



Policy and Procedure on Managing Impartiality and Conflict of interest (MP02_v1.7)

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Executive Summary

The purpose of this document is to outline the policy and procedure for managing impartiality and conflict of interest by ARDENT Business Partners. This document is intended to be used by;

- all management and staff of ARDENT,
- clients and business partners
- associates
- employees and management of clients or business partners

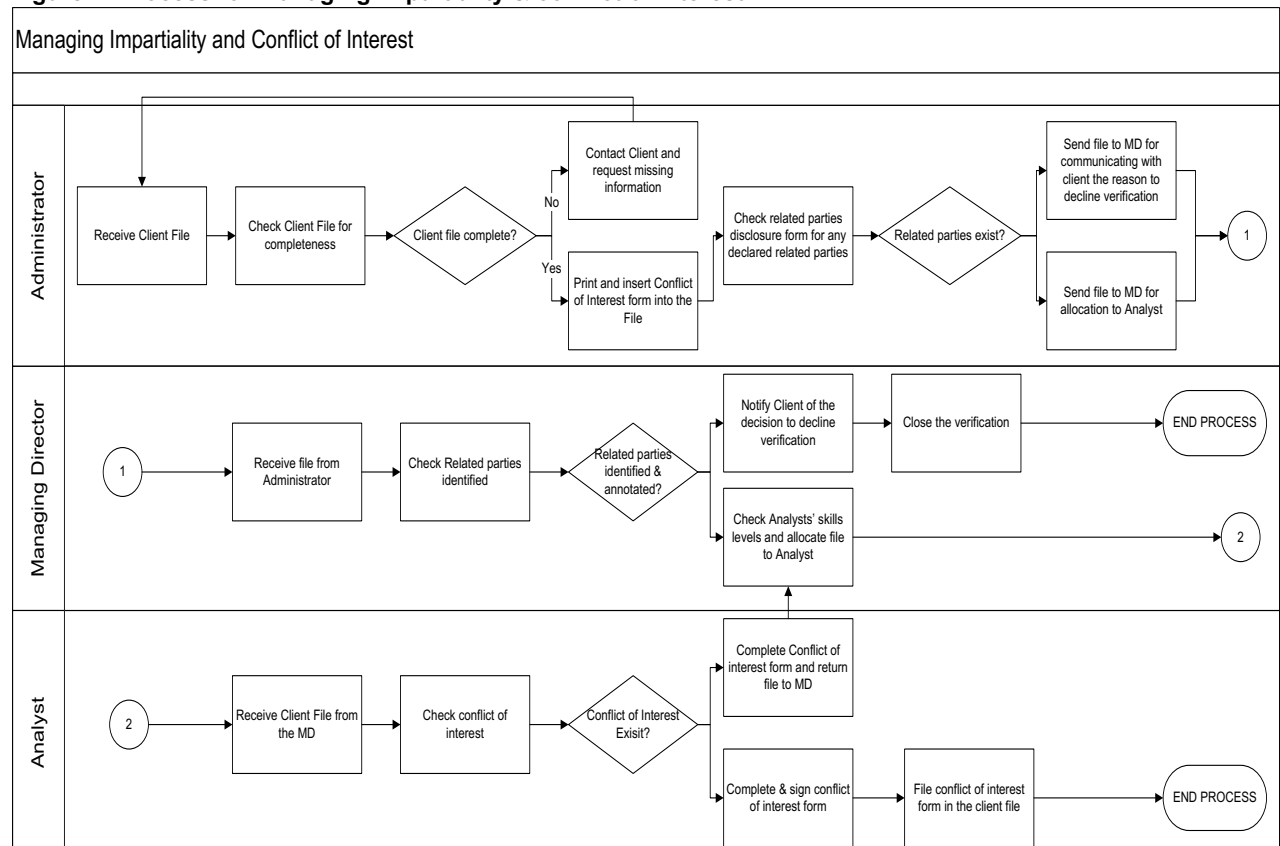
The first part of this document deals with policy statement on;

- impartiality and conflict of interest
- consultancy services, and
- related parties

The second part of this document explains the procedures to be followed by Ardent in ensuring implementation and control of this policy in the above three areas.

1. High level process for Managing Impartiality and Conflict of Interest

Figure 1: Process for managing impartiality & conflict of interest



2. Policy statement on Impartiality and Conflict of interest

2.1 Impartiality and Conflict of Interest

ARDENT Business partners understand the impact and possible influence that can be exerted on us as an organisation or on our staff members when verifying organisation's B-BBEE statuses. With this in mind ARDENT took a conscious decision to be and always remain unbiased at all times of the verification process. This is displayed in all ARDENT interactions before, during and after the verification process.

Every staff member of the verification team is required to disclose known relationships with the measured entity in order for ARDENT to manage the possible impartiality or conflict of interest.

In order to remain impartial ARDENT always strive to;

- constantly educate and make all staff members aware of all possible threats of conflict of interest that can arise during verification
- continuously monitor and identify possible threats to our impartiality and guard against such threats
- report such threats to authorities responsible for taking further actions, both internally and externally
- ensure that all management and staff are aware of the confidentiality agreements ARDENT have with the clients
- empower management staff to take immediate actions against any staff or client who act in a way that undermines ARDENT's position on impartiality
- demand that all staff declare any relationship that they may have which can result in breaching the conduct on impartiality and or confidentiality with clients or business partners
- constantly provide ARDENT staff with necessary support in reporting and co-operating with authorities when reporting incident(s) which are threats to ARDENT's impartiality

Areas considered possible conflict of interest and therefore possible breach of Impartiality policies are as follows, but not limited to:

- allowing to be influenced by the client(s), client's representative, or any third party before, during or after verification process
- having economic interest, direct or indirect, in the measured entity
- being submissive to client(s) pressures
- allow the client(s) to influence the outcome of the verification process
- failure to disclose known relationship(s) that might influence one's judgement during verification process
- verifying a company that has received BEE advice by any of our staff members in the previous 2 years from date of receipt of application
- verifying a company where ARDENT staff member worked for in the previous 2 years from the date of receipt of application
- verifying a company that has legal influence (decision making powers in terms of voting rights) over ARDENT or
- verifying a company where ARDENT staff member/s have decision making powers in (has voting rights)
- verifying a company where their staff member/s are directors of ARDENT
- verifying a company where ARDENT members are also directors of the measured entity
- verifying a company where ARDENT or its management and staff have financial interest in, either through:
 - more than 25% shareholding or
 - through financial loans (Any financial loan that can benefit either the rated entity or ARDENT and or its staff)
- self-interest threats, this include threats from a person acting on self interest of self benefit
- self-review threats, this include actions by a person reviewing own work. This can be either as a consultant and then as a verification staff
- familiarity or trust threats, this include the close relationship resulting in the verification agent being too familiar or trusting to the agent being verified
- intimidation threats, include threats where the measured entity forces the verification agent to made certain findings or decisions

The following has been identified by ARDENT as possible consequences of not complying with the policy on impartiality:

- unreliable and inaccurate verification output (verification certificate, scorecard and verification report)
- a breach in the Code of Good practice by the DTI
- a breach in SANAS accreditation conditions
- a breach in the DTI's verification manual
- a breach in the DTI's main objectives on B-BBEE Act
- a loss in credibility by the market players

2.2 Consultancy Services

Consultancy is defined as “an advice a client can receive that can assist an organisation in its implementation of B-BBEE plans or presenting a strategic position document to assist the measured entity”. This advice can be in a form of strategy formulation, implementation or monitoring and providing corrective actions of B-BBEE status of an organisation.

ARDENT however, realises that it is possible that as we grow we might employ verification staff members from the consultancy space, or use independent staff who have conducted consultancy or advisory services before. In this case ARDENT will endeavour to ensure that no verification staff member is involved in the verification of the client they have provided consulting for in the previous two years before the verification. This process is linked to the verification process through the management of related parties and related bodies.

In order to prevent any possible conflict of interest or breach of impartiality, ARDENT will not verify any organisation that has been identified as a related party or related body as per **related parties and bodies disclosure form (F14)**, with relations existing in the previous two years before the verification process starting. Where an Analyst has been linked to a measured entity either as a consultant or an employee in the previous two years, the particular employee will be required to declare such previous relationships through the **conflict of interest – declaration form (F02)**, and in this case the Admin Manager will have to appoint another analyst who is completely independent. Where the identified possible conflict of interest result from the relationship with one of the executive directors or shareholders of ARDENT, then ARDENT will withdraw from the verification and inform the measured entity accordingly.

ARDENT will strive to remain independent at all times and as a result will not recommend any specific consulting firm based on the client's requirements of acquiring a BBEE verification quicker, easier or less expensive than the other consulting firms.

As ARDENT Business Partners (Pty) Ltd, we will not engage in consulting and verification for the same client. Our services B-BBEE verification services are strictly monitored and assessed by SANAS on an annual basis and any other services which are not accredited by SANAS will always be advertised accordingly in all our marketing materials.

2.3 Related parties

Related parties refers to any one related to ARDENT or its directors and senior management by common ownership, voting rights, contractual agreement, equity shareholding, directorship or relationship that can cause conflict of interest.

ARDENT senior management and staff are required to disclose their related parties at the time of appointment and they are expected to volunteer this information as and when it changes. A list of related parties is maintained by the CEO. This document is updated bi-annually by the CEO to ensure that any changes as far as related parties are concerned are recorded accordingly. See **Related Parties / Bodies Disclosure Form (F14)**

2.4 Related Bodies

Related bodies refer to any organisation that is related to ARDENT Business partners contractually or otherwise. This could be an organisation that is trading with ARDENT under separate contractual service agreement. Currently ARDENT Business Partners provides BBEE verification services only. There are companies which are related to Ardent Business Partners by either shareholding or by directorship, these companies are listed and are updated regularly on **Related parties / bodies disclosure form (F14)** for the management of these relationship.

2.4.1 Analysis of related bodies

On receipt of the application, the Administrator will verify the measured entity is not identified as a related body by checking the **Related Parties / Bodies Disclosure Form (F14)**.

Where the related body does not exist, the Administrator will annotate on the **Route Forms (F20 and F30)**. Where the related bodies exist, the Administrator will annotate the **Route Forms (F20 and F30)** with a tick to indicate the related bodies exist between ARDENT and the measured entity. The Administrator will also annotate the related body comments on the system database and continue with the verification process as per ARDENT policies and procedures. No special treatment will be given to related bodies and they will be verified as per any other client of ARDENT. All staff members are reminded of the conflict on interest forms they sign with the organisation and are bound by ARDENT policies and procedures. Related bodies will be given high priority during internal audit to ensure policies and

procedures were not compromised by any member of ARDENT who might be too close to the measured entity. Any breach of policies and procedures whether related to related bodies or otherwise will not be tolerated and anyone found to be in breach of ARDENT policies and procedures will be subject to ARDENT disciplinary procedures.

2.5 Related bodies reporting process

ARDENT will identify all related bodies before engaging them into the verification process. The risks of verifying the related bodies can be identified as commercial and undue pressures. ARDENT understands that if these risks are not managed properly they will compromise the verification processes by ARDENT. As a result, all measured entities identified as related bodies will be double checked by at least two verification managers. This will ensure all parties involved in the verification process of related bodies are closely monitored and also ensure that no one or two people close to the related body can be tempted to compromise ARDENT policies and procedures while bowing to undue pressure.

3. Procedure for managing Impartiality and Conflict of interest

3.1 Impartiality and Conflict of Interest

All staff members including management are required to disclose their involvement or non-involvement or knowledge of association with any organisation that they are verifying or being part of the verification team involved in the verification.

- Once the Administrator has checked the file and the file is ready for allocation it is checked for related parties / bodies that might exist before allocating the file to the analyst.
- The administrator then checks the skill set required for the verification from the analyst by using the analyst's competence form
- The administrator selects the analyst and allocate the file to the analyst
- Once the analyst has been assigned the client to verify or to be part of the verification team, the first thing the analyst does is to complete and sign the **Conflict of Interest Form (F02)**
- Where conflict of interest exists, the analyst returns the signed form and updates the **Route Form (F20)** together with the client file to the administrator.
- On receipt of the signed conflict of interest form, the administrator re-assigns the client file to another analyst and requests the conflict of interest form to be completed and signed before continuing with the verification.

- Once the analyst has completed the verification, the analyst updates the route form and forwards the file to the Verification Manager who will be responsible for the final decision and signing off of the certificate.
- Before reviewing the file, the verification manager completes and signs the **conflict of interest form (F02)**.
- The person who is part of the verification process can not be part of the approval process. i.e. The Verification Manager can not be part of the verification process, hence the different conflict of interest forms (one for the analyst and another for the verification manager) are kept in the client file
- If conflict of interest exists, the verification manager complete and signs the conflict of interest by detailing the existence of the possible conflict of interest. The verification manager updates the route form and sends the file back to the administrator.
- On receipt of the file and the signed conflict of interest form, the administrator re-assigns the file to another verification manager.
- If no possible conflict of interest is identified, the verification manager continues according to the verification process.
- On completion of the verification, the verification manager forwards the file to the administrator
- The administrator checks the conflict of interest forms for proper signature and handling by both the verification analyst and by the verification manager
- If both forms are completed correctly, the administrator completes the verification checklist and finalises the verification file as per the verification process and procedure

3.2 Consultancy

- On receipt of the BEE application form, the administrator checks if the measured entity made use of the BEE consulting company or consultant. This is done by checking the annotation on the **BEE Verification Application Form (F09)**
- If a BEE consulting company or consultant was used by the measured entity, the administrator checks if any of ARDENT or its staff were involved in the consulting or if they worked (in the past 2 years) for the consulting company or the measured entity stated on the application form.
- Should the analyst or the verification manager indicate knowledge of the relationship with the measured entity in any way including working for the measured entity, for a consulting company that provided advisory services to the measured entity, they both

must complete the **Conflict of Interest Form (F02)**, update the **Route Form (F20)** and return the file to the Admin Manager for re-allocation to another analyst or verification manager.

- The Admin Manager will also record under “recommended actions” in the **Conflict of interest form (F02)** the reason for re-allocating the file to a different analyst or verification manager.
- The administrator ensures all client files are correctly completed and that all administrative documents are completed and signed by the verification analyst and the verification manager. Should there be errors, the administrator makes notes on the route form and send the file to the managing director who will investigate further.
- It is also the responsibility of the delegated personnel responsible for internal audit to identify any irregularities regarding non-disclosure of possible conflict of interest during internal audit process.
- Should any staff member of ARDENT fail to disclose their related parties or their known relationship with the measured organisation, such staff member will be responsible for their actions before the disciplinary committee, (HR management committee.) and will be subjected to ARDENT disciplinary procedures and processes.

3.3 Related parties

- Once the administrator receives the BEE application from the client, the administrator checks the **Related Parties / Bodies Disclosure Form (F14)** for any disclosed related parties
- If related parties are identified, the administrator send the file to the CEO and annotate the route form related parties identified and recommended action.
- If no related parties are identified, the administrator continues with the verification process normally to the next steps and the rest of the administrative documents requirements
- On receipt of the file from the administrator with annotations of related parties found, the CEO, contact the client and explain to the client the intention to decline verification by ARDENT.
- The CEO then follows up with the formal written communication to the client confirming the reasons for declining to carry out the verification
- The managing director sends the file to the administrator and advises the administrator to close the file

3.4 Related bodies

- On receipt of the application, the administrator, will check the **related parties / bodies disclosure form (F14)** and annotate the Route form (F20/30) with the related parties / bodies comments
- Where the related bodies are identified, the administrator will annotate the **Conflict of interest form (F02)** with comments and either
 - Re-allocate the file to another verification analyst or verification manager, or
 - Advise the CEO to decline the verification and notify the measured entity of the reasons to withdraw from the verification
- All verification staff are required to sign the **conflict of interest form (F02)** indicating they understand ARDENT policies and procedures on impartiality and conflict of interest
- During Internal audits, clients identified as related bodies will be checked to ensure the verification staff followed ARDENT processes and procedures
- Any staff members found in breach of ARDENT policies and procedures will be subject to disciplinary procedures

4. Management of records

All completed forms relating to the impartiality and conflict of interest procedure are kept in the client file. These forms are i) conflict of interest form, ii) related parties disclosure form as well as iii) BEE application form signed by the client. The client files are kept under lockable storage by the managing director for a period of 2 years before they are archived for a further period of 5 years. The records will be made available to authorised personnel for purposes such as for audit and investigations.

5. Measurements controls

Controls for ensuring the Procedure is being followed include the double checking by the following;

- **Senior Verification Analyst:** All files by Junior Analyst are checked for correctness by the Senior Analyst. These checks include checking for conflict of interest forms, and related parties disclosure forms, that they are completed and signed correctly and that there are no conflict of interest or impartiality identified. The Senior Analyst will also randomly check the supporting documents approved by the Junior Analyst and the calculations of the scores against the electronic scorecard. The Senior Analyst will annotate with an initial next to each element of the printed scorecard to show satisfactory checking. Should the Senior Analyst not be satisfied with the

quality of file presented by the Junior Analyst, the Senior Analyst will return the file back to the Junior Analyst and discuss the areas that require revision. Should the Senior Analyst be satisfied that the file is correct, the Senior Analyst will refer the file for approval by the Verification Manager as per ARDENT's verification procedure.

- **Verification manager:** The verification manager is responsible for the final decision on BEE verification. Therefore the verification manager checks the file in its entirety to ensure no mistakes or incorrect calculations has been used. Among these checks, the verification manager checks the supporting administrative documents for complete and accurate completion and signatures by both the verification analyst and the administrator. Should there be any incorrect statements or mistakes, the verification manager refers the file back to the verification analyst for corrections and re-submissions
- **Internal Audits:** As per internal audit procedures, an allocated persons checks files for correctness and accuracy and writes a report on the file checked. Should there be mistakes or inaccuracy in a file, the matter is escalated to the Managing Director who will initiate corrective actions as per the internal audit policy and procedure document **Policy and Procedure for Managing Internal Audits (MP03)**

Appendix I: Document register

Document History

Version	Changes	Date	Changes By
Final v1.0	Original Document issued	2008/09/22	CEO
Final v1.1	Amended the Procedure	2009/04/14	CEO
Final v1.2	<ul style="list-style-type: none"> Deleted the last sentence of section 1.2: Consultancy services Amended the numbering Removed referencing at the top of document 	2009/06/29	CEO
Final v1.3	<ul style="list-style-type: none"> Added s2.4: Related bodies 	2010/03/13	CEO
Final v1.4	<ul style="list-style-type: none"> Amended s2.4: Related bodies Added sections 2.4.1 Analysis of related bodies and 2.4.2 Related bodies reporting process Added section 3.4: Related bodies (procedure) 	2010/04/30	CEO
Final v1.5	<ul style="list-style-type: none"> Reviewed document 	2013/08/30	CEO
Final v1.6	<ul style="list-style-type: none"> Reviewed document 	2015/08/06	CEO
Final v1.7	<ul style="list-style-type: none"> Reviewed document 	2016/05/25	CEO
Final v1.8	<ul style="list-style-type: none"> Updated par 3 	2019/02/27	CEO

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Appendix II: Definitions

ABVA	: Association of BEE Verification Agencies
ARDENT	: ARDENT Business Partners (Pty) Ltd
BEE Act	: Broad-Based Economic Empowerment Act of No.53 of 2003
ED	: Enterprise Development
EE	: Employment Equity
EO	: Equity Ownership
Evaluation	: to assess, verify and validate the BEE status of entities
HR	: Human Resources
Impartiality	: Evidence of being independent, unbiased, objective and free of any influence in all activities conducted by ARDENT
MC	: Management Control
Measured Entity	:The company being assessed for BEE status by a verification agency
PP	: Preferential Procurement
Related parties	: means a party that is linked to the Verification Agency by common ownership or directors, contractual arrangement, common elements in the name, informal understanding or the means such that the related party has a vested interest in the outcome of an assessment or has a potential ability to influence the outcome of an assessment.
Sampling	: The application of verification procedures to less than 100% of items within an account balance or class of transactions such that all sampling units have a chance of selection. This will enable the verification agency to obtain and evaluate verification evidence about some characteristic of the items selected in order to form or assist in forming a conclusion concerning the population from which the sample is drawn
SANAS	: South African National Accreditation System
SANAS R47	: Accreditation of B-BBEE Verification Agencies document.
SD	: Skills Development
SED	: Socio-Economic Development
The Codes	: Codes of Good Practice issued in terms of Section 9 of the Act.
The DTI	: The Department of Trade and Industry
Verification agency	: BEE Verification Agency accredited in terms of Statement 020
Verification report	: Report issued by the Verification Agency which provides the detailed score of each element reflected in the Verification Certificate and B-BBEE Status awarded to the measured entity.
Verification standards	: means the minimum standard required from Verification Agencies to be accredited and the standard gazetted by the Minister from time to time.