

	Management Process Policy and Procedure Policy Number: MAN03	POLICY TITLE: IMPARTIALITY REQUIREMENTS	DOCUMENT CONTROL: V01R110225
COMPILED BY: N MATHEN	APPROVED BY: C NAIDOO	REVISION DATE: FEB 2025	REVIEW DATE: FEB 2026

Policy Statement

When performing audits of the empowerment credentials of a company, it is essential that parties reliant on the certification are confident of the credibility of such certification.

Impartiality in the verification service is affected by the following:

- ❖ Self-interest threats
- ❖ Self-review threats
- ❖ Familiarity threats
- ❖ Intimidation threats
- ❖ Work Overload
- ❖ Related body threats
- ❖ Threats arising from the provision of consultancy and verification to the same entity

It is the policy of Transformex that it shall demonstrate commitment to the principles of impartiality in its BEE Verification activities at all times through its top management structures, its verification process (Staff and analysis) and in its dealings with all stakeholders which include clients, suppliers, outsourced bodies, funding institutions, external analysts and consulting bodies. The verification process shall be conducted in a manner that shows integrity, credibility and transparency and the objectives of impartiality, objectivity and independence shall be guided by the Transformex Code of Conduct which is available on the company's website and verification procedures and the management committee.

It is a policy of Transformex that any financial, emotional or personal interests or other interests of personnel involved in the verification of a measured entity are declared prior to verification being done.

It is a policy of Transformex that no one analyst shall perform all of the following functions:

- ❖ Verify or analyse client information
- ❖ review the analysis
- ❖ Make a final decision on the verification score

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It is a policy of Transformex that no analysts or personnel involved in the verification process shall be involved in the verification if the personnel involved any relationships with the measured entity such as familial, friendly, or close professional relationships with the client.

It is a policy of Transformex that any intimidation experienced by analysts in any form or manner is to be reported to the CEO so that remedial action can be taken to avoid any conflict of interest.

It is a policy of Transformex that no analyst or any personnel involved in the verification of a client shall have provided consulting services to the client in the forty-eight months (48) directly preceding the verification of the client.

It is a policy of Transformex that breach of the impartiality policies and procedures of Transformex shall be punished accordingly either by way of withdrawal of certificates or legal recourse or according to the Transformex Disciplinary Codes.

PROCEDURE

1. PURPOSE

The purpose of this procedure is to highlight the possible areas where threats to impartiality, objectivity and independence may exist in the provision of a third-party verification service and to provide safeguards to ensure threats to impartiality are minimised or eliminated.

2. SCOPE

- ❖ Publicly available statement for the management of impartiality
- ❖ Procedures to ensure self-interest threats are eliminated
- ❖ Procedures to ensure self-review threats are eliminated
- ❖ Procedures to ensure familiarity threats are eliminated
- ❖ Procedures to ensure intimidation threats are eliminated
- ❖ Procedures to ensure relationships with any related body does not affect impartiality
- ❖ Procedures to ensure both consulting and verification services are not provided to the same entity

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3. REFERENCES

R47-03

4. RESPONSIBLE PERSON

- ❖ All Transformex members and employees shall adhere to the principle of confidentiality and impartiality
- ❖ Top Management is responsible for ensuring this policy is maintained
- ❖ The Risk Management Committee is responsible for upholding and implementing the procedures related to this policy

5.1 Definitions

- ❖ Self-interest threats
 - Verification personnel acting in their own emotional, financial or personal interest e.g. an employment relationship exists between verification personnel's family members and a measured entity (company being verified by Transformex)
 - It is the policy of Transformex as stated in the Code of Conduct **MAN03-A** that no staff member of transformex is allowed to accept any gifts or bribes from measured entities.
- ❖ Self-review threats
 - verification analysts reviewing the work done by themselves or by their colleagues
- ❖ Familiarity (or trust) threats
 - Verification personnel being influenced by a close relationship with members of a measured entity that are in charge of the verification process e.g. an analyst has a particularly close or long-standing personal or professional relationship with a measured entity
- ❖ Intimidation threats
 - analysts being openly or secretly coerced by measured entities or by other interested parties within Transformex e.g. an analyst being threatened by a measured entity or related party to a measured entity in any way or form to provide the measured entity with a higher score.

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❖ Work Overload

- Verification personnel being overloaded with verification work or other duties.
- Shortage of competent personnel to perform verifications in client time schedules
- Monitoring performance to avoid time wasting as this could lead to work backlog.

❖ Related bodies include, but are not limited to

- Ownership, Management
- Consultants
- Marketing Personnel with regard to referral fees
- Financial Institutions
- External analysts or outsourced bodies
- Vested interest, (Vested interest includes however, is not limited to the following; special interest, concern, stake, investment, agenda, stakeholder, supporter, skills development partners, third party facilitators of Enterprise & Supplier Development, relationships/agreements in the referral of clients etc.)
- Donators of Enterprise Development contributions to the Verification agency

5.2 Safeguarding of impartiality

5.2.1 Procedures to eliminate self-interest threats

- ❖ To ensure all analysts and staff members of Transformex are aware of the importance of providing credible verifications to clients, the following processes are implemented:
 - All staff upon employment must undergo a Transformex Specific Induction (**SUP01-E**) which will detail the importance of ensuring the reputation of Transformex as a third-party verification organisation as well as the reputation of analysts in the wider context of the BEE industry.
 - Included in the induction is the Transformex Code of Conduct (**MAN03-A**) which specifies the confidentiality, objectivity, impartiality and independence requirements of all staff of Transformex and especially the verification personnel.

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- Also stated in the Codes of Conduct that,
 - No Fees will be discussed by the analyst and measured entity
 - No acceptance of bribes or gifts is allowed
 - Every staff member of Transformex will sign the Code of Conduct on placement.
 - The client shall be informed in the verification agreement
- **MAN03-A** is available on the Transformex Website www.transformex.co.za.
- All staff members are required to declare in **COR07-H PART A**, their relationships with a potential or existent client prior to being allowed on a verification team.
- Staff members are explicitly requested to be honest in their declarations as the following consequences will occur if any conflict of interest arises from the verification of a measured entity:
 - Staff members will be reported to ABP and the DTI
 - Staff members will be dismissed as per the Transformex Disciplinary procedures
 - Certificates of clients will be withdrawn as per clause in **MAN01-A** (Transformex Verification Agreement)

5.2.2 Procedures to Eliminate Self-review Threats

- ❖ To ensure self-review threats are eliminated the following process is adopted:
 - Any verification will have at least two or more personnel assigned to the verification
 - One or more being the analyst and the other the reviewer and technical signatory of the information
 - The analyst and the reviewer and the technical signatory are required to sign **COR07-H PART A**
 - The Analyst shall conduct the verification analysis to ensure that a factual representation of the documents provided is reflected in the client's verification score
 - Once the technical signatory has performed his or her task,
- ❖ Any verification that has not followed the above procedures or any verification analyst found guilty of self-review of a verification score is subject to the following consequences:
 - Disciplinary action according to disciplinary procedures and after a thorough investigation by the top management or independent experts, dismissal if the personnel is found guilty
 - Withdrawal of the certificate from the client if the client is found to be aware of the situation

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- If the client is not aware the following procedures must be followed:
 - The client must be formally informed by the Executive Member of a discrepancy in the score provided and that a re-verification of the client's documents must be conducted
 - If the client refuses either initially or in instances where the score is negatively affected, Transformex has the right to refund the client all of the money paid for the verification and withdraw its services.
- ❖ However, in order to prevent a situation such as that above, it is imperative that all verification personnel, including the technical signatory, must sign the COR07-**H** PART B form for each verification performed.
- ❖ This form requires that the analyst and technical signatory provide their approval of the score and process undertaken.

5.2.3 Familiarity Threats

- ❖ One of the major principles of the BEE verification process is that when verification is performed, professional scepticism is applied to all information provided by the measured entity or client.
 - Professional scepticism refers to using knowledge and expertise to decide whether a client's claims are true and whether documentation provided by the client can support these claims
- ❖ When verification personnel have personal or close professional relationships, with a client, exercising this principle may be jeopardised.
- ❖ To ensure the verification team has no relationship with the client, the following procedure is implemented:
 - All verification team members are required to sign **COR07-H PART A** to ensure that familiarity threats are eliminated from the verification process.
 - If a team member chosen either in the capacity of analyst or reviewer or technical signatory does have any familiarity with the client or with client personnel involved in the verification, this member must be removed from the verification process and another suitably qualified and competent personnel must replace the team member.

5.2.4 Procedure to ensure intimidation threats are eliminated

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❖ When analysts or any verification personnel believe that they are being coerced into providing a verification score not consistent with supporting evidence, the following procedure will occur:

- Verification personnel or any staff member of Transformex is to report the incident directly to the Executive Member or member of the management committee.
- The manager will then choose a capable competent member of the entity to perform the verification.
- The client must be informed of the change in writing
- If the intimidation continues with the new analyst or if the client does not accept the change in analyst, Transformex must withdraw from the verification

5.2.5 Procedure to Eliminate Work Overload Threats

- All department managers will be required to undertake manpower planning and inform the HR Department, in advance, of any possible personnel shortage
- Recruitment and selection will be followed strictly as outlined in SUP01, to ensure personnel competency to avoid work overload due to incompetence
- Personnel will go through training in their respective areas of responsibility, knowledgeable and trained staff will perform faster and better to avoid work overload
- All employees shall be monitored so that they are always busy with their work during their working hours.
- Unnecessary delays or postponements to tasks will not be acceptable, because it will translate into workload accumulation
- Verifications and verification plans shall be accepted after checking the availability of human resources and other material resources to perform the verification

5.2.6 Procedure to ensure threats from associated bodies are eliminated

- ❖ Related Bodies must be identified in the annual review of management
- ❖ A list of all related bodies must be created as in **MAN03-B**
- ❖ Each year the list is checked and updated

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❖ When a relationship changes with any organisation that converts it into a related body, the following procedures occur,

- The staff member who has identified changes in the related body must report to the executive Member
- The executive member must investigate the threats to impartiality created and any conflict of interest that may arise.
- If the organisation can threaten the impartiality of Transformex, the company must be added to MAN03-C.
- The new list must be updated on the server
- All staff must be told immediately of any changes
- Procedures for control of documents and records control in **MAN06+MAN07** must be followed.

Related bodies identified include but are not limited to

Potential Related Bodies (not applicable at present)

Potential Related bodies are identified should Transformex have

- ❖ Direct or indirect ownership of Transformex in client organisations; (not applicable at present)
- ❖ Potential Consultancy bodies: organisations providing BEE verification consultancy services
- ❖ Financial related relationships
 - Loans (not applicable at present)
 - Donations (not applicable at present at present)
- ❖ Activities:
 - management consultancy; (none at present)
 - consultancy activities
- ❖ Individuals:
 - analysts (internal or external (none at present));
 - verification managers; (not applicable at present)
 - verification decision-makers (not applicable at present)
 - Members of Transformex committees
- ❖ marketing and sales personnel, either internal or external to Transformex;

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Current Related Bodies

- ❖ Suppliers

With respect to each related organisation (direct or indirect ownership):

- ❖ Transformex must identify all related organisations in its management system;
- ❖ Analyse the relationship that currently exists
- ❖ Not accept applications for verification from organisations which had accepted consultancy of related organisations in the last four years
- ❖ Not provide verification services for related organisations.

With respect to consultancy bodies, Transformex will:

- ❖ Ensure an SLA is signed to ensure impartiality is maintained.
- ❖ Perform all verification procedures as per its internal policies and procedures, including pre-sites and site visits
- ❖ Sign the verification agreement with the client
- ❖ Invoice the client
- ❖ Train the consultant in Transformex procedures to ensure compliance

To ensure consultants do not make claims of verifications being simpler, faster easier with Transformex:

- ❖ Not claim or imply that certification will be cheaper, easier, faster or simpler by choosing a certain consultancy firm
- ❖ not provide verification services to clients who have accepted consultancy by consultancy firms which influences the impartiality of Transformex.
- ❖ To ensure that the above does occur, the following procedures will be followed:
 - A list of BEE consultants must be kept on file.
 - **MAN03-C** must be completed and updated at the annual review
 - If it comes to any staff member's attention that a related body has implied that Transformex will provide a faster, easier and better verification, this must be reported to the executive Member.

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- The executive member must investigate the allegations and ensure that this is stopped immediately by contacting the client and informing the CEO of the company that the threat to impartiality is evident as per the procedures above.
- If the executive member feels that threats to impartiality cannot be eradicated, a decision must be made to withdraw from the verification.

❖ **When reviewing the request for verification,**

- The verification manager is required to specifically check the clause on a client's use of consultants.
- If the client has commented that a consultant has indicated that Transformex will provide a quicker, better or easier verification, the verification manager must alert the executive member
- The executive member must contact the consultant and the client and assure them that this will not be the case
- The executive member must keep records of all conversations and complete **MAN03-D**.
- Any other documented proof must be attached to **MAN03-D**
- **MAN03-D** must be completed for all threats to impartiality

With respect to the actions of Transformex if Consultants make false claims

if any BEE consultancy firms or linked organisations (related bodies) are found to claim or imply that certification will be cheaper, easier, faster or simpler by choosing Transformex, the Transformex manager shall promptly suspend the process of verification and immediately contact the client and relevant linked body until further notice to the client. The manager and verification co-ordinator must specifically analyse this portion of the verification application pack completed by the client when reviewing the request for verification.

- To ensure this is carried out the verification application form specifically asks clients to state if a consultant was used to aid the client and if the consultant has expressed that verifications would be easier if Transformex was used as a verification agency.
- If the client has completed this form stating that a consultant was used and indicated a cheaper, faster verification, the manager must contact the client and investigate this claim.
- If it is found that the consultant has indeed made such claims, the manager must rectify the situation by providing a written document to the client stating that this claim is false.
- The manager must enquire from the client if the client still wishes to continue with the

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verification and if so the verification may continue based on the client's understanding that all verification procedures will be followed as per Transformex Policies and Procedures as well as the verification manual released July 2008.

- If the client does not want to continue, this decision must be entered into the Request Review Form (COR02B) and filed away. The process of verification will be stopped here.
- If a client agrees to continue with the verification, the verification agreement is signed and all written responses must be stored in the client file under legal and admin.
- In any event all clients who engage Transformex must sign the verification agreement that states that all verification procedures will be followed as per the verification application pack procedures, when the signing of the form by the client occurs, this is an agreement that the client understands that proper verification procedures will be followed.

Actions in respect of the consulting body or linked organisation

- With regards to the consultant body, a written response must be sent to the consultant stating that the consultant may not in any way or form claim that Transformex is linked to the consultant and that verifications would be simpler better or faster if Transformex is chosen as the verification agency. This letter must be stored in the client file in the legal and admin section.
- In addition to this the manager must enquire how the consultant or linked organisation came to make this claim and investigate this as per the complaints procedures of MAN09.
- The results of the investigation must be documented and any parties found guilty of misconduct must be disciplined as per Transformex disciplinary procedures.

With regards to ensuring Transformex does not make false claims to clients with respect to the use of particular consultants

- ❖ Transformex staff members must be trained in the Code of Conduct of Transformex and all policies and procedures
- ❖ All staff must be made aware through training and development of the above two policies that no claims must be made to a client that using a particular consultant will lead to a simpler, easier, faster verification service provided by Transformex.
- ❖ If a client requires a consultant the staff member may refer them to the ABP website or contact details where the client may choose his consultant.

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- ❖ All staff must sign the Code of Conduct as well as all training registers that they have received training in this policy and procedures.

Actions taken if any staff member makes any false claims to clients

- ❖ If it is found that a staff member has made false claims to clients, staff and clients are encouraged to report this to the manager
- ❖ The manager will open an investigation into the matter
- ❖ The client will be contacted and requested to validate claims
- ❖ The results of the investigation will be dealt with in accordance with Transformex disciplinary procedures
- ❖ If the staff member is found guilty of such conduct the verification must be re-analysed by the manager to ensure no impartiality has occurred.
- ❖ If gross misconduct has occurred and the client was provided with a higher or lower score, the manager must contact the client and explain that the verification has to be redone based on evidence of misconduct by the staff member
- ❖ If the client refuses re-evaluation, then the manager must withdraw the results and the certificate and make a public statement on the website.
- ❖ If no misconduct was found, the details of the investigation must be documented as per MAN09 procedures. The outcome of the investigation must also be stored in the client file.

With regards to Individuals, Transformex will ensure:

- ❖ Full-time personnel (including auditors, verification managers, and verification decision makers are not allowed, under any circumstances, to take part in BEE consulting activities
- ❖ Do not use persons, who have provided consultancy for the client's BEE verification in the last four years, to take part in the verification process, either in the analysis, reviewing or decision-making of the BEE verification score and certification
- ❖ All team members shall sign a Declaration of Impartiality (**COR07-H PART A**) before verification is undertaken, undertaking that they have not provided consultancy to the client or employed by it in the last four years (**SUP01-D Annexure A**);
- ❖ Verification personnel are not allowed to accept valuable gifts, money or any donation, nor attend entertainment activities arranged by the client;

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- ❖ all personnel (internal and external) are required to report to Transformex management any circumstances that might lead Transformex to a conflict of interest. Transformex identifies risks to impartiality and personnel shall not be used until proof exists of no conflicts of interest
 - To ensure that threats to impartiality are avoided when a staff member begins employment with Transformex, they are required to declare all companies that they have consulted with. This is part of the employee contract and a scheduled list is attached to the employees' contract.
 - The Manager is responsible for ensuring that staff members complete form **SUP01D-Annexure A**
 - When choosing the verification team, managers and the verification co-ordinator, if in doubt of any employee's relationship with the client must check the annexure to ensure that the employee has not listed the client as a company for whom consultancy in BEE was provided.
 - If the client has been provided consultancy, then the verification personnel must be replaced with another suitable analyst, manager, etc.
 - In any event, when verification personnel are chosen for verifications, each member of the team is required to sign **COR07-H PART A** prior to conducting a verification.

With regards to activities of Transformex:

BEE Consulting

- ❖ Transformex provides BEE consultancy, however, any consulting work done for the client will indicate that an independent verification agency is chosen. Generally, 3 quotes are requested for the client and the client chooses the verification agency it prefers to work with.
- ❖ An updated list of all consulting clients must be available to all staff to avoid any verifications done by the Transformex personnel on the consulting client.
- ❖ The consulting client list/list of related bodies must contain the name of the client, the start date of the consulting, the end date of the consulting; and the date staff were informed.
- ❖ Transformex staff cannot verify any client that is on the consulting bodies list (MAN03-C2) for a period of four years from the end date of the consultation.
- ❖ Transformex staff cannot conduct a scenario planning/gap analysis plan for any Measured Entity which is being verified.

CONSULTING DURING CLIENT CONTACT

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- ❖ Verification personnel are trained to ensure that no consulting occurs during pre-site and site visits or during any meetings scheduled with clients
- ❖ Transformex can extend its activities to training and development to clients, however, this is limited to information available in the public domain
- ❖ At no stage can verification personnel train companies in company-specific courses aimed at improving their BEE score
- ❖ To ensure that this policy is implemented
 - The verification agreement specifically states that only a verification service is provided.
 - No analysts or members are allowed access to change this agreement and will not have access to the agreement to make changes
 - Any changes to the agreement must be approved by the manager

With regards to Marketing and Sales and Quotations:

- ❖ Marketing and sales personnel are not allowed to provide clients with discounts over and above normal company discounts without the permission of the Management Committee
 - strictly follow the pricing policies defined by the management committee in the Transformex pricing matrix or quotations approved by management for complex structures and group verifications
 - treat all clients equally and impartially by not offering high or low quotations for any reason unless for economically viable reason
 - not offer quotation for BEE consulting services.
 - All quotes must be approved by the Managing member prior to providing a quotation for verification

With regards to Suppliers:

- ❖ All critical suppliers chosen must sign the Non-Disclosure Agreement (**SUP05-D**) provided by Transformex. These suppliers exclude Telkom, Neotel, Nashua, Cell C and are for suppliers that have access to confidential information of Transformex.
- ❖ No supplier will be granted any work if they refuse to sign the Non-Disclosure.
- ❖ The Non-Disclosure agreement is to be found in the supplier policy and is listed in the master list as **SUP05-D**

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- ❖ The finance manager is responsible for ensuring this agreement is signed for all suppliers that may prove to be a threat to impartiality for Transformex.
- ❖ Any supplier, especially IT operators that have access to Transformex servers, must specifically sign the NDA. This is a non-negotiable.

With regards to client contracts, Transformex requires:

- ❖ An independent verification contract MAN01-A to be signed by a designated authority of the measured entity being verified.

With regards to Finance, Transformex :

- ❖ Does not accept verification requests from a donating organisation
- ❖ Does not accept any donations from clients
- ❖ Does not accept verification requests from clients recommended by a donating organisation or individuals;
- ❖ Does not accept verification requests from an organisation which has a loan with Transformex
- ❖ Does not have a loan agreement with the clients
- ❖ To ensure this does not occur, follow these procedures:
 - Inform the executive member immediately if any of the above occurs
 - The management committee must discuss this and decide on the threat to impartiality.
 - If no consensus can be reached, an independent advisor must be called on to ensure that impartiality is not compromised

5.2.7 Analysis of Related Bodies

Once all related bodies are identified, whether potential or actual, related bodies must be analysed for conflict of interest with regards to Transformex as a verification agency.

1. Suppliers

Suppliers that work with Transformex at present are:

- ❖ MultiIT

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- MultiIT is the IT service provider that provides all IT-related services, including back-ups, hardware and software solutions as well as IT maintenance
- ❖ Johanson I.T Solutions CC (BEE Trax)
 - Service provider that provides the software for verification score calculations (toolkit)
- ❖ Labournet Central (Pty) Ltd
 - Service provider that provides guidance in terms of labour law and POPI Act
- ❖ Nedbank Limited
 - Service provider that provides banking services
- ❖ African Accounting Financial Services Incorporated
 - Service provider that provides accounting services
- ❖ Sage South Africa (Pty) Ltd
 - Service provider that provides accounting software
- ❖ Storage King – Jhb
 - Service provider that stores excess furniture
- ❖ Vox Telecommunications (Pty) Ltd T/A Vox Telecom
 - Service provider that provides internet solutions

Impact of the Supplier Relationship

Possible conflict situations

- ❖ As suppliers provide us with a service, there may be a conflict of interest arising if the supplier also requires a verification service from Transformex. It is not incorrect to provide a verification service to such companies if the verification service is provided at an arms-length deal.
- ❖ However a conflict may arise if services were exchanged. If Transformex does not keep a sound business relationship with the service provider, this may lead to expectations of the supplier (as a client of Transformex) in terms of higher or more positive verification scores.
- ❖ Therefore it is imperative that all suppliers who require a verification service from Transformex follow all normal procedures as any other client and is charged at the same rate as any other client.
- ❖ Therefore site visits, pre-site visits, analysis and normal review and management committee reviews must be conducted for such clients.

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Outcome of Supplier Relationship

If Transformex were to exchange services with service providers, this would affect the impartiality of the verification score provided and the credibility of the verification service will be called into question. In addition, the reputation of Transformex will be called into question as a reputable verification agency that provides credible verifications.

Solution

- ❖ If a supplier requests a verification, it must be done as per normal procedures for verifications and the supplier must pay for the service.
- ❖ All supplier statements and invoices on the other hand must be kept on file by the Financial Manager to avoid any question of impartiality issues called into question.
- ❖ In addition the management committee must ensure that the supplier has paid the normal fee for the verification. Any discounts allowed must not be more than the normal discount of 2.5% offered to clients.
- ❖ Should there be a discrepancy in price and verification procedures have not been followed, an investigation must ensue.
- ❖ If the investigation by the management committee indicates any occurrence of impartiality or conflict of interest, the verification must be withdrawn and the supplier/client must be made aware of the decision to withdraw the certificate.

Multi IT

As an IT service provider with access to the entire database of clients and their confidential information, especially companies operating in the same industry, Multi IT has been requested to sign a Non-Disclosure agreement. This agreement provides Transformex with the assurance that all electronic client information is secure and cannot be tampered with.

BEE TRAX

As a BEE Software calculation service provider with access to the entire database of clients and their confidential information, BEE TRAX has been requested to sign a Non-Disclosure agreement. This agreement provides Transformex with the assurance that all electronic client information is secure and cannot be tampered with.

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POTENTIAL RELATED BODIES

Transformex does not have any relationship with any of these bodies, however, the relationship has been analysed for conflict of interest should a case arise where any of the following becomes a related body:

1. Direct or indirect ownership of Transformex or any member and staff in client organisations; (not applicable at present)

Impact of the Potential Relationship

If Transformex owns shares in other companies, these companies, where Transformex owns shares will become related bodies. This will hold true unless:

- ❖ The shares are of an immaterial value i.e. < 5% shareholding in publicly traded companies.

For all other ownership in private companies, the company would become a related body.

For **publicly traded companies**, there will be no conflict of interest as the shareholding will not lead to impartiality or question the credibility of the verification. **For ownership by any member, staff or Transformex itself in a privately owned company**, the conflict of interest would arise in Transformex performing a verification service for the company due to Transformex having decision-making capabilities in the company or in the case of individual ownership, a conflict of interest would arise if the individual is involved in the verification process.

The conflict would arise in the following areas

- ❖ an impartial verification procedure
- ❖ pressure on the verification team to provide a higher score than is actually true.
- ❖ Providing a verification score without attending a site or pre-site visit

Outcome of the relationship

In the case where Transformex owns shares in other companies, the relationship would call into question the credibility of the verification, especially where Transformex has management responsibilities in the

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company or where Transformex is represented in the decision-making of the company. This relationship may call into question the reputation of Transformex as a fair and credible agency.

In the case where Transformex staff or managers or individual members hold shares in another company, the procedures for performing the verification as well as pressure from the person to ensure a good verification may affect the credibility of the verification.

Solution

- ❖ No company in which Transformex may hold shares can be verified by Transformex. If this does not occur Transformex must relinquish shares in the company before verification is done for the company.
- ❖ All individuals must declare their interests in any company upon employment and not be involved in the verification process. MAN03-B must be complete.
- ❖ The management committee has the ultimate responsibility to ensure such occurrences do not occur by checking employee files and potential conflicts.
- ❖ Staff members must lodge a complaint if any personnel applies pressure to any part of a verification procedure, when companies in whom Transformex individuals own shares, are being verified by Transformex.

2. Potential Consultancy bodies: organizations providing BEE verification consultancy services

a. BEE ONLINE

Impact of the relationship

If Transformex forms a relationship with any consulting body or decides to provide BEE consulting, a conflict of interest would arise in the provision of both verification and consulting services to the same client. This is not allowed as per R47-03.

Possible conflicts include:

- ❖ A consultant not following the verification manual or not providing the company with sound advice and promises a score to the client, which cannot be equally verified by a Transformex verification team. The consulting unit places pressure on the verification team to ensure a promised score
- ❖ The conflict of consulting and then verifying is evident in that a bias will occur in the verification of one's

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own work. The empowerment score of the company would not be an independent third party score which is the purpose of the verification agency.

- ❖ The consultant is part of the verification team, which will affect the impartiality of the verification.
- ❖ if Transformex owns shares or has a very close personal relationship with a consulting body, a conflict would arise in that the consultant provides an unverified verification score and the Transformex verification team does not perform adequate verification procedures to ensure the consultant's scoring is correct. Ie. Accepts the consultant's score without proper verification.
- ❖ Four years (48 months) have not elapsed before a consultant can be a part of the verification team.

Solution

- ❖ If Transformex does consulting work, the verification will be done by an independent verification agency. Currently, Transformex has a list of verification agencies it works with, however, the list is non-exhaustive:
 1. BEE Online
 2. Noble BEE Rating
- ❖ Transformex does not verify companies of consultants, with whom it has a close personal relationship
- ❖ Transformex verification staff must ensure proper verification procedures are followed on all verifications.
- ❖ Should Transformex decide to consult, these consulting clients must be verified independently.
- ❖ Consulting and verifications must be run as separate units, where the consultant can never be the verifier or signatory.
- ❖ A database of clients (with registered names and registration numbers) that a potential consulting unit has must be kept on record and when all verification requests are made, this record must be referred to ensuring that the client does not become a verification client
- ❖ The verification coordinator and the quality manager must ensure MAN03-C1 and 2 are always checked and completed. This document is to be checked regularly at least each week.
- ❖ With consulting firms that Transformex provides the verification service and with any consulting firms and when Transformex engages a verification agency, the MAN03-E is to be completed and signed.

3. Financial-related relationships

- a. Loans (not applicable at present)
- b. Donations (not applicable at present)

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Impact of the relationship

Potential Conflicts arising

- ❖ By Transformex accepting loans from clients and promising an exchange of service instead of following normal procedure the independence of the verification is compromised.
- ❖ This exchange of services would not be an arms-length deal and the client may not accept the verification score or may expect a good verification score. These expectations lead to a conflict of interest.
- ❖ Transformex accepting donations such as enterprise development funding puts the company at risk of the client expecting a cheaper, faster verification or a verification score that is not consistent with their actual score. That is a higher verification score.

Outcome

Transformex does not have the authority it requires as an independent third-party verifier to perform the functions of verification effectively and the client may have too much leverage in the outcome of the score. This is due to the fact that Transformex may not want to lose the funding and management may require verification teams to act outside of the policies and procedures that govern the credibility of verifications.

Solution

Transformex shall not accept finances from clients or potential clients unless it is a registered financial services provider, whose core business is financial services.

If Transformex applies for any donations such as enterprise development funding, shall include in any signed agreement that any verification services cannot be performed by Transformex to the donor.

5.3 Procedure to ensure Transformex does not market its activities with related bodies

Marketing of Transformex must be done in an ethical and professional manner. One of the requirements of verification agencies is to maintain total independence from any third parties, including all related bodies. The reason for this is to ensure the company is perceived as and remains a credible verification agency.

The following marketing mediums may be used from time to time:

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- ❖ Email brochures
- ❖ Newspapers
- ❖ Radio
- ❖ Television
- ❖ Newsletters
- ❖ Posters and Flyers
- ❖ Internet
- ❖ Any other marketing material
- ❖ Seminars and Conferences
- ❖ Magazines

Procedure

- ❖ When any marketing initiative is entered into by Transformex, it must be approved by the Manager.
- ❖ Any opportunities for joint marketing must be brought to the attention of the manager. This must be discussed with relevant staff to ensure any conflicts of interest are eliminated and that there is no marketing with related bodies.
- ❖ To ensure that marketing with related bodies is eliminated, the manager must check the related bodies list (MAN03C and MAN03D) to ensure that any marketing initiatives are not entered into.
- ❖ If the marketing initiative proposed is with a related body the manager must not sign any marketing proposals and provide a written reason to the related body explaining why the initiative cannot be entered into.
- ❖ Related bodies refer to those analysed in 5.2.6 above.
- ❖ The executive member has the final decision-making power in terms of choosing to enter into a marketing initiative or not.

The following decision guidelines should be used by the management committee. These are guidelines only and should not be adhered to in all cases.

Type of marketing or Body	Guideline Decision
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	Yes (possible)	No
BEE Consultants		X
Training providers	Yes (if training is done only generic BEE information and not consulting involved)	
Marketing of combined products	Yes, If the secondary product is a value add to a potential client that is not BEE consulting	
Financial Services providers	Yes, if armlength deal	
Clients	Yes, if no COI	
Suppliers	Yes, if the initiative does not affect Impartiality	

- ❖ Once a decision is made to enter into any marketing initiatives, the following process must be adhered to:
 - All Transformex marketing material, inclusive of brochures, business cards, pamphlets, newsletters, and adverts (oral or written) must be approved by the manager and signed off by the manager only.
- ❖ The manager must ensure that only information relating to Transformex services appears on the final draft version and that an express note is added to state that the activities of Transformex and the marketer are not linked in any way.
- ❖ A signed copy of the final version must be kept on file as a reference point when the material is complete for distribution.
- ❖ For radio and television marketing the executive member must provide a signed letter of acceptance of the advert.
- ❖ Once the final version is printed, a sample must be checked by the management committee or a member of the management committee to ensure that this complies with the final draft versions.
- ❖ To ensure that this process is followed, no payments will be released by the manager unless the invoice for the marketing initiative is signed by the manager.
- ❖ In the case where a conflict of interest arises even after all these procedures have been followed, the

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manager will have no choice but to withdraw the advert and place a public notice on the website of the reasons and decisions to withdraw any marketing material.

5.4 Procedure to ensure the verification agency does not provide services that could compromise confidentiality objectivity or impartiality.

When Transformex considers expanding its services and products or when opportunities arise for complimentary service provision, the following procedure must be used:

- ❖ The management will request the risk committee to provide a full analysis of the risks to impartiality, objectivity, confidentiality and impartiality. The risk committee shall analyse all possible risks associated with the provision of any other services outside of verifications in terms of the impact on the verification service provided:
 - Impartiality risks to the verification service
 - Confidentiality to clients
 - Objectivity and independence of the verification service
 - Financial and commercial risks to the verification service
 - Conflict of Interest Risks
- ❖ The management committee shall use the risk analysis in its deliberation to provide the complimentary service.
- ❖ If the committee finds that risks are too high and that the risks cannot be mitigated without affecting the impartiality, and credibility of Transformex as a verification agency, then the product or service should not be provided by Transformex.
- ❖ The management committee makes the final decision on any new products and services offered.
- ❖ All records of deliberations must be stored by the executive member.
- ❖ If the risk is acceptable and can be mitigated, the management committee will ensure that all other services outside of the verification service are managed and operated as a separate unit, and a set of policies and procedures are established and implemented to ensure the added services do not affect Transformex credibility as a verification agency.
- ❖ The management shall oversee the establishment of any new units.

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At present Transformex does provide consulting services other than verification services for BEE verifications. To ensure that impartiality is maintained, the verifications are being done by BEE online or Noble BEE Rating (if the client so chooses):

To ensure no verifications are done for current consulting companies:

- ❖ Transformex to keep an updated list for all its consulting clients in MAN03-C2 list of consulting clients
- ❖ The list of consulting clients is to be updated by the quality manager as and when consulting clients are signed up.
- ❖ The list must contain their registration number to ensure the correct client is listed
- ❖ The list must be available to all staff, especially management who prepare quotes and review requests for verification co-ordinator.
- ❖ The SLA with the client must be kept on file in consulting client contracts.
- ❖ All consulting clients will be referred to another SANAS-accredited verification agency for an independent BEE verification.
- ❖ At present the verification agency used is BEE online or Noble BEE Rating, where an SLA is signed.
- ❖ The consulting clients must be invoiced directly by the verification agency and payment must be from the client to the agency.
- ❖ Transformex should not provide the client with any guarantees on the outcome of the verification.

5.5 Record Keeping

- All records for Impartiality must be filed in a file (called "Impartiality Requirements") or in the client file under appeals and complaints,
- The following documents must be stored in this file
 - MAN03-A (Personnel file)
 - MAN03-B (Impartiality File SharePoint Folder)
 - MAN03-C (Impartiality File SharePoint Folder)
 - MAN03-D (Client File)
 - MAN03-E (Impartiality File)
- MAN03-A is stored in personnel records as per Sup 04
- MAN03-B is stored on the server in the folder called impartiality

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- Employee Contracts are stored in personnel records as for SUP04 policies and procedures
- Supplier for outsourcing activities (NDAs) to be stored as in SUP05 policies and procedures
- All client consulting files are saved on the server in the management folder with only management having access to this folder

5.6 Change History

No	Date of Change	Revision Made	Approved By	Approval Date
1	February 2009	Procedure to make impartiality statement publicly available	P Bekker	April 2009
2		Provision of consultancy and verification services by Transformex and a related body	P Bekker	April 2009
3		Documented conflict of interest clause	P Bekker	April 2009
4		Procedure to ensure no other service provision affects confidentiality	P Bekker	April 2009
5		Procedure to ensure marketing of related bodies is avoided	P Bekker	April 2009
6	May 2009	Analysis of Current and Potential Related Bodies for Conflict of Interest	P Bekker	May 2009
7		Included procedure on marketing with related bodies	P Bekker	May 2009
8		Added Procedure to ensure Transformex does not offer other services that compromise confidentiality objectivity or impartiality	P Bekker	May 2009
9	September 2009	Amendment MAN03-B	P. Bekker	September 2009
10	February 2010	Changed Record Keeping	C Naidoo	February 2010



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		Added Forms MAN03-C and D to be pinned on notice board	C Naidoo	February 2010
		Added clause on analysts checking notice board for related bodies	C Naidoo	February 2010
		Deleted MAN03-B as duplicated in MAN04-A. changed form nos.	C Naidoo	February 2010
11	September 2010	Changed the related bodies paragraph to state no verification of Radmark for two year period	C Naidoo	September 2010
12	January 2011	Added Clause on Actions taken when false claims are made Page 12-17	C Naidoo	January 2011
13	Feb 2018	Consulting and related bodies	C Naidoo	Feb 2018
14	Oct 2020	Added clause on scenario planning/gap analysis & updated consulting time frame to 4 years	C Naidoo	Oct 2020
15	Jan 2024	Updated consulting time frame and specified form COR07I PART A & B and reference to folders	C Naidoo	Jan 2024
16	Feb 2025	MAN03-A form updated	C Naidoo	Feb 2025
17	Feb 2025	Updated verification committee to management committee. Included Technical Signatory. Updated Managing Member to Executive Member. Updated COR07-I to COR07-H. Updated Suppliers.	C Naidoo	Feb 2025

6. FORMS

- 6.1 MAN03-A Transformex Code of Conduct
- 6.2 MAN03-B List of Related Bodies
- 6.3 MAN03-C List of Consulting Bodies

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6.4 MAN03-D Recorded conversations of Managing Member

6.5 MAN03-E SLA External Consultants

7. **RECORDS**

Records are stored as per 5.3 above and in accordance with the records policy MAN07.