DEVELOPMENT FINANCE CORPORATION LIMITED

DOMESTIC POLITICALLY EXPOSED PERSONS (DPEP), FOREIGN POLITICALLY EXPOSED PERSONS (FPEP), AND PROMINENT INFLUENTIAL PERSONS (PIP) POLICY

VERSION: 1.2	**OWNER:** Group Risk
PREVIOUS REVIEW: May 2024	**APPROVED BY:** Ithala Development Finance Corporation (IDFC) Board of Directors
NUMBER OF PAGES: 9	**CURRENT REVIEW:** June 2026
DOC. / FILE ID: IDFC DPEP, FPEP and PIP	
CONFIDENTIAL	

TABLE OF CONTENTS

1. DEFINITIONS

1.1 **'Beneficial owner'** in respect of a legal person, means a natural person who independently or together with another person, directly or indirectly owns the legal person, or exercises effective control of the legal person.

1.2 **'FATF- Financial Action Task Force'** means and independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing, and financing of proliferation of weapons of mass destruction.

1.3 **'FICA'** means Financial Intelligence Centre (FIC) Amendment Act (Act No. 38 of 2001).

1.4 **'DOMESTIC POLITICALLY EXPOSED PERSON (DPEP)'** means a person referred to in Schedule 3A of the FIC Amendment Act (Act No. 38 of 2001) and as outlined under section 6.5 and 6.6 of this policy.

1.5 **'FOREIGN POLITICALLY EXPOSED PERSONS (FPEP)'** means a person referred to in Schedule 3B of the FIC Amendment Act (Act No. 38 of 2001) and as outlined under 6.7 of this policy.

1.6 **'PROMINENT INFLUENTIAL PERSON (PIP)'** for the purposes of this policy means immediate family members and known close associates of a Domestic Prominent Exposed Person (DPEP) or Foreign Prominent Exposed Person (FPEP) and as outlined under 6.8 of this policy.

1.7 **'TRANSACTIONS'** means a business transaction with a **DPEP** or **FPEP and PIP**.

1.8 **RMCP-** Risk Management and Compliance Programme

2. PREAMBLE

2.1 Ithala Development Finance Corporation ('IDFC') as a financial institution is specifically identified as an accountable institution' under clause 16 of Schedule 1 of the Financial Intelligence Centre (FIC) Amendment Act No. 1 of 2017 and therefore is expected to comply with the provisions of this Act.

2.2 Accordingly, in August 2023 the IDFC Board approved the Risk Management Compliance Programme (RMCP) that FICA required of accountable institutions, as part of a risk mitigation strategy to comply with said legislation. IDFC recognises the risks associated with entering into business transactions with Domestic Politically Exposed Persons (DPEP), Foreign Politically Exposed Persons (FPEP), and Prominent Influential Persons (PIP). In addition to the RMCP, the IDFC Board has consequently decided to implement a policy that will govern the management of DPEP, FPEP, and PIP transactions to manage such risks. This policy will replace the previous "Domestic Prominent Influential Persons Policy" that arose out of the original FIC Act.

2.3 This policy is aimed at regulating the activities of IDFC as far as they relate to DPEPs or FPIPs and PIPs.'

2.4 A Politically Exposed Person (PEP) is an individual who is or has been entrusted with a prominent function. Many PEPs hold positions that can be abused for the purpose of laundering illicit funds or other predicate offences such as corruption or bribery.

2.5 The risks associated with PEPs, require the application of additional Anti Money Laundering (AML) and Counter- Financing of Terrorism (CFT) measures to business relationships with PEPs.

2.6 These requirements are preventive (not criminal) in nature and should not be interpreted as meaning that all PEPs are involved in criminal activity.

3. RELATED POLICIES AND CODES

3.1 Internal References

3.1.1 FICA Risk Management Compliance Programme (RMCP)
3.1.2 Investment policy - IDFC Fund
3.1.3 Investment policy - Enterprise Development Fund
3.1.4 Property Management Policy
3.1.5 IDFC Fraud Prevention Plan

3.2 External References

3.2.1 Financial Intelligence Centre Act No. 38 of 2001.
3.2.2 Financial Intelligence Centre Amendment Act No. 1 of 2017.
3.2.3 Financial Intelligence Centre directives as provided from time to time.
3.2.4 Prevention of Organised Crime Act No. 121 of 1998 and amendments thereto (POCA).
3.2.5 Prevention and Combating of Corrupt Activities Act No. 12 of 2004 (PRECAA).
3.2.6 Traditional and Governance Framework Act No. 41 of 2003
3.2.7 Public Services Act No. 103 of 1994
3.2.8 Municipal Systems Act No. 32 of 2000
3.2.9 Municipal Finance Management Act No. 56 of 2003
3.2.10 Public Finance Management Act No. 1 of 1999
3.2.11 Judges Remuneration and Conditions of Employment No. 47 of 2001
3.2.12 Companies Act No. 71 of 2008

4. POLICY OBJECTIVES

The objective of this policy is to:

4.1 Regulate transactions conducted with DPEPs and FPEPs and PIPs.

4.2 Provide guidance to IDFC when dealing with DPEPs, FPEPs and PIPs.

5. POLICY SCOPE

5.1 This policy governs business related transactions pertaining to DPEPs, FPEPs and PIPs at Business Finance and Properties.

6. IDENTIFICATION OF DOMESTIC POLITICALLY EXPOSED PERSONS (DPEPs) AND FOREIGN POLITICALLY EXPOSED PERSONS (FPEPs) AND PROMINENT INFLUENTIAL PERSONS (PIPs)

6.1 IDFC shall conduct a due diligence on all potential Business Finance clients and Property tenants prior to entering into a business transaction. The due diligence shall include verifying the identities of potential clients against existing databases of DPEPs, FPEPs and listed terrorists. In addition, clients are risk rated during onboarding stage and categorised as low, medium, or high risk.

6.2 Section 21C of the Financial Intelligence Centre (FIC) Amendment Act No. 1 of 2017 places an obligation on IDFC in accordance with its RMCP to conduct on-going due diligence in respect of the business relationship to ensure that where there is a change in the risk profile of a client, appropriate steps are taken to mitigate the risk posed to IDFC.

6.3 In terms of the RMCP, regular screening of all business finance and properties high risk clients will be performed and annual screening, of all other clients will be performed. Any result indicating that the existing client be flagged as a DPEP; FPEP or PIP must be escalated to the Business Finance Executive, or Properties Executive as applicable, the Group Chief Risk Officer, Management Credit Investment Committee and Board Credit Investment Committee for onward escalation to the IDFC Board for approval to enter that business relationship or monitoring in respect of an existing business relationship. According to Schedule 3A of the amended FIC Act No. 1 of 2017, a person is a DPEP if he or she holds and includes an acting position for a period exceeding six months, or has held the position of head, or other executive directly accountable to that head, of an international organisation.

6.4 Further according to Schedule 3A, IDFC considers the following as, a DPEP and includes:

6.4.1 The President or Deputy President.
6.4.2 A government minister or Deputy Minister.
6.4.3 The Premier of a Province.
6.4.4 A member of the Executive Council of a Province.
6.4.5 An Executive Mayor or Mayor of a municipality elected in terms of the Local Government Municipal Structures Act, 1998.
6.4.6 A leader of a political party registered in terms of the Electoral Commission Act, 1996; Note: The leader of a political party is the person identified by the party to occupy the position of the highest level of authority in the party.

6.4.7 A member of the royal family or senior traditional leader as defined in the Traditional Leadership and Governance Framework Act No. 41 of 2003. Note, the description of a "senior" traditional leader, therefore, applies to such traditional leaders who exercise authority over a number of headmen or headwomen in accordance with customary law, or within whose area of jurisdiction a number of headmen or headwomen exercise authority.

6.4.8 The Head, Accounting Officer, or Chief Financial Officer of a national or provincial department or government component as defined in section 1 of the Public Service Act, No. 103 of 1994.

6.4.9 The Municipal Manager of a municipality appointed in terms of section 54A of the Local Government: Municipal Systems Act No. 32 of 2000 or a Chief Financial Officer designated in terms of section 80(2) of the Municipal Finance Management Act No. 56 of 2003.

6.4.10 The chairperson of the controlling body, the Chief Executive Officer, or a natural person who is the accounting authority, the chief financial officer or the chief investment officer of a public entity listed in Schedule 2 or 3 to the Public Finance Management Act No.1 of 1999.

6.4.11 The chairperson of the controlling body, Chief Executive Officer, Chief Financial Officer or Chief Investment Officer of a municipal entity as defined in section 1 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).

6.4.12 A constitutional court judge or any other judge as defined in section 1 of the Judges' Remuneration and Conditions of Employment Act No. 47 of 2001.

6.4.13 An ambassador or high commissioner or other senior representative of a foreign government based in the Republic of South Africa.

6.4.14 An Officer of the South African National Defence Force above the rank of major general; Note: This will include persons holding the position of General and Lieutenant General in the South African National Defence Force.

6.5 Executive officer; or **IDFC also considers the following as a DPEP:**

6.5.1 Executive Mayor, Mayor, and Deputy Mayor.

6.5.2 Councillors; and

6.5.3 Magistrates.

6.6 In terms of Schedule 3B the definition of a **FPEP** includes a person who is an individual who holds, or has held, in any foreign country a prominent public function including the following:

6.6.1 Head of State or head of a country or government.

6.6.2 Member of a foreign royal family.

6.6.3 Government Minister or equivalent senior position or leader of a political party.

6.6.4 Senior judicial official.

6.6.5 Senior executive of a state-owned corporation or and

6.6.6 High-ranking member of the military (Commander in Chief, Commissioned officers of the army).

6.7 For purposes of this policy, family members, and known close associates to DPEPs and FPEPs PIPs in terms of S21H of the Financial Intelligence Centre Amendment Act No. 1 of 2017 includes:

6.7.1 Immediate family members as outlined below:

6.7.1.1 The spouse, civil partner, and life partner.

6.7.1.2 The previous spouse, civil partner, or life partner.

6.7.1.3 Children and stepchildren and their spouse, civil partner, or life partner.

6.7.1.4 Parents; and

6.7.1.5 Siblings and stepsiblings and their spouse, civil partner, or life partner.

6.7.2 Close associates are individuals who are intricately connected to a Prominent Influential Person (PIP), either socially or professionally. The term "close associate" is not intended to capture every person who has been associated with a prominent person. Examples of known close associates extracted from guidance provided by the FATF include the following types of relationships:

6.7.2.1 Known sexual partners outside the family unit (for example: girlfriends, boyfriends, mistresses).

6.7.2.2 Prominent members of the same political party, civil organisation, labour, or employee union as the prominent person.

6.7.2.3 Business partners or associates, especially those that share (beneficial) ownership of corporate vehicles with the prominent person, or who are otherwise connected (for example: through joint membership of a company board).

6.7.2.4 Any individual who has sole beneficial ownership of a corporate vehicle set up for the actual benefit of the prominent person.

6.8 Prominent Influential Persons (PIP)

6.8.1 The position of:

6.8.1.1 Chairperson of the Board of Directors.

6.8.1.2 Chairperson of the Audit Committee.

6.8.1.3 Executive officer; or

6.8.1.4 Chief Financial Officer,

of a company, as defined in the Companies Act, 2008 (Act No. 71 of 2008), if the company provides goods or services to an organ of state and the annual transactional value of the goods or services or both exceeds an amount determined by the Minister by notice in the Gazette.

7. COOLING OFF PERIOD

A cooling off period does not apply from date of cessation, resignation or vacating of the above positions. This is consistent with FIC Guidance Note 7A read in conjunction with FATF Guidance Number 44 of June 2013 which defines a PEP as being someone who has been (but may no longer be) entrusted with a prominent public function consistent with a possible open-ended approach ***(i.e., "once a PEP – could always remain a PEP").*** The handling of a client who is no longer entrusted with a prominent public function should be based on an assessment of risk and not on prescribed time limits.

8. APPROVAL DELEGATIONS

8.1 Business relationships with DPEP's are not inherently high risk, IDFC is required to consider each relationship based on its own merits and decide whether it exposes the institution to higher risk of abuse for money laundering and terrorist financing purposes. Should that be the case IDFC should treat the relationship in the same manner as it would treat a relationship with a FPEP and regard the relationship as high risk.

8.2 IDFC must also take reasonable measures to establish the source of wealth and source of funds of the DPEP and FPEP and conduct enhanced ongoing monitoring of the business relationship. These requirements also apply to immediate family members and known close associates (PIPs) of such prominent public officials.

8.3 Transactions at Business Finance and Properties identified as involving a DPEP, FPEP or PIP, must:

8.3.1 Obtain senior management approval to establish a business relationship and be approved by the Board of Directors in all instances upon recommendation from the Management Credit and Investment Committee and Board Credit and Investment Committee.

8.3.2 Establish the source of wealth.

8.3.3 Conduct enhanced due diligence monitoring.

8.3.4 Determine the source of funds.

9. MONITORING AND REPORTING

The Business Finance and Properties departments shall monitor all transactions entered into with DPEPs, FPEPs and PIP's and the Credit risk division shall report to the governing structures on a quarterly basis when there are changes or adverse performance of these transactions.

The Anti Money Laundering Control Manager shall monitor and report all transactions entered into with DPEPs, FPEPs and PIPs for money laundering.

10. FAILURE TO COMPLY WITH THIS POLICY

Failure to comply with this policy by any employee of IDFC will constitute misconduct on behalf of the employee. Such employee will in addition to the sanctions imposed by FIC be subjected to IDFC disciplinary code of conduct.

11. AMENDMENTS

This Policy may only be amended after written recommendation by Group Risk department to EXCO, Enterprise Risk, Social and Ethics Committee (ERSEC) and approval by the IDFC Board of Directors.