

DEVHULA AUCTIONEERS (PTY) LTD

FRAUD AND CORRUPTION PREVENTION PLAN

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GLOSSARY OF TERMS

The following legal definitions:

Fraud , i.e. the unlawful and intentional making of a misrepresentation resulting in actual or potential prejudice to another

Theft , i.e. the unlawful and intentional misappropriation of another's property which is in his/her lawful possession, with the intention to deprive the owner of its rights permanently

Fraud and corruption include, but is not limited to the following: -

Offences in respect of corrupt activities as defined in the Prevention and Combating of Corrupt Activities Act, 2004 (i.e. The general offence of corruption which could be summarized as directly or indirectly accepting or agreeing to accept any gratification from another person; giving or agreeing to give any other person any gratification in order to influence that person directly or indirectly to exercise his powers, duties or legal obligations in a manner which is/amounts to:

- Illegal, dishonest, unauthorized, incomplete, or biased;
- Misuse or selling of information or material acquired;
- Abuse of positions of authority
- Breach of trust
- Violation of a legal duty or set of rules;
- Designed to achieve an unjustified result; and
- Any other unauthorized or improper inducement to do or not to do anything;
- Corrupt activities in relation to
 - Public officials
 - Foreign public officials
 - Agents
 - Judicial officers
 - Members of the prosecuting authority
- Unauthorized gratification received or offered by or to a party to an employment relationship

- Witnesses and evidential material during certain proceedings
- Contracts
- Procuring and withdrawal of tenders
- Auctions
- Sporting events; and
- Gambling games or games of chance;
- Conflicts of interests and other unacceptable conduct , e.g.:
- Acquisition of private interests in contract, agreement in or investment in a public body;
- Unacceptable conduct relating to witnesses; and
- Intentional interference with, hindering or obstruction of
- investigation of an offence
- Other offence relating to corrupt activities, viz:
- Accessory to or after an offence;
- Attempt, conspiracy and including another person to commit offence; and
- Failure to report corrupt transactions;

Fraudulent to report acts may include: -

Systems issues: Where a process/system exists which is prone to abuse by employees, the public or other stakeholders, e.g.

- Procurement fraud, e.g. irregular collusion in the awarding of tenders or orders for goods and/or services, sensitive information deliberately disclosed to contractors or consultants;
- Deliberate non-compliance with delegation of authority limits;
- Collusion in contracts management;
- False information provided by clients to whom loans are granted;
- Travel and subsistence fraud; and
- Disclosing confidential or proprietary information to outside parties; *Financial issues:* i.e. where individuals or companies have fraudulently obtained money from Devhula Auctioneers e.g.
- Creditors fraud e.g. diverting payments to incorrect creditors
- Suppliers submitting invalid invoices or invoicing for work done;
- Payroll fraud e.g. creation of “ghost employees”;

- Theft and misappropriation of funds; and
- Making a profit from insider knowledge
- *Equipment and resource issues*: i.e. where the Devhula Auctioneers equipment is utilized for personal benefit or stolen, e.g.
- Theft of assets for example computers;
- Sensitive data deliberately destroyed or misused for personal advantage and/or unauthorized use or release of sensitive Devhula Auctioneers information;
- Personal use of resources, e.g. telephones, internet, e-mail; and
- Irregular destruction, removal, or abuse of data (including intellectual property); *Other issues*: i.e. activities undertaken by employees of the Devhula Auctioneers, which may be against policies or fall below established ethical standards as prescribed in the Code, e.g.:
- Soliciting gifts or favours from consultants or other suppliers, e.g. acceptance of “kick-backs”,
- Pursuing private business interests without permission;
- Nepotism
- Favouritism, e.g. direct approaches by loan applicants who are personally known/related to Devhula Auctioneers staff and who seek preferential attention;
- Deployment of temporary staff, e.g. unjustified extensions of appointments.

SECTION I: INTRODUCTION

- 1.1 The purpose of this policy document is to provide an overview of Devhula Auctioneers’s approach to the prevention and detection of fraud and corruption. Sources of fraud in any organization include *inter alia* employees, customers, suppliers and other service providers.
- 1.2 In effect, this document is the updated Fraud and Corruption Prevention Plan for Devhula Auctioneers. The plan recognizes basic fraud and corruption prevention measures, which are already in place within Devhula Auctioneers.
- 1.3 The Plan is dynamic and it will continuously evolve as the Devhula Auctioneers makes changes and improvements in its drive to promote ethics, as well as to fight fraud and corruption.

SECTION II: APPROACH TO THE DEVELOPMENT OF THE PLAN

- 2.1 As indicated in paragraph 1.3 above, several business risks, including fraud and corruption risks, were identified as part of a risk management process conducted by the Devhula Auctioneers.
- 2.2 The **Code (Annexure A), Fraud Policy (Annexure B), Whistle Blowing Policy (Annexure C), Code of Ethics (Annexure D) and Conflict of Interest Policy (Annexure F)** are attached to the Plan as they form an integral part thereof.
- 2.3 The fraud and corruption risks identified in the updating of the Plan cannot be relied upon as an indication of the full spectrum of fraud and corruption risks facing the Devhula Auctioneers, but rather as an indication of the type of risks.
- 2.4 The process of updating the plan was not conducted as an audit in terms of South African Auditing Standards. The scope of work was limited to the approach detailed in paragraphs 2.1 to 2.3 above.
- 2.5 The plan does not guarantee that the Devhula Auctioneers will not be impacted by incidents of fraud and corruption but is rather intended to serve as an additional measure to assist in the limitation of fraud and corruption risk with a particular focus on creating awareness and promoting ethical business conduct.

SECTION III: COMPONENTS OF THE PLAN

The main principles of the plan are the following:

- Creating a culture which is intolerant to fraud and corruption;
- Deterrence of fraud and corruption;
- Preventing fraud and corruption which cannot be deterred;
- Detection of fraud and corruption;
- Investigating detected fraud and corruption;
- Taking appropriate action against fraudsters and corrupt individuals, e.g. prosecution, disciplinary action, etc; and
- Applying sanctions, which include redress in respect of financial losses.

The objectives of the plan can be summarized as follows:

- Encouraging a culture within the Devhula Auctioneers where all employees, the public and other stakeholders continuously behave ethically in their dealings with, or on behalf of the Devhula Auctioneers;
- Improving accountability, efficiency and effective administration within the Devhula Auctioneers
- Improving the application of systems, policies, procedures and regulations;

- Ensuring the implementation of a Whistle Blowing Policy and fraud hotline to effectively deal with the reporting of fraud and corruption cases. These structures should be regularly communicated to employees, customers and suppliers. Employees must be assured that they will be protected and treated respectfully in the case of lodging complaints;
- Ensuring effective referral and follow-up procedures on fraud and corruption reports; and
- Encouraging all employees and other stakeholders to strive toward the prevention and detection of fraud and corruption impacting or having the potential to impact the Devhula Auctioneers.

The above is not intended to detract from the premise that all the components are equally essential for the successful realization of the plan. The components of the plan for the Devhula Auctioneers are the following:

- A code in which the management of the Devhula Auctioneers believes, the requires their employees to subscribe;
- The Devhula Auctioneers' systems, policies and procedures;
- The Disciplinary Code and Procedures;
- Sound internal controls to prevent and detect fraud and corruption;\
- Physical and information security management;
- Internal Audit
- Ongoing risk assessment and management, which includes systems for fraud and corruption detection;
- Reporting and monitoring of allegations of fraud and corruption;
- A fraud policy which includes the policy stance of the Devhula Auctioneers to fraud and corruption and a response plan which incorporates steps for the reporting as well as proper resolution of reported and detected incidents and allegations of fraud and corruption;
- A Whistle Blowing Policy invented to encourage the reporting of fraud and corruption and to provide assurances of protection from reprisals for good faith reporting
- Creating awareness amongst employees, the public and other stakeholders (e.g. goods and service providers) through communication and education relating to relevant components of the plan, the code the fraud policy and the whistle blowing policy; and
- Ongoing maintenance and review of the plan to ensure effective project management of its further implementation and maintenance.

An illustration of the plan is contained in the figure below:



A. PREVENTING FRAUD AND CORRUPTION

3.1 Code of ethics and business conduct

- 3.1.1 The Devhula Auctioneers is an agricultural development finance institution, which provides retail, wholesale, project and micro financial services to agriculture and allied rural sectors
- 3.1.2 The vision of the Devhula Auctioneers is to be the leading provider of world-class agricultural financial services to agriculture and allied rural sectors.
- 3.1.3 In keeping with the vision, mission and the key corporate values of the Devhula Auctioneers, stakeholders have the right to expect that the business of the Devhula Auctioneers be conducted with efficiency, fairness, impartiality and integrity
- 3.1.4 In addition since the business of the Devhula Auctioneers carries with it a particular obligation to the public as a whole it goes without saying that the Devhula Auctioneers requires from all its employees standards of ethical behaviour, which promotes and maintains public confidence and trust. The code **(Annexure B)** has therefore been updated to take into account all these important factors.
- 3.1.5 The Devhula Auctioneers will arrange workshops to create awareness of fraud and corruption, the manifestations thereof and the plan, in general, among employees. A further objective of this training is to reinforce the expectations of the Devhula Auctioneers and employees with regard to their conduct and behaving ethically and with integrity.
- 3.1.6 Processes and mechanisms to manage professional ethics are the key to the fight against fraud and corruption and the Devhula Auctioneers will pursue the following additional steps to communicate the principles as contained in the code:
- a) A copy of the code will be circulated to all employees and included in induction packs for new employees. All employees will also be required to sign an annual declaration serving as an indication of their understanding of, and commitment to, the code; and
 - b) Include relevant aspects of the code in further awareness presentations, training sessions and communication programmes to create awareness thereof amongst employees and other stakeholders. Further objective of this training will be the following:
 - Helping employees to understand the meaning of unethical behaviour (including harassment in any form) in line with expectations of the Devhula Auctioneers;
 - Presenting case studies which will assist in developing behaviour to articulate and encourage attitudes and values which support ethical business conduct;
 - Helping employees to understand issues involved in making ethical judgements;and
 - Communicating the implications of unethical behaviour and its impact for individuals, the workplace, professional relationships, the Devhula Auctioneers as whole and external stakeholders including the public.

- 3.1.7 The Devhula Auctioneers' gifts policy will be reviewed in order to ensure that it adequately addresses both the acceptance and the offering of business courtesies to employees.
- 3.1.8 The development of a more robust system for the declaration of private business interests and actual or potential conflicts of interest by all employees and keeping of a centralized record thereof will be pursued.

3.2 Devhula Auctioneers' systems, policies and procedures

- 3.2.1. The Devhula Auctioneers has a number of systems, policies and procedures designed to ensure compliance with legislation.
- 3.2.2. All employees and other stakeholders are expected to comply with the applicable policies and procedures.
- 3.2.3 The Devhula Auctioneers has identified fraud and corruption risk in this area as being the lack of application, knowledge, awareness, effective communication and training with regard to its prevailing systems, policies and procedures (e.g. non-compliance with financial, regulatory and best practices as contained in GAAP and the PFMA). Furthermore, the Devhula Auctioneers has also identified a risk that some policies and procedures may be inadequate.
- 3.2.4 The management of the Devhula Auctioneers will improve awareness and knowledge of the relevant systems, policies and procedures, including *inter alia* the requirements of the PFMA amongst its employees. The Devhula Auctioneers will develop clearly defined communication and training strategies to create awareness of existing and new policies and procedures in order to ensure that all employees are made aware of, and adequately trained in the implementation of policies and procedures relevant to their duties and responsibilities, including:
 - (a) Provisions for all employees to acknowledge, in writing, that they have read the policies and procedures applicable to their duties, have undergone relevant training and/or are aware of these policies and procedures;
 - (b) The keeping of adequate records serving as proof that employees have been made aware of the policies and procedures relevant to their duties; and
 - (c) The development and distribution of a regular communication outlining the importance of complying with policies and procedures and the implications for employees, for example – the taking of corrective action against offenders not complying with policies and procedures.
- 3.2.5. A structured monitoring mechanism will be developed for the keeping of proper records of the policies and procedures that are being updates, and of new policies and procedures that are being developed in order to set clear targets and monitor progress.
- 3.2.6 The Devhula Auctioneers is committed to developing human resources systems, policies and procedures, which will incorporate the fraud and corruption prevention practices detailed below:
 - (a) The development of a system for pre-employment screening and promotion practices with objective standards in order to reduce the risk of nepotism and favouritism, both of which are damaging forms of fraud and corruption;
 - (b) The Devhula Auctioneers recognizes that, despite ongoing organizational and policy changes, for example employment equity policies, the matching of competencies to job

specifications/requirements are extremely important. As part of its approach to the management of human resources, the Devhula Auctioneers will continue to pursue steps to limit the risk incompetent people being appointed ; and

- (c) The pre-screening of potential candidates for employment by human resources (verification of academic qualifications and previous work experience).

3.2.7 Management must be held accountable for complying with, and implementing, the Devhula Auctioneers' systems, policies and procedures and for preventing fraud and corruption. This will continually be addressed in job descriptions, agreed work plans, performance contracts and appraisals.

3.2.8. The Devhula Auctioneers will also develop a system with clear guidelines for the placing of prohibitions on individuals and restriction of entities found guilty of fraud and corruption against it.

Disciplinary code and procedures

3.2.9 The disciplinary code and procedures prescribe appropriate steps to be taken to resolve disciplinary matters. Human resources will support the Devhula Auctioneers in instituting and completing disciplinary action for cases of fraud and corruption.

3.2.10 The Devhula Auctioneers recognizes the fact that the consistent and efficient application of disciplinary measures is an integral component of effective fraud and corruption prevention. The following steps to expedite the consistent, efficient and speedy application of disciplinary measures will be initiated:

- (a) Creating awareness amongst employees of conduct, which is forbidden in terms of disciplinary code. Where disciplinary standards are not adhered to, action will be taken against offenders;
- (b) Ongoing training of supervisors/managers in the application of disciplinary measures and the disciplinary process, and sustaining this training;
- (c) Developing a system to facilitate the consistent application of disciplinary measures; and
- (d) Regular monitoring and review of the application of discipline with the objective of improving weaknesses identified.

3.2.11 Where supervisors/managers are found to be inconsistent and/or inefficient in the application of discipline firm corrective action will be considered.

Internal controls

3.2.12 This section of the plan relates to basic internal controls to prevent and detect fraud and corruption and the training of employees in the system of internal control and the conducting of day-to-day duties. The systems, policies and procedures of the Devhula Auctioneers prescribe various controls, which if effectively implemented, would limit the risk of fraud and corruption. These controls may be categorized as follows, it being recognized that the categories contain overlapping elements:

3.2.12.1 **Prevention controls**

These are intended to deter undesirable events (including fraud and corruption) from occurring and are divided into two sub-categories, namely, Authorization and Physical.

(a) Authorization:

- (i) All transactions require authorization or approval by an appropriate responsible person.
- (ii) The limits for these authorizations are specified in the delegations of authority of the Devhula Auctioneers as well as in various government prescripts.

Physical

3.2.13. These controls are concerned mainly with the custody of assets and involve procedures and security measures designed to ensure that access to assets is limited to authorized personnel.

Detection controls

3.2.14. These controls are designed to detect and correct undesirable events which have occurred and are divided into four categories, namely, Arithmetic and Accounting, Physical, Supervision and Management Information.

(a) Arithmetic and accounting

- (i) These are basic controls within the recording function which check that transactions to be recorded and processed have been authorized, that they are complete, and that they are correctly recorded and accurately processed.
- (ii) Such controls include checking the arithmetical accuracy of records, the maintenance and checking of totals, reconciliations, control accounts, and accounting for documents.

(b) Physical

- (i) These controls relate to the security of records. They therefore underpin arithmetic and accounting controls.
- (ii) Their similarity to preventive controls lies in the fact that these controls are also designed to limit access.

(c) Supervision

This control relates to supervision by responsible officials of day-to-day transactions and the recording thereof.

(d) Management information

- (i) This relates to the review of management accounts and budgetary control.
- (ii) These controls are normally exercised by management outside the day-to-day routine of the system.

Segregation of duties

- (a) One of the primary means of control is the separation of those responsibilities or duties that would if combined, enable one individual to record and process a complete transaction, thereby providing him/her with the opportunity to manipulate the transaction irregularly and commit fraud and corruption.
- (b) Segregation of duties reduces the risk of intentional manipulation or error and increases the element of checking.
- (c) Functions that should be separated include those of authorization, execution, custody, recording and, in the case of computer-based accounting systems, systems development and daily operations.
- (d) Placed in context with fraud and corruption prevention, segregation of duties lies in separating either the authorization or the custodial function from the checking function.

3.2.13 The Devhula Auctioneers will continue to initiate steps to address the problem of lack of training, expertise and knowledge with reference to systems, policies and procedures in order to improve internal control. Areas of weakness will be identified during audits and risk assessments.

3.2.14 Furthermore, the Devhula Auctioneers will also continue to re-emphasize to all supervisors and managers that consistent compliance by all employees with internal control is one of the fundamental controls in place to prevent fraud and corruption. Supervisors and managers will be encouraged to recognize that internal control shortcomings identified during the course of audits are, in many instances, purely symptoms and that they should strive to identify and address the causes of these internal control weaknesses, in addition to addressing the control weaknesses.

3.2.15 Furthermore, the Devhula Auctioneers will develop a formal system by which the performance of supervisors and managers are appraised by taking in to account the number of audit queries raised and the level of seriousness of the consequent risk to the Devhula Auctioneers as a result of the internal control deficiency identified. This is intended to raise the level of supervisor and manager accountability for internal control.

3.2.16 Where supervisors and managers do not comply with basic internal controls, e.g. non-adherence to the delegation of authority limits, firm corrective action(s) will be considered.

Physical security

3.2.17 The Devhula Auctioneers will consider conducting a regular detailed review of the physical security arrangements at its offices and improve weaknesses identified. Specific focus areas will be physical security over infrastructure, assets and staff

Information security

- 3.2.18 The Devhula Auctioneers will ensure that all employees are sensitized on a regular basis to the fraud and corruption risks associated with information security and the utilization of computer resources, in particular – access control, and ensure that systems are developed to limit the risk of manipulation of computer data
- 3.2.19 Regular communiqués will be forwarded to employees, focusing on e-mail and internet usage and the implications (e.g. disciplinary action) of abusing these and other computer related facilities. Where employees are found to have infringed and/or failed to comply with prevailing policies in this regard, disciplinary action will be taken.
- 3.2.20 Regular reviews of information and computer security will also be considered. Weaknesses identified during these reviews will be addressed (e.g. undefined security access rights by application owners, distributed and unmanaged hardware file servers within the Devhula Auctioneers and lack of defined I.T. governance within the Devhula Auctioneers).

B DETECTING AND INVESTIGATING FRAUD AND CORRUPTION**3.3 Internal audit**

- 3.3.1 The Devhula Auctioneers recognizes the fact the positive support by all its supervisors and managers for Internal Audit and its functions, speedy response to, and the addressing of queries raised by Internal Audit is vital to the success of the plan. Where supervisors and managers are found to be slow in addressing internal control queries by Internal Audit, firm action will be taken.
- 3.3.2 The Devhula Auctioneers will regularly re-emphasize to all supervisors and managers that consistent compliance by employees with internal control is one of the fundamental controls in place to prevent fraud and corruption. Supervisors and managers will be encouraged to recognize that internal control shortcomings identified during the course of audits are, in many instances, purely symptoms and that they should strive to identify and address the causes of these internal control weaknesses, in addition to addressing the control weaknesses.
- 3.3.3 Awareness strategies will also be developed to enhance management's understanding of the role of Internal Audit as contained in its approved Charter.

3.4 Outgoing risk assessment and management

- 3.4.1 Acknowledging the fact that diverse business risks exist from both internal and external sources and in order to comply with the requirements of the Treasury Regulations to the PFMA, the Devhula Auctioneers has completed a comprehensive risk assessment of all its programmes. This information will be used to assist management with the following:
- a) Identification of business risks which have the highest potential to impact (positively or negatively) on the achievement of the Devhula Auctioneers business objectives.

Recoveries

1. Non-compliance with internal policies and procedures concerning the recovery of debt.
2. Laxity or lack of pro-activeness in the collection of debt.
3. Inadequate control measures regarding the safeguarding of bought-in-properties.
4. Inadequate system to evaluate the merits on which to grant the extension of time on loans

Human Resources

1. Non-compliance with HR policies and procedures:
 - Recruitment not in accordance with procedure system;
 - Ineffective management of the payroll system;
 - Payments to ghost employees;
 - Fraudulent claims for overtime submitted;
 - Overtime abuse
 - Failure to pre-screen all prospective employees and verify qualifications and previous work experience;
 - Favouritism toward applicants who are personally known/related to the Devhula Auctioneers staff;
 - Release of confidential information;
 - Tampering with personnel records
 - Ignoring complaints which may highlight potential fraudulent behaviour;
 - Excessive sick leave absences; and
 - Involvement in other forms of employment other than the Devhula Auctioneers
2. Failure to attract and retain skilled personnel:
 - Nepotism in respect of recruitment, and
 - Favouritism

3. Inadequate work ethics and values:
 - Lack of loyalty to Devhula Auctioneers; and
 - Loyalty of staff to clients rather than the Devhula Auctioneers.
4. Deployment of temporary staff:
 - Unjustified extensions of appointment; and
 - Fraudulent claims for time submitted.

INFORMATION TECHNOLOGY

1. Inadequate logical and physical security:
 - Security around the physical movements and retrieval of information technology devices in and of Devhula Auctioneers;
 - Undefined security access rights by applications users;
 - Sensitive data deliberately destroyed or misused for personal advantage;
 - Possible intrusion by external hackers;
 - Lack of controls at security and/or reception areas for visitors to declare mobile devices (laptops, palm tops);
 - Lack of declaration policies for users to sign that all I.T. devices/system will be used purely for Devhula Auctioneers purposes;
 - Lack of defined I.T. governance;
 - Critical tasks and responsibilities left in the hands of external services providers and consultants; and
 - Lack of asset tracking system.
2. Use of I.T. data computer files:
 - Unauthorized use and release of sensitive data;
 - Deliberate misuse of sensitive files; and
 - Unauthorized use and distribution of data

ANNEXURE A**CODE OF ETHICS AND BUSINESS CONDUCT FOR THE DEVHULA AUCTIONEERS****CONTENTS**

Section	Title
1.	Introduction and scope
2.	Ethics
3.	Rights and obligations: <ul style="list-style-type: none">• Obligations of the Devhula Auctioneers• Rights and obligations of employees• Obligations of management
4.	Offering business courtesies
5.	Accepting business courtesies/gifts/hospitality/favours
6.	Conflicts of interest
7.	Relationships with colleagues
8.	Relationships with customers and supplies
9.	Health, safety and environmental protection
10.	Use of Land Ban's supplier and other resources (including information, intellectual property and computer equipment)
11.	Creating Awareness
12.	Compliance
13.	Contravention of the Code
14.	Adoption of the Code

1. **INTRODUCTION AND SCOPE**

Introduction

- 1.1 The Devhula Auctioneers is committed to a policy of fair dealing and integrity in the conduct of their business. This commitment, which is actively endorsed by the Board of Directors (“the Board”) of the Devhula Auctioneers, is based on a fundamental belief that business should be conducted honestly, fairly and legally. The Devhula Auctioneers expects all employees to share its commitment to high quality agricultural financial services, moral, ethical and legal standards.
- 1.2 In addition since the business of the Devhula Auctioneers carries with it a particular obligation to the public as a whole it goes without saying that the Devhula Auctioneers requires from all its employees standards of ethical behaviour that promote and maintain public confidence and trust.
- 1.3 This Code of ethics and business conduct (“the Code”) does not replace the Devhula Auctioneers’s conditions of employment, but should be seen as complementary to the conditions of employment and as a statement of the values and ethical business conduct that the Devhula Auctioneers pursues in its dealings with people and organizations internally as well as externally

Scope

- 1.4 Compliance with the code is required of all employees of the Devhula Auctioneers. The principles contained in the Code also apply to contract labour, consultants, temporary employees, part-time employees, casual employees, occasional employees, directors, customers, suppliers and others acting on behalf of, or dealing with, the Devhula Auctioneers.
- 1.5 Employees of the Devhula Auctioneers must comply with its policies, applicable laws, regulations and providers of the Constitution. Anything prohibited by the Devhula Auctioneers’s policies, applicable laws, regulations and provisions of the Constitution would still be prohibited even if it were done on behalf of an employee of the Devhula Auctioneers by someone who was not the Devhula Auctioneers employee.
- 1.6 Although the Devhula Auctioneers has limited legal rights to enforce the Code on its goods and service providers, the Devhula Auctioneers can exercise into business relationships with providers who do not comply.

2. **ETHICS**

- 2.1 The term “ethics” refers to standards of conduct, which indicate how a person should behave, based on moral duties and virtues arising from the principles of right and wrong. Ethics therefore involve two aspects:
 - (a) The ability to distinguish right from wrong; and

(b) The commitment to do what is right

2.2 Ethical standards are necessary for the following reasons:

- (a) To ensure that all stakeholders of the Devhula Auctioneers are aware of the core values respected by its employees (including management) and the Board; and
- (b) To ensure accountability within the Devhula Auctioneers in terms of fundamental ethical values and value systems.

2.3 The foundation for the Code is based on the Devhula Auctioneers's core corporate values. These values detailed below define who are as individuals and as an agricultural development institution, namely:

- Customer focus;
- Mutual respect and dignity;
- Openness and transparency;
- Fair and equitable access to services;
- Integrity and trust
- Team spirit
- Accountability; and
- Recognition and reward

Individual ethical conduct

2.4 Ethical behaviour refers to individual actions by employees which are intended to further the common good of the organization, as determined by its policies, procedures, directives and business objectives, with which employees are required to comply. If a person is conscious that his/her conduct is against the common good of the organization or other employees, such conduct is ethical.

Collective ethical conduct

2.5 Ethical behaviour can also be regarded as a collective behaviour, because external stakeholder such as suppliers, communities and the State develop their perceptions about the Devhula Auctioneers' commitment to the common good on the basis of the actions and the conduct of the Devhula Auctioneers' employees they deal with. In this way, excellent ethical business conduct by employees of the Devhula Auctioneers leads to the collective perception of the Devhula Auctioneers as ethical organization

Ethical behaviour and business conduct

- 2.6 The integrity of the employees acting on its behalf underlies all the Devhula Auctioneers's relationships, including those with customers, suppliers and communities, as well as those between employees. The highest standards of ethical business conduct are required of employees of the Devhula Auctioneers in fulfilling their Devhula Auctioneers responsibilities.
- 2.7 Employees may not engage in any activity that could raise questions as to the Devhula Auctioneers's integrity, respect for diversity, impartiality or reputation. Ethical business conduct includes workplace relationships between employees in terms of the Constitution and requires respect for constitutional rights in employment, particularly with regard to human dignity, non-discrimination, respect for diversity, impartiality and reputation.
- (a) Prioritising business risk areas for attention and subsequently developing appropriate controls to limit the impact of the material risks identified; and
- (b) To enable management to continually assess, manage and update the risk profile (incorporating fraud and corruption risk) of the Devhula Auctioneers.
- 2.8 Business risks may include strategic risks (goals and objectives), operational risks (business processes), financial risks (loss of assets), compliance risks (laws and regulations) as well as any other risks (such as political, external and litigation).
- 2.9 Presentation to employees of the Devhula Auctioneers will be conducted in order to ensure that they have a more detailed understanding of the fraud and corruption risks facing the Devhula Auctioneers and the areas wherein these risks exist, thus enhancing the prospect of detecting irregularities earlier.
- 2.10 The Devhula Auctioneers will also consider performing specific fraud and corruption detection reviews in the following areas on a regular basis. This will include the conducting of presentations to supervisors, managers and staff to ensure that they have more detailed understanding of the fraud and corruption risks associated with these areas, thus also enhancing the prospect of detecting irregularities earlier. These includes *inter alia*:
- Asset management;
 - Human resources;
 - Support services (procurement/engagement of contractors/consultants);
 - Conflicts of interest;
 - Regulatory compliance;
 - Loans (applications and approvals);
 - Contract management;
 - Compliance to delegations of authority; and
 - Financial/accounting management

2.11 **REPORTING AND MONITORING**

2.11.1 Fraud and corruption especially in a banking environment are serious matter which must be dealt with promptly and competently. Apart from the legal implications of fraud and corruption, improper acts have the potential to undermine the public image of the organization. Employees must act promptly on any allegation or observation of potential fraud or corrupt conduct.

2.11.2 The Devhula Auctioneers has recognized the fact that whistle blowers could be victimized by fellow employees or managers in contravention of the Protected Disclosures Act, without management being aware of this. This could have severe negative implications for the Devhula Auctioneers, for example, negative media publicity.

2.11.3 The Devhula Auctioneers has implemented a fraud hotline which is intended to achieve the following: -

- (a) To deter potential fraudsters and corrupt individuals by making all employees and other stakeholders aware that the Devhula Auctioneers is not soft target, as well as encouraging the participation of employees in supporting, and making use of this facility
- (b) To raise the level of awareness that the Devhula Auctioneers is serious about fraud and corruption
- (c) To detect incidents of fraud and corruption by encouraging whistle blowers to report incidents which they witness;
- (d) To assist the Devhula Auctioneers in managing the requirements of the Protected Disclosures Act by creating an additional channel through which whistle blowers can report irregularities which they witness or which come to their attention; and
- (e) To further assist the Devhula Auctioneers in identifying areas of fraud and corruption risk in order that preventive and detective controls can be appropriately improved or developed

ANNEXURE B

POLICY AND RESPONSE PLAN FOR FRAUD AND CORRUPTION

- 2.11.4 A Fraud Policy (**Annexure B**), which contains the policy stance of the Devhula Auctioneers to fraud and corruption as well as the response mechanisms in place to report, investigate and resolve incidents of fraud and corruption which impact on the Devhula Auctioneers, has been developed.
- 2.11.5 The Fraud Policy will be circulated to all employees of the Devhula Auctioneers and appropriate sections to providers of goods and services.
- 2.11.6 The following are steps included in the Fraud Policy for the reporting of fraud and corruption:
- (a) It is the responsibility of all employees to immediately report all allegations or incidents of fraud and corruption to their immediate supervisor or any manager;
 - (b) Should employees be concerned with the reporting channels referred above, they may report directly to the Manger: Internal Audit or the Chairperson of the Audit Committee;
 - (c) Employees occupying supervisory and managerial positions must report all incidents and allegations of fraud and corruption to the Manager: Internal Audit; and
 - (d) Employees who wish to report allegations of fraud and corruption anonymously can contact the Devhula Auctioneer's hotline (0800005750), any member of management, the Manager: Internal Audit, the Chairperson of the Audit Committee or the Chairperson of the Board of Directors of the Devhula Auctioneers.

ANNEXURE C:
THE WHISTLE BLOWING POLICY

3. A Whistle Blowers Policy (**Annexure C**) has been developed for the Devhula Auctioneers covering the following key issues
- (a) The whistle blowing policy stance;
 - (b) Scope, including types of irregularities to be reported;
 - (c) Where and to whom to report
 - (d) Confidentiality of reports made
 - (e) Assurances relating to protection from reprisals for good faith reporting
 - (f) Undertakings to investigate all reports
 - (g) Commitment to act promptly in instances where allegations are proven, and
 - (h) Publications of sanctions, including providing the appropriate feedback to whistle blowers.

3.1.1 DEFINITION

Whistleblowing is defined as raising a concern about wrongdoing within an organisation.

The Protected Disclosures Act, No 26 of 2000 (PDA) was enacted to protect whistle-blowers and to help combat corruption. The PDA must be viewed in the context of high levels of perceived corruption in South Africa. Evidence of this was given in Transparency International's 2014 Corruption Perception Index which gave South Africa a score of 44 out of a possible 100 (with 100 being perfect non-corruption), ranking us 67 out of 175 countries.

"No employee may be subjected to any occupational detriment by his or her employer on account, or partly on account, of having made a protected disclosure."

Dismissal in breach of the occupational detriment requirement under the PDA is deemed to be automatically unfair under s187 of the Labour Relations Act, No 66 of 1995 (LRA) (as amended) and could result in a maximum of 24 months' compensation awarded to the employee. Other occupational detriments not resulting in dismissal are deemed unfair labour practices which could give rise to a maximum of 12 months' compensation.

The most cited case in terms of the PDA is the decision of *Tshishonga v Minister of Justice & Constitutional Development* 2007 4 BLLR 327 (LC), in which the Labour Court introduced a four-stage approach to ascertain whether or not the requirements of the PDA are met:

3.1.2 WHAT IS A PROTECTED DISCLOSURE?

If an employee has reason to believe that the employer is involved in or likely to be involved in criminal act (such as corruption) or that the employer has failed to comply with the law or that a miscarriage of justice has occurred or that the health and safety of an individual is being endangered or that the employer unfairly discriminates, then these facts may be disclosed without any steps being taken against the employee by the employer.

These disclosures are protected in terms of the Protected Disclosures Act 26 of 2000. The purpose of this Act is to protect employees from being dismissed, subjected to a disciplinary action, suspended, demoted any other adverse treatment as a result of making a protected disclosure.

For the disclosure to be protected, the disclosure must be made in good faith by the employee and must be reported by the employee to the employer or to the relevant person in accordance with the procedure set out by the employer. This is usually known as a Whistle Blowing Policy. Where there is no procedure in place, the employee must report the irregularity to the employer.

Should any employee incur the wrath of the employer for making a protected disclosure and be dismissed, that dismissal will be automatically unfair and the employee may be reinstated and/or awarded a maximum of 24 months remuneration. If the employee is unfairly treated as a result of making the disclosure e.g. demoted, this will be deemed to be an unfair labour practice and the unfair act will be set aside.

Some employees may wish to embarrass the employer or simply try and cause trouble by making allegations against the employer and claiming that the disclosures are protected. However the Act requires a disclosure to be made in good faith to the employer and the employee must reasonably and honestly believe that the disclosure tended to show past or continuing irregularities.

Whilst there is no need for the employee to prove the irregularity, the employee making the disclosure must have reason to believe that the information disclosed shows or tends to show that an irregularity has been or continues to be perpetrated. It is important that the protected disclosure is made in accordance with the internal policy if it exists.

If the employee simple intended to harm the image of the employer or another employee by making the disclosure and did not have any reason to believe the information to be true, then the employee will not be able to rely on the disclosure being protected under these circumstances and the employee may face disciplinary action.

3.1.3 FURTHER IMPLEMENTATION AND MAINTENANCE

3.1.3.1 Creating awareness

This component of the Plan comprises two approaches, namely education and communication.

3.1.3.2 Education

The creating of awareness amongst employees is intended to address the following issues: -

- (a) Informing employees on an ongoing basis on what constitutes fraud and corruption;

- (b) Promote policies that must be adhered to, including the values and principles of public administration as contained in the Constitution and standard of professional conduct;
- (c) Informing employees of fraud and corruption risks to enable understanding of specific risks to which the Devhula Auctioneers may be exposed, thus enhancing the prospect of detecting irregularities earlier;
- (d) Encouraging employees to blow the whistle on fraud and corruption; and
- (e) Employee awareness of the current legislative framework as it relates to fraud and corruption, and their obligations and rights should they blow the whistle on fraud and corruption.

3.1.3.3 Communication

The objective of the communication approaches is to also create awareness amongst employees. The public and other stakeholders, of the Plan in order to facilitate a culture where all stakeholders strive to contribute toward making the Plan a success as well as for the sustaining of a positive, ethical culture within Devhula Auctioneers. This will

ANNEXURE D

CODE OF ETHICS AND PROFESSIONAL CONDUCT POLICY

Be patient and courteous.

Be inclusive.

We welcome and support people of all backgrounds and identities. This includes, but is not limited to members of any sexual orientation, gender identity and expression, race, ethnicity, culture, national origin, social and economic class, educational level, colour, immigration status, sex, age, size, family status, political belief, religion, and mental and physical ability.

Be considerate.

We all depend on each other to produce the best work we can as a company. Your decisions will affect clients and colleagues, and you should take those consequences into account when making decisions.

Be respectful.

We won't all agree all the time, but disagreement is no excuse for disrespectful behaviour. We will all experience frustration from time to time, but we cannot allow that frustration become personal attacks. An environment where people feel uncomfortable or threatened is not a productive or creative one.

Choose your words carefully.

Always conduct yourself professionally. Be kind to others. Do not insult or put down others. Harassment and exclusionary behaviour aren't acceptable. This includes, but is not limited to:

- Threats of violence.
- Discriminatory jokes and language.
- Sharing sexually explicit or violent material via electronic devices or other means.
- Personal insults, especially those using racist or sexist terms. - Unwelcome sexual attention.
- Advocating for, or encouraging, any of the above behaviour.

Repeated harassment of others.

In general, if someone asks you to stop something, then stop. When we disagree, try to understand why. Differences of opinion and disagreements are

mostly unavoidable. What is important is that we resolve disagreements and differing views constructively.

Our differences can be our strengths.

We can find strength in diversity. Different people have different perspectives on issues, and that can be valuable for solving problems or generating new ideas. Being unable to understand why someone holds a viewpoint doesn't mean that they're wrong. Don't forget that we all make mistakes, and blaming each other doesn't get us anywhere. Instead, focus on resolving issues and learning from mistakes.

ANNEXURE E

CONFLICT OF INTEREST POLICY

Devhula Auctioneers **Conflict of Interest Policy** refers to any case where an employee's personal interest might contradict the interest of the company they work for. This is an unwanted circumstance as it may have heavy implications on the employee's judgement and commitment to the company, and by extension to the realization of its goals.

This policy will outline the rules regarding conflict of interest and the responsibilities of employees and the company in resolving any such discrepancies.

Scope

Devhula Auctioneers conflict of interest policy applies to all prospective or current employees of the company, as well as independent contractors and persons acting on behalf of the company.

Policy elements

The relationship of Devhula Auctioneer with its employees should be based on mutual trust. As the company is committed to preserve the interests of people under its employment, it expects them to act only towards its own fundamental interests.

Conflict of interest may occur whenever an employee's interest in a particular subject may lead them to actions, activities or relationships that undermine the company and may place it to disadvantage.

What is an employee conflict of interest?

This situation may take many different forms that include, but are not limited to, conflict of interest examples:

- Employees' ability to use their position with the company to their personal advantage
- Employees engaging in activities that will bring direct or indirect profit to a competitor
- Employees owning shares of a competitor's stock
- Employees using connections obtained through the company for their own private purposes
- Employees using company equipment or means to support an external business
- Employees acting in ways that may compromise the company's legality (e.g. taking bribes or bribing representatives of legal authorities)

The possibility that a conflict of interest may occur can be addressed and resolved before any actual damage is done. Therefore, when an employee understands or suspects that a conflict of interest exists, they should bring this matter to the attention of management so corrective actions may be taken. Supervisors must also keep an eye on potential conflict of interests of their subordinates.

The responsibility of resolving a conflict of interest starts from the immediate supervisor and may reach senior management. All conflicts of interest will be resolved as fairly as possible. Senior management has the responsibility of the final decision when a solution can't be found.

In general, employees are advised to refrain from letting personal and/or financial interests and external activities come into opposition with the company's fundamental interests.

Note: The same principles apply to the company in regards to its clients. When applicable, we are committed to not offer services or form partnerships with companies who are in direct competition with one of our existing clients.

Disciplinary Consequences

In cases when a conflict of interest is deliberately concealed or when a solution can't be found, disciplinary action may be invoked up to and including termination.