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## Due Diligence Policy: Doing Business with Third Party Service Providers and Suppliers

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|----------------------------------|--|
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| Policy Owner Contact Information | Email: <a href="mailto:yondelan@barloworld.com">yondelan@barloworld.com</a><br>Tel: 011 445 1045                                       |
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**APPROVAL AND OWNERSHIP**

| <b>Policy Owner</b>                              | <b>Date</b>    |
|--|----------------|
| Executive: Ethics and Compliance – Yondela Ndema | 1 October 2021 |

| <b>Approved By</b>   | <b>Date</b>       |
|--|-------------------|
| Social, Ethics Transformation and Sustainability Committee | 21 September 2021 |

**REVISION HISTORY**

| <b>Version</b> | <b>Revision Date</b> | <b>Description</b>   | <b>Next review Date</b> |
|----------------|----------------------|--|-------------------------|
| V1.0           | Annually             |  |                         |
| V2.0           | Annually             | Various improvements   | November 2014           |
| V2.1           | Annually             | Minor adjustments  | September 2015          |
| V2.2           | Annually             | Addition of para 3.4 regarding non-compliant suppliers.<br>Addition of paragraph on raising concerns and seeking guidance.         | September 2016          |
| V2.3           | Annually             | Annual review conducted by policy owner but no updates arising. Report and minute at Group R&S Committee.                          | September 2017          |
| V3.0           | Annually             | Amendments arising from detailed review of ABC policies by Norton Rose Fulbright London<br>Scope includes non-executive directors. | September 2018          |
| V4.0           | Every two years      | Review conducted every 2 years by the policy owner to ensure compliance with the Board Policy Matrix.                              | September 2021          |
|                |                      |  |                         |

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### DEFINITIONS AND ABBREVIATIONS

Table 1: Definitions

| Terminology                                 | Description  |
|---|--|
| Associated person                           | The UK Bribery Act defines an associated person as a “person who performs services for or on behalf of the organisation” where such a person may either be an individual or a legal entity. The full definition set out in the UK Bribery Act is applied for the purposes of this policy.  |
| Barloworld                                  | Barloworld means Barloworld Limited and its subsidiaries, divisions and business units in all countries in which it does business, or any individual subsidiary in its own capacity.<br><br>It does not include joint ventures, other than those where Barloworld exercises management control, nor does it include investments where Barloworld owns less than 50%.   |
| Bribery                                     | Bribery is where a person offers, promises, gives or receives, demands, solicits or accepts something of value, whether it is a financial or other advantage to/from another person with the intention to bring about the improper performance by that other person of a relevant function or activity or to reward such improper performance. It also includes situations where the offer or acceptance of the advantage is in itself improper.   |
| Corruption                                  | Corruption is defined broadly as ‘the abuse of power for personal gain’ and bribery and fraud are considered to be aspects of corrupt practices.   |
| Due Diligence                               | A due diligence review is a structured and systematic process of understanding with whom the Barloworld is doing business. It means applying one’s mind with due care and skill and applying one’s business knowledge and experience to assessing TPSP&S.<br><br>The due diligence process is essentially a risk based approach so that TPSP&S rated as higher risk will require a more rigorous process than TPSP&S rated as lower risk. In some cases, the business may motivate limited or no action for low risk TPSP&S. |
| Government or public officials              | Government or public officials’ means local, provincial, federal or national government, quasi-government, political parties or employees of any of these organisations. It also means politically connected persons, including but not limited to political candidates, party officials, representatives of political parties, legislators, public officials, or family members of any of these persons.  |
| Third party service providers and suppliers | Third party service providers and suppliers (TPSP&S) means all third parties that fall under the definition of “associated person” in the UK Bribery Act and in addition, any other suppliers of products and services to Barloworld, that may be included at the discretion of the relevant business unit taking into account the related risk assessment of the TPSP&S.  |

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Table 2: Abbreviations

| Abbreviation | Description   |
|--------------|---|
| PEP          | A politically exposed person, which includes any current or former Government Official, any person who is or has previously been entrusted with a prominent public function, and any relative or close associate of such persons. |

## 1 Preamble and Policy Summary

Building an ethical culture is a continual process and values are at the heart of the way we conduct ourselves. They are demonstrated in the choices and decisions we make on a daily basis. Evidence of the commitment to our values is not in any individual action or initiative but rather in the combined and systemic way in which we conduct business on an ongoing basis. It also requires a structured process established for the oversight, monitoring, reporting and improvement of ethics and compliance activities by divisional executive management and by Barloworld main board sub-committees.

## 2 Purpose & Objective

This policy sets out the minimum required due diligence procedures for doing business with certain third party service providers and suppliers (TPSP&S) as defined below. As a minimum requirement of this policy, TPSP&S includes all persons that fall under the definition of “associated person” in the UK Bribery Act.

As this policy is a minimum standard, divisional management may not amend any of the requirements in such a way as to diminish or eliminate the effect or intention of any of the requirements. Divisional management may however exercise discretion in how the procedures are adapted to local legislation and/or may implement any additional procedures and controls necessary to give effect to this policy. In addition, the policy is not exhaustive and additional requirements may be added by divisions according to their specific business needs.

Unless otherwise defined, the term ‘due diligence’ in this document means ‘due diligence for doing business with TPSP&S’ and the procedures apply to both new and existing TPSP&S.

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The policy is aimed at ensuring that the engagement procedures for TPSP&S incorporate appropriate risk based procedures to prevent bribery, fraud and corruption in doing business with TPSP&S. The policy therefore sets out supplementary expectations that should be added to and integrated with the existing procurement or other TPSP&S engagement processes which already include internal financial controls and quality management.

The purpose of the policy is to identify certain objectives and requirements in relation to identification and assessment of risks and implementation of appropriate activities to manage bribery and corruption in connection with TPSP&S in order to meet applicable legal requirements and the voluntary standards of excellence of Barloworld. The policy is designed to ensure Barloworld does business only with ethically responsible third parties.

### **3 Scope**

This policy applies to all employees and to non-executive directors of Barloworld. The scope of the policy is all business activities conducted by Barloworld whether with the private or public sector.

For joint ventures where Barloworld does not exercise management control, other policies apply, including but not limited to the Barloworld Mergers and Acquisitions Policy, which is an internal document used within Barloworld to set the required standards for conducting detailed due diligence on potential acquisitions. Other controls are exercised through the shareholders agreement for the joint venture.

The due diligence procedures set out in this policy apply to all associated persons except employees who are subject to separate Barloworld policies. Depending on the relevant facts, associated persons may include, but are not limited to other Barloworld companies, subsidiaries and joint ventures; joint venture partners, shareholders or directors; minority shareholders in a subsidiary company; agents, brokers, distributors and other intermediaries.

In addition to associated persons, TPSP&S may also include, at the discretion of divisional executive management, additional service providers and suppliers who have been identified as high-risk for other business reasons. These additional TPSP&S are additional to the minimum requirements of this policy.

The policy does not apply to customers unless such parties are also engaged with Barloworld in the capacity of a TPSP&S in which case they shall, for that purpose, be subject to the requirements of this policy.

### 4 Roles and Responsibilities

Executive management of each subsidiary, division and business unit will have the responsibility for complying with this policy and the discretion to define the process, procedures and other mechanisms by which the policy is implemented within the division.

It is the responsibility of divisional executive management and/or business unit executive management to ensure that all relationships and contracts with TPSP&S are subject to the appropriate risk related due diligence process and other relevant activities completed in accordance with this policy.

### 5 Regulatory Background

Bribery is a criminal offence in many countries and corrupt acts expose Barloworld and its employees to the risk of prosecution, substantial fines, and imprisonment, as well as endangering the reputation of the business.

The King IV Report on Corporate Governance recommends a hybrid form of governance that meets regulatory requirements and incorporates appropriate voluntary principles and leading practices. Barloworld supports this recommended compliance framework and meets both regulatory and voluntary standards of good governance in its campaign to prevent bribery and corruption in all its business operations worldwide.

Barloworld policies support the objectives of the South African legislation of 2004 on the Prevention and Combating of Corrupt Activities Act and the Organisation for Economic Cooperation and Development (OECD) Anti-Bribery Convention, to which South Africa is a signatory.

The policy recognises all applicable legal and regulatory requirements in the countries in which Barloworld operates. It recognises the requirements of the UK Bribery Act, the US Foreign Corrupt Practices Act and other legislation which may be specific to certain Barloworld entities and/or operations. The policies of Barloworld have been developed in line with the UK Bribery Act for businesses to implement “adequate procedures” to prevent bribery.

In terms of the guidance provided by the UK Ministry of Justice on what constitutes “adequate procedures”, one of the 6 principles to be applied is due diligence. This Barloworld policy aligns with the aforementioned principle.

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This policy must be implemented whilst complying with all applicable privacy and data protection legislation.

### 6 Policy Statement

#### 6.1 A risk-based approach to due diligence for new and existing TPSP&S

6.1.1 The policy requires that a risk-based approach to due diligence be applied.

Discretion may be exercised at subsidiary, divisional or business unit level to integrate with existing procurement or other TPSP&S engagement processes.

6.1.2 The due diligence process is on-going and should include a risk rating for new and existing TPSP&S.

An initial risk rating should be conducted by applying certain reasonable risk-based criteria, as this will categorise the TPSP&S pool for the purposes of prioritising subsequent, more detailed due diligence and other actions over time.

6.1.3 The risk rating and/or assessment process and action plan should be specific to each subsidiary, division and/or business unit according to the nature of their business. The criteria for risk rating should consider that a risk process is aimed at assessing, amongst other criteria, both the probability and the severity of risk.

6.1.4 There should be specified criteria for conducting the risk rating so that there is a consistent approach within the relevant subsidiary, division and/or business unit.

Examples of the risk criteria that may be used include, inter alia:

- a) The average monthly or annual spend with the TPSP&S expressed as a percentage of the external procurement spend as a measure of the severity and/or probability of bribery or corruption occurring. If the engagement is not for the ongoing supply of goods or services, the quantum to be paid to the TPSP&S should be taken into account to determine the materiality of the engagement.
- b) The nature of the business relationship such as agent, intermediary, service provider, contractor, sub-contractor and whether there is an inherent risk or probability of bribery or corruption. Consideration should be given to the manner of compensation such as commission based, fee for service, hours worked or agreed contractual charge. Specific consideration should be given to whether or not the TPSP&S will engage with and Government Official on behalf of Barloworld.
- c) Known vulnerability of the industry sector or product of the TPSP&S to bribery and corruption.
- d) The type of business such as listed company or owner managed business.
- e) Country of origin of the TPSP&S with reference to the Transparency International Corruption Perception Index, and the country where the goods will be delivered and/or services will be performed.



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- f) The extent to which the TPSP&S will have access to the personal information of Barloworld employees and/or customers (as this shall have a bearing on the Data Privacy and Protection laws and obligations applicable to the arrangement and the specific focus of the due diligence and other controls required).

The examples in this list are not intended to be mandatory, nor are they comprehensive. The criteria should be defined by divisional executive management in consultation with divisional Heads of Legal.

6.1.5 According to the applicable risk rating determined for the relevant TPSP&S, further due diligence and other related activities should be defined and deployed by the divisions for TPSP&S within a particular risk category. The division must define a proportionate process and deployment plan for each risk category comprising, inter alia, the following steps:

- a) Information gathering to obtain pertinent information on each TPSP&S.
- b) Assessment, analysis and validation process.
- c) Approval process.
- d) Reporting and assurance

6.1.6 When defining the process and deployment plans, each division must consider and address (as minimum requirements) the following:

- a) Whether a due diligence process is required based on the risk level of the TPSP&S and whether any categories of TPSP&S are excluded from the requirement of due diligence being performed. Certain engagements may be of such a nature that due diligence is not reasonably practicable. For example, a supplier may be engaged to supply a division with goods of a nominal / low value that does not give rise to material levels of risk for Barloworld and as such, the division may deem it unnecessary for due diligence to be performed on the supplier or other similar suppliers.
- b) Whether due diligence should be performed on the TPSP&S only or if it should be extended to include directors, shareholders and/or ultimate beneficial owners (UBOs) of the TPSP&S based on the risk category of the TPSP&S. Typically due diligence on shareholders and UBOs will only be performed for higher risk TPSP&S. Furthermore, it will typically be limited to material shareholders and UBOs that can be defined as those that have an interest of 10% or more in the TPSP&S.
- c) Whether the due diligence is performed internally or outsourced to an appropriate third party service provider

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d) Regardless of whether the due diligence is performed internally or externally, the types of checks that are performed and the information sources relied upon. The types of checks performed typically include adverse media checks and compliance database checks and each division must ensure that appropriate databases are relied upon as part of the due diligence deployment plans.

6.1.7 Pursuant to the above, if any categories of TPSP&S are excluded from due diligence based on risk or other clearly defined criteria, this must be documented and approved by the divisional executive management of the division concerned.

### **6.2 Information Gathering**

6.2.1 Subject to the risk assessment, information gathering may include a variety of procedures including interviews, questionnaires, documentation, review of publically available information, site visits, credit checks and declarations.

6.2.2 While some of this information may already be required in the procurement or other TPSP&S engagement process to meet financial control requirements, quality control or product specifications, these procedures should be supplemented as necessary with additional due diligence processes pertaining to the risk of bribery, fraud and corruption.

6.2.3 The nature and extent of the information required will ultimately be determined by the risk ranking process and the level of risk involved. Notwithstanding this, provision is made for management discretion and justification.

### **6.3 Assessment, analysis and validation process**

6.3.1 Collecting the information itself does not constitute a due diligence review. The review requires that the data is assessed and analysed.

6.3.2 Documents should be carefully scrutinised to confirm and check the information provided.

6.3.3 The procedures for assessment and validation will vary according to the risk rating, from a limited validation that checks consistency to detailed corroboration, which may include site visits, interviews or checks with regulatory authorities as appropriate.

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6.3.4 Where TPSP&S do not comply with Barloworld's repeated requests for information, significant risks or transgressions are identified, then these cases should be carefully assessed and documented by the executive management of the division and/or business unit.

6.3.5 Appropriate and proportionate corrective actions should be taken and these may include, but are not limited to, recognising corrective action by the TPSP&S, preventing further business transactions with the TPSP&S, or instituting appropriate legal claims.

### **6.4 Approval process**

6.4.1 A process of approvals must be devised that is practical and that does not create undue delays in the procurement or other TPSP&S engagement process.

6.4.2 The approval to proceed to engage with a new TPSP&S or continue engaging an existing TPSP&S may be conditional on certain remedial measures being implemented to mitigate identified risks. The remedial measures may include (but are not limited to) one or a combination of the following (which may or may not be required depending on the circumstances):

- a) Requesting clarification from a TPSP&S if adverse media is identified concerning the TPSP&S, its directors, its shareholders or its UBOs.
- b) In the event that the TPSP&S is engaged to deal with any Government Officials on behalf of Barloworld, placing specific conditions on these engagements (such as a requirement that a Barloworld representative be present in all meetings with the Government Official(s)).
- c) If any of the key directors, shareholders or UBOs of the TPSP&S are identified as being PEPs, Barloworld may seek direct confirmation from the PEP(s) that they will not use their political influence to inappropriately benefit Barloworld.
- d) Subject to the adequacy of the anti-bribery and corruption policy framework of the TPSP&S, the TPSP&S may be required to comply with the Anti-Bribery and Corruption Policy of Barloworld and other related policies (such as the Barloworld Group Gifts and Hospitality Policy).
- e) In circumstances where the anti-bribery and corruption training of the TPSP&S is deemed inadequate or the TPSP&S has no such training, it may be appropriate to require relevant employees and representatives of the TPSP&S that are going to

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act on behalf of Barloworld to undergo Barloworld's anti-bribery and corruption training.

- f) Whilst the approved guidelines on contractual arrangements with third parties must as a minimum be complied with, standard anti-bribery and corruption warranties, undertakings and indemnities (where appropriate) should be considered.
  - g) Further to the above, in particularly high risk scenarios Barloworld may seek to insist on compliance audit rights and it may be necessary to exercise these rights to audit the TPSP&S and ensure that no evidence of inappropriate payments can be identified.
- 6.4.3 The approval process should be appropriate to the risk rating. It is suggested that standard formats are agreed whereby the relevant information and motivations are summarised.
- 6.4.4 In certain circumstances, a TPSP&S may be unwilling to undergo the Supplier Due Diligence process. In these circumstances, the following sequential steps should be taken:
- a) Assess the reason for the reluctance to participate and whether the circumstances give rise to any "red flags". Typically, the more unreasonable or arbitrary the reason the more likely the situation will give rise to "red flags".
  - b) Determine what checks can be done without the permission or participation of the TPSP&S – in this regard, publically available information (and databases that collate such information) can likely be relied upon to conduct the majority of the checks required and if this is the case, such checks should be done.
  - c) If after considering the above there is still a need to appointed the TPSP&S, the below special approval process must be followed.
  - d) A specific report must be prepared explaining the circumstances (particularly the unwillingness of the TPSP&S to participate and the reasons provided) and any information that has been identified through the checks that have been possible in the circumstances. The report must further explain why it is necessary to appoint the TPSP&S (and not an alternative supplier) – for example, the TPSP&S may be the only party that is able to supply a required product.

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- e) The report must be submitted to the Executive Head: Strategic Sourcing and Divisional CEO to consider and decide whether or not to approve the engagement (or continued engagement) of the TPSP&S. Any approval by them must be recorded in writing.

### **6.5 Reporting and assurance**

- 6.5.1 A reporting process should be defined according to the risk ratings and the required approval process.
- 6.5.2 It is the responsibility of divisional executive management, in the first instance, to ensure that procedures are properly applied. Divisional executive management or business unit executive management and/or the divisional compliance function may establish periodic reviews or supervisory controls to confirm that the required procedures are being complied with. The nature and extent of controls will be determined by the division to suit the needs of each business.
- 6.5.3 If a high risk TPSP&S is involved in public allegations of any form of bribery or corruption, this information must be immediately drawn to the attention of the General Counsel.
- 6.5.4 The internal auditors may from time to time review the due diligence process and/or the documentation and control of the high risk TPSP&S in accordance with this policy. This is an independent process that is determined by Barloworld Group Internal Audit Services.

### **6.6 Payments to TPSP&S**

All payments to TPSP&S should be done by electronic funds transfer to the bank account specified in the service or supply contract. Payments must only be made directly to contracting parties and not to an intermediary, broker or any other third party.

Cash payments must not be made.

### **6.7 Other required procedures**

- 6.7.1 On-going reviews of existing TPSP&S must be done regularly depending on the risk rating of each TPSP&S as defined by the division in accordance with this policy.

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6.7.2 For new business relationships, a risk related due diligence must be conducted, where applicable, before any contracts are approved and before any business transaction may be commenced. However, there may be valid business reasons where, at the discretion of divisional executive management and/or business unit executive management in consultation with divisional legal advisors, an exception may be approved. These cases must be managed in accordance with the predefined and approved procedure by divisional executive management or business unit executive management, under specific conditions and within a limited time period.

6.7.3 As indicated above, the approval of a new / continued engagement may be conditional. Regardless of the conditions imposed as part of the approval, the approved guidelines on contractual arrangements must always be followed.

### **6.8 Specific situation: Transaction between subsidiary companies**

6.8.1 In this context, the following definitions apply:

- a) Company or Close Corporation means a legal entity.
- b) Barloworld UK subsidiary means a Barloworld company that is either a direct subsidiary of the UK holding company or ultimately held by the UK holding company.

6.8.2 Where a Barloworld UK subsidiary engages a supplier or service provider that is also a Barloworld subsidiary, then due diligence procedures on that supplier or service provider are the responsibility of the Barloworld UK subsidiary.

Due diligence procedures must be conducted in accordance with this policy.

While relevant, due diligence procedures carried out at Barloworld UK holding company level, must be supplemented by procedures performed by the Barloworld UK subsidiary itself.

6.8.3 The Barloworld UK subsidiary must retain and maintain evidence of due diligence procedures conducted and such evidence must be available for audit at all times.

## **7 Communication**

This policy should be communicated to all employees involved in procurement and finance activities, all managers and other employees with authority to make decisions on procurement or payments and other functions as appropriate.

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Communication and training for new and existing employees must be included in annual training plans for anti-bribery and corruption as appropriate. Training content should be refreshed periodically so that it remains current and relevant.

Training records must be maintained as evidence of completion of training and these records should be monitored and included in reports to divisional executive management at least annually.

### 8 Related Policies & Other Documents

In the event of a contradiction between this policy and a divisional policy, this policy must be taken as persuasive. If there is any uncertainty about requirements, then divisional or Barloworld General Counsel must be consulted.

| Document Name                                 |
|---|
| Barloworld Worldwide Code of Conduct          |
| Barloworld Anti-Bribery and Corruption Policy |
| Barloworld Mergers and Acquisitions Policy    |

### 9 Raising Concerns and Seeking Guidance

If any person becomes aware of a circumstance or action that violates or appears to violate this policy on bribery and corruption, they are encouraged to contact their manager, the Group General Counsel, the Group Compliance Manager, or alternatively the Barloworld Ethics Line at [www.tip-offs.com](http://www.tip-offs.com).

The Barloworld Ethics Line is an independent and confidential system for reporting allegations of unethical behaviour, illegal actions, or actions that violate the Barloworld Worldwide Code of Conduct.

The Barloworld Global Whistleblowing Policy applies to the use of the Barloworld Ethics Line, and it contains the contact details pertaining to each company, division, or business unit.

Barloworld is committed to ensuring that no employee suffers any occupational detriment as a result of reporting a genuine concern in good faith.

### 10 Breach of Policy

It is the responsibility of every employee to comply with this policy and failure to do so could amount to gross misconduct and a material breach of the contract of employment.

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Furthermore, Barloworld could be held criminally liable for failing to prevent bribery and corruption wherever in the world this occurs. The penalties for a corporate body that fails to prevent bribery are severe and may include criminal liability, an unlimited fine and serious reputational damage.

All cases of alleged bribery and corruption will be investigated and followed up by the application of all available remedies. Employees who commit an act of bribery or corruption, violate the Barloworld Worldwide Code of Conduct or breach this policy will be subject to disciplinary action, up to and including termination with cause.

The investigations process is subject to oversight by the Executive: Compliance and Ethics and in certain cases by Barloworld General Counsel. This is to ensure that the process is fair and consistent throughout the group and meets minimum requirements. Corrective action and monitoring is the responsibility of divisional executive management. Information regarding the nature of the violations, control lapses and corrective actions are submitted to the relevant main board sub-committee for scrutiny.

### **11 Deviations from Policy**

It is the responsibility of the executive management to ensure that this policy is adopted and approved by an appropriate executive committee.

Any deviations to this Barloworld policy that amend the meaning or raise the minimum standard of the group policy requirements must be pre-approved in writing by the Policy Sponsor. Once approved, such deviations must be tabled, approved and recorded at an appropriate executive meeting.

Any deviations that add more specific requirements, and therefore lower the minimum standard required by this Barloworld policy, may be included at the discretion of executive management and then tabled, approved and recorded at an appropriate executive meeting.

Language translations of Barloworld policies must be conducted or checked by a professional language translator to avoid translation errors that may change the meaning of the policy requirements.