneficial owner of that client is a Domestic Prominent Influential Person (DPIP) or a Foreign Prominent Public Official (FPPO), immediate family member or close associate of a domestic or foreign prominent influential person the authorising committee shall always include a member/s of the executives.

8.4 The Board

- The Board is ultimately responsible for establishing Money Laundering and Terror Financing control measures within the IDC. This responsibility may be delegated but not abdicated to the Executive Committee (EXCO).
- 8.4.1 Approval for the establishment of business relationships that pose significant reputational risk to the IDC. Reputational risk could arise due to a few risk factors including the presence of DPIPs/FPPOs in those relationships and/or transactions.

8.4.2 Approval of the content and external publication of the IDCs Business Partners List (including the details of associated DPIPs / FPPOs) which will be submitted to the Board Social Ethics Committee for this purpose on a regular basis.

8.5 **Executive Management / Prescribed Officers**

8.5.1 Approval for the establishment of business relationships where there is the presence of DPIPs.

8.5.2 Review of existing business relationships where the introduction of a DPIP (at any level in the ownership structure) occurs after initial approval of the business relationship.

8.6 **Procurement Committee**

8.6.1 Approve and review procurement business relationships with:

8.6.1.1 Any related party (refer to current Conflict of Interest Policy);

8.6.1.2 DPIP/FPPO;

8.6.1.3 Prescribed Officers of bidders and/or service providers.

9. **MONITORING AND REPORTING**

9.1 Once the IDC has established a business relationship with a DPIP or FPPO, the Compliance Department will conduct regular monitoring on the PIP and advise business on any material changes that may be uncovered.

9.2 The Compliance Department will then provide EXCO and the Board Risk Committee with quarterly reports on all approved transactions with DPIPs/ FPPOs or an urgent report when there is any known and verified adverse report about a DPIP or FPPO or any other client classified as high risk.

10. **POLICY GOVERNANCE**

10.1 **Policy Review**

This Policy will be reviewed annually by the Policy owner to ensure the Policy is up to date and aligned to the IDC's risk appetite. Material proposed amendments must be submitted to EXCO for approval and non-material proposed amendments must be

submitted to the General Counsel for approval. In addition, this Policy will be reviewed following any substantive changes to DPIPs or FPPOs legislation or internal and external factors, including regulatory feedback.

10.2 **Consequences of Non-Compliance**

Non-Compliance with this Policy could have serious consequences for the IDC, including civil/ criminal penalties, injunctions, client loss and reputation damage. All employees are responsible for understanding how this Policy applies to their role. Non-Compliance with the DPIP or FPPO policy will be seen in a very serious light. In instances of Non-Compliance, a remedial action will be addressed in line with the IDC's disciplinary processes and procedures.

10.3 **Policy Breaches**

All Policy incidents and breaches must be reported to the Head of Compliance. The IDC employees may also report by completing the Suspicious Transaction Report (STR) where applicable. The IDC will take appropriate actions after consideration of all the relevant details. The General Counsel/ Head of Compliance will involve the Centre as required for any violations. A breach of this Policy may, in some circumstances, result in disciplinary action up to and including dismissal.

10.4 **Policy Implementation**

The Head of Compliance Department is responsible for developing a suitable communication plan to publicise the Policy, and its key features, to all employees.

10.5 **Exclusions**

There are no exclusions to this policy.

11. **RELEVANT DOCUMENTS**

11.1 Financial Action Task Force Recommendations;

11.2 Financial Intelligence Centre Guidance Notes;

11.3 Financial Intelligence Centre Act No. 38 of 2001.

11.4 JSE Debt Listing Requirements (2020)

PIP APPROVAL PROCESSES

It must be borne in mind that, the fact that a DPIP/ FPPO has been identified or found to be involved in a transaction, should not by itself create reasons for the declining or rejection of that transaction or application. In principle, there is nothing wrong with doing business with a DPIP/ FPPO, provided that an Enhanced Due Diligence has been conducted prior the establishment or continuation of a business relationship. The PIP policy ensures that there are preventative measures put in place in respect of establishing business relationships with DPIPs/ FPPOs and that there are also procedures to prevent the misuse of IDC systems.

1. Verification/ Client Identification Process

1.1 Collection of Documents from Clients

1.1.1 For each new business relationship, documents must be obtained by Deal Makers in order for IDC to ascertain that we know the client that we are doing business with. A checklist of documents that are required for the purposes of CDD has been developed by the Compliance Department in line with FIC Act regulations and guidelines. This checklist is available on the intranet for ease of access by all employees.

1.1.2 These documents should be submitted to the Compliance Department for conducting Client Due Diligence.

1.1.3 By verifying the client's identity and that of the juristic entity, partnership or trust, IDC is seeking to establish whether such persons/ entities are authentic and legitimate, i.e. the Corporation is seeking to identify the people behind the business. Furthermore, identification of PIPs through the verification process mitigates the IDC's exposure to the risk of Money Laundering or other illegal activities that might affect its reputation, and/ or which may constitute criminal conduct.

1.1.4 In addition, in the verification process IDC determines if the clients have the requisite authority to enter into business transactions with the Corporation.

1.2 How to Identify DPIPs or FPPOs/ Client Due Diligence (CDD)

1.2.1 Client Due Diligence (CDD) is the key source of information used for the purpose of determining whether a client (or his/ her relatives, associates or beneficial owner(s) is a DPIP or an FPPO. By conducting a CDD you can identify and know your client better.

Client Due Diligence must be conducted when –

- 1.2.1.1 IDC is establishing a business relationship with a client;
- 1.2.1.2 When carrying out an occasional transaction e.g. payment, and
- 1.2.1.3 When you doubt the veracity or adequacy of documents, data, or other information previously obtained for the purpose of “CDD” in question.
- 1.2.2 The IDC has acquired Dow Jones and World-Check database systems, which are used for identifying DPIPs/ FPPOs and conducting a Client Due Diligence on clients.
- 1.2.3 Compliance Department is required to perform searches on the system by capturing the name of an individual, juristic entity or trust in order to verify them and ensure that they are not listed on any sanction lists, and to determine whether they or their family members, close associates or beneficial owners are DPIPs/ FPPOs.
- 1.2.4 When conducting a CDD on DPIPs/ FPPOs, beneficial owners will also be uncovered and verified.
- 1.2.5 During the search, the system will flag out any DPIPs/ FPPOs, their family members and close associations that can be identified and are publicly known.
- 1.2.6 Client Due Diligence should be conducted before the transaction is submitted to the relevant Committees for approval.

1.3 **Pre-Approval Discovery**

The following is a step by step illustration of the process to be followed when a DPIP/ FPPO has been discovered/ identified in the Client Due Diligence prior to approval of the transaction.

1.3.1 **Step 1**

- 1.3.1.1 When a DPIP/ FPPO, family member, or associate has been discovered during the Client Due Diligence stage, an Enhanced Due Diligence should be conducted by the Compliance Department. This will entail obtaining more publicly known information about the client on relevant independent source documents.
- 1.3.1.2 The relevant SBU/ Department/ Regional Office must then as part of its submission include a report from the Compliance Department advising the relevant Committee(s) of all known information regarding the identified DPIP/ FPPO.

1.3.2 **Step 2**

1.3.2.1 The relevant Committee(s) will consider the information at hand and make a decision based on all information presented to it, including any other additional information that may be presented verbally or confirmed by any member of the Committee.

1.3.3 **Step 3**

1.3.3.1 If the transaction is approved by the relevant Committee(s), the SBU/ Department/ Regional Office concerned will then continue with the transaction as per relevant internal processes.

1.3.3.2 If the transaction is rejected by the relevant Committee(s), the SBU/ Department/ Regional Office concerned will then follow relevant processes for all rejected applications.

1.4 **Post Approval Discovery**

1.4.1 The following is a step by step illustration of the process to be followed when a DPIP/ FPPO is discovered post approval and/ or legal agreements have been signed and/ or within existing clients.

1.4.1.1 **How are PIPs discovered post approval of a transaction?**

1.4.1.1.1 Generally, the Post Investment and Monitoring Department (PIMD) and Workout and Restructuring Department (W&R) are to monitor if there has been any structural changes that are occurring or eminent in an organisation, or if there is a change in shareholding by a business partner that has not obtained IDC's express written consent, as contained with the legal agreements, PIMD and/ or W&R are to inform the Compliance Department of any such changes for the Compliance Department to ascertain whether the changes has resulted in a DPIP/ FPPO being part of the transaction.

1.4.1.1.2 Further, the SBUs subsequent to approval, but before agreements are signed will uncover DPIPs/ FPPOs.

1.4.1.1.3 Before IDC give its approval for a change in shareholding in a client's organisation, the new shareholders information must be sent to the Compliance Department in order to conduct a Client Due Diligence.

- 1.4.1.1.4 The Compliance Department will also uncover DPIPs/ FPPOs. This will occur mostly through the monthly or regular screening of existing client's database or when an existing client re-applies for further additional funding or when a client's facility is being restructured. If uncovered by the Compliance Department, the department will accordingly inform the relevant SBU/ Department of such discovery, who, will then in turn proceed with the process for approval by the relevant Committee.
- 1.4.1.1.5 If the introduction of a new shareholder or loan beneficiary in the approved entity was without the IDC's prior approval the client should be put on terms by PIMD and/ or Legal.
- 1.4.1.1.6 When DPIPs/ FPPOs have been identified post approval of the transaction, PIMD and W&R are required to forward the DPIP's/ FPPO's information to the Compliance Department in order to conduct an Enhanced Due Diligence.
- 1.4.1.1.7 Once an Enhanced Customer Due Diligence has been concluded, then PIMD and W&R must include the ECDD report in their report advising the relevant Committees about the information discovered regarding the identified DPIP/ FPPO.
- 1.4.1.1.8 After this, steps 2 and 3 as shown above in the pre-approval discovery will be followed.

DPIP/ FPPO DECISION FLOW (PRE-APPROVAL DISCOVERY)

Step 1

The SBU must provide the Compliance Department with all the information required (FICA Checklist and Submission Report) for the Compliance Department to conduct DPIP/ FPPO checks in terms of the Screening Checklist.

Where a DPIP/ FPPO has been identified to be involved in the transaction, the Compliance Department will then compile an ECDD report.



Step 2

SBU/ Dept. must as part of its submission include the ECDD report citing all known information about the PIP to the Credit, Special Credit, Procurement and BIC.



Step 3

“The Committee” considers the submission and makes a decision.

“The Committee” may either:



Approve with or
without conditions

Or



Reject



Step 4

- If Approved – SBU/ Dept. concerned continues with the transaction as per relevant process.
- If rejected – SBU/ Dept. concerned continues with the relevant process for all rejected applications.

PIP DECISION FLOW (POST-APPROVAL DISCOVERY)

Step 1

SBU, PIMD and W&R are to inform the Compliance Department of any changes in Directorship or Governance structures and any changes in Shareholding.

The Compliance Department will then screen against the changes to ascertain whether the changes have resulted in a DPIP/ FPPO being involved in the transaction, and complete an ECDD report where a DPIP/FPPO has been uncovered.



Step 2

PIMD/ SBU/ W&R must as part of its submission include the ECDD report with all relevant known information about the PIP to the Credit, Special Credit, Procurement and BIC.



Step 3

“The Committee” considers the submission and makes a decision.

“The Committee” may either:



Approve with or
without conditions

or



Reject



Step 4

- If Approved – Portfolio Management/ SBU/Business Advisory and Turnaround personnel concerned continues with the transaction as per relevant process.
- If rejected – Portfolio Management/ SBU/Business Advisory and Turnaround personnel concerned continues with the relevant process for all rejected applications.