



**Barloworld**  
*Leading brands*

# Due Diligence Policy

**DOING BUSINESS WITH THIRD PARTY SERVICE  
PROVIDERS AND SUPPLIERS**

**April 2013**

# **DUE DILIGENCE POLICY DOING BUSINESS WITH THIRD PARTY SERVICE PROVIDERS AND SUPPLIERS**

## **1. INTRODUCTION**

- 1.1 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 in Section 3, below. Unless otherwise defined, the term 'due diligence' in this document means 'due diligence for doing business with TPSP&S.'
- 1.2 This 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.

## **2. REGULATORY AND VOLUNTARY STANDARDS**

### **2.1.1 Regulatory standards**

- 2.1.2 These additional due diligence procedures are aimed at combating corruption in the value chain and are a key requirement of legislation such as the UK Bribery Act (UKBA) and the US Foreign Corrupt Practices Act (FCPA), which may be applicable to certain Barloworld entities and/or operations. These procedures also support the objectives of the South African legislation of 2004 on the Prevention and Combating of Corrupt Activities Act.
- 2.1.3 Principle 4 of the Guidance to the UK Bribery Act comments that "due diligence is firmly established as an element of good governance." It also confirms that the due diligence procedures should be "proportionate to the identified risk."

### **2.2 Voluntary standards**

- 2.2.1 Barloworld is a signatory to the United Nations Global Compact (UNGC) which is a voluntary international standard for conducting business. One of the principles is that business should work against corruption in all its forms, including extortion and bribery.
- 2.2.2 The Barloworld Worldwide Code of Conduct sets out our values and voluntary commitment to combat fraud and corruption.

- 2.2.3 The Barloworld ethics and compliance programme sets out the Ethics Framework and one of the required standards is Due Diligence. Chapter 4, paragraph 4.2.3 states that “due diligence reviews are directed at assessing the risk area and making recommendations to manage, mitigate or avoid the risk.”

### **3. DEFINITIONS APPLIED IN THIS POLICY**

#### **3.1 Due diligence**

- 3.1.1 A due diligence review is a structured and systematic process of understanding with whom the company 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.
- 3.1.2 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 areas rated as lower risk. In some cases, the business may motivate limited or no action for low risk areas.

#### **3.2 Third party service providers and suppliers**

- 3.2.1 Third party service providers and suppliers (TPSP&S) means all third parties that fall under the definition of “associated person” in the UKBA 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.

#### **3.3 Associated person**

- 3.3.1 The UK Bribery Act defines an “associated person” as a “person who performs services for or on behalf of the organisation”; the full definition set out in the UK Bribery Act must be applied for the purposes of this policy.

### **4. SCOPE AND PURPOSE**

#### **4.1 Scope**

- 4.1.1 This policy applies to all Barloworld group companies, divisions and business units.
- 4.1.2 It applies to TPSP&S as defined above except the following which may be subject to separate Barloworld policies: (i) employees; (ii) customers; (iii) joint venture partners; and (iv) any other form of corporate investment activities, provided that, where any such relevant person or organisation is also engaged with Barloworld in the capacity as a TPSP&S they shall, for that purpose, separately be subject to the requirements of this policy.

## **4.2 Purpose**

- 4.2.1 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 standards and the voluntary standards of excellence of the Barloworld group. The policy is designed to ensure Barloworld does business only with ethically acceptable third parties.

## **5. ROLES AND RESPONSIBILITIES**

- 5.1 Executive management of each division 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.
- 5.2 It is the responsibility of business unit operational 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.

## **6. DUE DILIGENCE GENERAL REQUIREMENTS**

### **6.1 A risk based approach to due diligence**

- 6.1.1 The policy requires that a risk based approach to due diligence be applied and, at the division's discretion, integrated with existing procurement or other TPSP&S engagement processes. The risk assessment process and action plan should be specific to each division and or business unit according to the nature of their business.
- 6.1.2 The due diligence process is on-going and should include a risk rating for existing and new TPSP&S. At the division's discretion, an initial risk assessment may be exercised which applies certain reasonable risk based criteria, as defined by the division in consultation with divisional legal advisors. 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 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 business unit(s) and/or territories. The criteria to be considered by the division may include, inter alia:
- The average monthly or annual spend with the TPSP&S expressed as a percentage of external procurement spend as a measure of the severity and/or probability of bribery or corruption occurring.
  - 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.
  - Known vulnerability of the industry sector or product to fraud and corruption.
  - The type of business such as listed company or owner managed business.
  - Country of origin of the TPSP&S with reference to the Transparency International Corruption Perception Index.
- 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:
- Information gathering to obtain pertinent information on each TPSP&S
  - Assessment, analysis and validation process
  - Approval process
  - Reporting and assurance
- 6.1.6 On-going reviews will be required periodically depending on the risk rating of each TPSP&S as defined by the division in accordance with this policy.
- 6.1.7 For new business relationships, a risk related due diligence should be conducted before any contracts are approved and before any business transactions may be commenced. However, there may be valid business reasons where, at the discretion of business unit management and in consultation with divisional legal advisors, an exception may be approved by Executive management of the business unit. These cases must be managed in accordance with a predefined and approved procedure by business unit management, under specific conditions and within a limited time period.

## **6.2 Information gathering**

- 6.2.1 Subject to the risk assessment, information gathering may require 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 permitted 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 assessing 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.

## **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 process should be appropriate to the risk rating. It is suggested that standard formats are agreed whereby the relevant information and motivations are summarised.

## **6.5 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 operational management, in the first instance, to ensure that procedures are being properly applied. Operational or business unit 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 Group Head of Risk Management.
- 6.5.4 The internal auditors may from time to time review the due diligence process and/or the documentation and control of high risk TPSP&S in accordance with this policy. This is an independent process that is determined by Barloworld Group Internal Audit Services.

## **7. RESPONSIBILITY AND REVIEW**

- 7.1 Responsibility for this policy is Hilary Wilton, Group Ethics and Compliance Champion. The policy will be reviewed annually in March.