

CL-P-002A - ANTI-FRAUD & ANTI-CORRUPTION POLICY	 DISTELL
POLICY	
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1. INTRODUCTION

- 1.1 The goal of fraud and corruption prevention within the Distell Group and its subsidiaries (“Distell”) is to manage the susceptibility to fraud and corruption risk with a view to reducing it and to raise the level of fraud and corruption awareness amongst employees and other stakeholders. Fraud and corruption prevention is a process that is intended to reduce the risk of fraud and, upon the occurrence of a fraud, to ensure detection and provide contingency plans that will protect the interests of Distell, where possible, and result in successful prosecution of the offender.
- 1.2 Anti-fraud and corruption strategies must be integrated into and synchronized with the overall business strategies and policies, and comply with relevant legislation and government initiatives.
- 1.3 The Distell Anti-Fraud and Anti-Corruption Policy should be viewed in conjunction with the Code of Conduct.

2. POLICY STATEMENT

- 2.1 Distell is committed to protecting its revenue, expenditure, assets and reputation from any attempt by any person to gain financial or other benefit in an unlawful, dishonest or unethical manner. Fraud, corruption, theft, maladministration or any other dishonest activities of a similar nature will not be tolerated. Incidents and suspicions will be investigated and treated with the application of the full extent of the law.
- 2.2 Distell is furthermore committed to the strict adherence to both the letter and the spirit of the Companies Act, 2008 (“the Companies Act”), the Prevention and Combating of Corrupt Activities Act, 2004 (“the PCCA”) and other relevant laws. Distell realises the importance of securing the sound and sustainable management of the financial affairs of the divisions under its jurisdiction.

2.3 In implementing the fraud policy of Distell:

2.3.1 Distell is instituting and maintaining an anti-fraud and anti-corruption environment:

- 2.3.1.1 Distell will not tolerate unlawful or unethical behaviour within Distell nor within the organisations with which it interacts;
- 2.3.1.2 a Fraud Prevention Plan and a Fraud Response Plan that give effect to this policy are being implemented throughout Distell;
- 2.3.1.3 fraud reduction is the concern of all governing and independent structures; and
- 2.3.1.4 Distell acknowledges the contribution of all employees and stakeholders who assist in the combating of fraud and in the prosecution of fraudsters.

2.3.2 Distell understands and manages its risks:

- 2.3.2.1 Distell's fraud risks are reviewed regularly;
- 2.3.2.2 cognisance of fraud risk is taken in all procedural implementations and changes; and
- 2.3.2.3 internal controls and audit measures are in place to identify and manage fraud risk.

2.3.3 Distell is proactive in defending its assets:

- 2.3.3.1 Distell actively and continuously search for evidence of fraud through appropriate prevention and detection mechanisms;
- 2.3.3.2 Distell is monitoring direct and indirect losses incurred via fraud, through effective information and communication; and
- 2.3.3.3 Distell encourages the practice of well-intentioned reporting of irregularities.

2.3.4 Distell reacts swiftly when a crime is uncovered:

Distell reacts swiftly and appropriately when a crime is uncovered, indicating its complete commitment of zero-tolerance towards crime.

- 2.4 This policy applies to any actual or suspected fraud involving any Distell stakeholders (e.g. employees, board members, customers, suppliers).

3. THE REGULATORY ENVIRONMENT OF DISTELL

- 3.1 International and local regulatory bodies recognise that corporate entities must proactively combat fraud. To this end these entities fall into the ambit of various anti-crime legislation and initiatives, including:

3.1.1 the Companies Act;

3.1.2 the PCCA; and

3.1.3 the Protected Disclosures Act, 2000 ("the PDA").

- 3.2 Distell embraces these requirements by including compliance therewith as a crucial aspect of this policy.

- 3.3 This policy addresses the crimes of fraud and corruption as defined below.

4. WHAT IS FRAUD?

- 4.1 Fraud is the crime of intentionally and unlawfully making a misrepresentation to the actual or potential prejudice of another person. For purposes of this policy, and for ease of reference, fraud includes activities involving unethical behaviour, dishonesty and deception such as the following (which is not an exhaustive list):

4.1.1 theft of money or other assets through misrepresentation or deception of any nature (i.e. fraud);

4.1.2 theft of money, consumables or assets of any nature, including intellectual property and inventory;

4.1.3 misconduct in the handling or reporting of cash or financial transactions;

4.1.4 making profit from inside knowledge;

4.1.5 misstatements of qualifications, experience and other material facts on job applications and CV's for recruiting purposes; and/or

4.1.6 misstatements of material facts by bidders on tender, proposal or quotation documentation (including BEE ownership).

4.2 The potential perpetrators of fraud include any Distell stakeholders (e.g. employees, board members, customers, suppliers).

5. WHAT IS CORRUPTION?

5.1 Corruption is the use of entrusted power for private gain. Bribery, which is one form of corruption, is the offering or accepting of gratification as an inducement or reward for certain improper actions. Facilitation or expediting payments, self-dealing, and the offering and acceptance of kickbacks are also forms of corruption. Thus, the Anti-Bribery Policy should be read together with, and as complementary to, this policy.

5.2 The PCCA came into existence in April 2004. Corruption includes (but is not limited to):

5.2.1 bribery of various persons (e.g. public officials) and in various contexts (e.g. legislative processes);

5.2.2 unlawful gratification for the performance of one's employment duties;

5.2.3 exercising preferential treatment in the awarding of tenders;

5.2.4 manipulating the procurement process;

5.2.5 disclosure of confidential information by an employee about his/her company/department;

5.2.6 manipulating the value of assets;

5.2.7 performing favours for relatives and friends;

5.2.8 averting the legal consequences of unlawful acts or omissions;

5.2.9 avoiding compliance with laws and regulations; and/or

5.2.10 intentional dereliction of duties as a result of payment or favours received from third parties.

6. PROTECTED DISCLOSURES

- 6.1 It is the responsibility of every employee of Distell to report all incidents of fraud, corruption and maladministration or any other unethical and dishonest activities of a similar nature.
- 6.2 The PDA makes provision for the protection of employees who make a disclosure that is protected in terms of this Act.
- 6.3 Any disclosure made in good faith and substantially in accordance with any reporting procedure prescribed by Distell is considered to be a protected disclosure under this Act. An employee making such a protected disclosure is protected, *inter alia*, from being subjected to any occupational detriment as a result of the protected disclosure.
- 6.4 Any employee or other stakeholder who suspects or reports suspected dishonest activity or such activity that he/she witnessed should be afforded the opportunity to remain anonymous should this be his/her wish.
- 6.5 All information received via a protected disclosure relating to irregularities will be treated as highly confidential. The investigation will be handled in a confidential manner and no information will be disclosed or discussed with any person other than those who have a legitimate right to such information. This is to avoid damage to the reputation of a suspect who is, subsequent to an investigation, found innocent of wrongful conduct.
- 6.6 The reporting procedures prescribed by Distell are specified in its Policy on Reporting of Irregular and Unethical Behaviour.
- 6.7 The treatment of protected disclosures is dealt with in detail in Distell's Policy on Reporting of Irregular and Unethical Behaviour.
- 6.8 Should an employee require guidance, advice or further information on any particular subject, contact can be made with the Compliance and/or Legal Department.

LEGAL DEPARTMENT	Number: 021 809 8105	Email Address: jwdewet@distell.co.za
COMPLIANCE DEPARTMENT	Number: 021 809 7563	Email Address: sbotha@distell.co.za

7. REPORTING REQUIREMENTS

7.1 Various pieces of legislation and regulations create reporting duties which must be complied with and that, *inter alia*, sanction non-compliance by disciplinary action or criminal prosecution.

7.2 Legislation/regulations imparting reporting duties include:

7.2.1 the PCCA; and

7.2.2 common law requirements governing the employer – employee relationship.

7.3 It is important to understand that an employee does not have to be involved in the commission of a crime for the reporting duty to apply. Knowledge or suspicion of criminal conduct triggers the reporting duty. Furthermore, these triggers are not confined to a subjective belief. When somebody “ought to have known or suspected” a criminal action, the reporting duty also applies. Thus, wilful blindness and negligence in failing to detect or report an obvious irregularity will also be punishable.

7.4 The reporting duty in terms of the PCCA:

7.4.1 Section 34 of the PCCA stipulates that any person in a position of authority who knows or ought reasonably to have known or suspects that another person has committed:

7.4.1.1 corruption; or

7.4.1.2 the offences of theft, fraud, extortion, forgery or uttering of a forged document, involving R100 000 or more must report such knowledge or suspicion or cause the same to be reported to a police official.

7.4.2 In terms of Section 34 (2) of the PCCA, failure to comply with this obligation will constitute an offence. Provision is made for a sentence not exceeding 10 years in the case of a High Court, whereas a Magistrate's Court can impose a fine or a period of imprisonment not exceeding 3 years.

7.4.3 Section 34 of the PCCA includes (amongst others) the following persons as holding a position of authority:

7.4.3.1 the manager, secretary or a director of a company;

- 7.4.3.2 the executive manager of any bank or other financial institution;
- 7.4.3.3 any partner in a partnership;
- 7.4.3.4 any person who has been appointed as chief executive officer or an equivalent officer of any agency, authority, board, commission, committee, corporation, council, department, entity, financial institution, foundation, fund, institute, service, or any other institution or organisation, whether established by legislation, contract or any other legal means;
- 7.4.3.5 Any other person who is responsible for the overall management and control of the business of an employer; or
- 7.4.3.6 any person appointed in an acting or temporary capacity in any of the above mentioned positions.

7.5 The reporting duty in terms of common law principles related to the employer – employee relationship

As the employer - employee relationship includes the requirement of trust, every employee has a common law duty to report to the employer knowledge of any fact that might have a negative impact on the employer's business. Distell's management expects all stakeholders to report any reasonable suspicions, of whatever value, to management. The ultimate decision to pursue an investigation is the responsibility of management. Management will weigh the evidence and decide on the appropriate action to be taken. Failure of an employee to comply with this requirement may result in disciplinary action.

8. ADMINISTRATION OF THE POLICY

- 8.1 The custodian of this policy is the Group Internal Auditor.
- 8.2 The Group Internal Auditor is responsible for the administration, revision, interpretation and application of this policy, which will be reviewed regularly and revised as required.
- 8.3 Any alteration to this policy is subject to approval by the Board of Directors.