



## ENSAfrica Forensics

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S Powell    our ref  
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15 March 2018    date

### EOH

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By email:

## PRIVATE AND CONFIDENTIAL: LEGALLY PRIVILEGED DOCUMENT

### RE: EOH HOLDINGS LTD ("EOH") – REPORT ON WORK STREAMS 1, 2 AND 3

#### Introduction

We refer to the above matter and the meeting between our Steven Powell and \_\_\_\_\_ on Thursday, 22 February 2018 as well as the Scope Clarification Letter dated 26 February 2018.

#### Executive Summary

- Work Stream 1 - Establish whether there is any exposure to EOH arising out of the allegations against \_\_\_\_\_ . Determine if there is any potential exposure to EOH. Focus on the potential exposure to EOH as a result of any activities that tookplace whilst \_\_\_\_\_ formed part of the EOH Group**
- .
- Our financial review has identified numerous situations where \_\_\_\_\_ appears to have incurred personal expenditure which has been paid for by the business. Accordingly there is potential that EOH may have a claim against \_\_\_\_\_ to recover such expenditure.

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5. **Civil Liability**

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5.2. Counsel does issue a caveat regarding potential indirect liability:

5.2.1. .

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<sup>1</sup> Proceeds of unlawful activities are defined in POCA as follows: "**proceeds of unlawful activities**" means any property or any service advantage, benefit or reward which was derived, received or retained, directly or indirectly, in the Republic or elsewhere, at any time before or after the commencement of this Act, in connection with or as a result of any unlawful activity carried on by any person, and includes any property representing property so derived;"

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6. As conveyed in our recent update meeting, we have not identified any evidence suggesting that anyone at EOH was complicit or condoned potential illicit activity at the implicated subsidiaries, however, in terms of the above section, there may be personal exposure to \_\_\_\_\_, in the event that the allegations are proven to have merit, and further if it is proven that they were remiss in carrying out their duties \_\_\_\_\_.

7. **Global Bribery Exposure**

7.1.

- 7.2. In terms of mitigating the risk to EOH in the event that the activities highlighted in the media are scrutinized by a South African or global regulator, it will be essential for the company to understand the facts of what has taken place. In terms of global compliance requirements, regulators expect ethical companies to take action against employees responsible for corrupt activities, to distance themselves from such activities and to remediate control breakdowns. Regulators further expect organisations to implement a robust anti-bribery management system (“ABMS”).

- 7.3. Accordingly the decision to separate those businesses from EOH was a sound decision, but the EOH compliance framework is in need of enhancement to ensure that it is sufficiently robust and compliant with the South African Companies Act requirements, as set out in regulation 43. It should also ensure that the program is sufficiently robust, so as to withstand scrutiny by a global regulator. The most important aspect in this regard is that Section 7 of the Bribery Act of the United Kingdom requires the group to have “adequate procedures” to prevent bribery. Some work is required to ensure that EOH meets the criteria in respect of the six principles set out by the regulator, to demonstrate that it has adequate procedures to prevent bribery.

8. **Due Diligence**

- 8.1. .
- 8.2. .
- 8.3. Procedures for new service providers should be implemented and EOH will have to implement a process to grade the risk related to existing business partners. All current TPI’s should be assessed and evaluated and categorised in terms of low/medium or high bribery risk and a process must be established for the anti-bribery screening of all new TPI’s. The current absence of anti-bribery due diligence screening creates scope for the appointment of unethical service providers and the inflation of procurement costs to conceal potential bribes. A regulator would view the absence of critical due diligence as “wilful blindness”. By implementing due diligence on business partners, EOH will be able to mitigate it’s risk in the event that a business partner pays a bribe.

9. **Financial Review**

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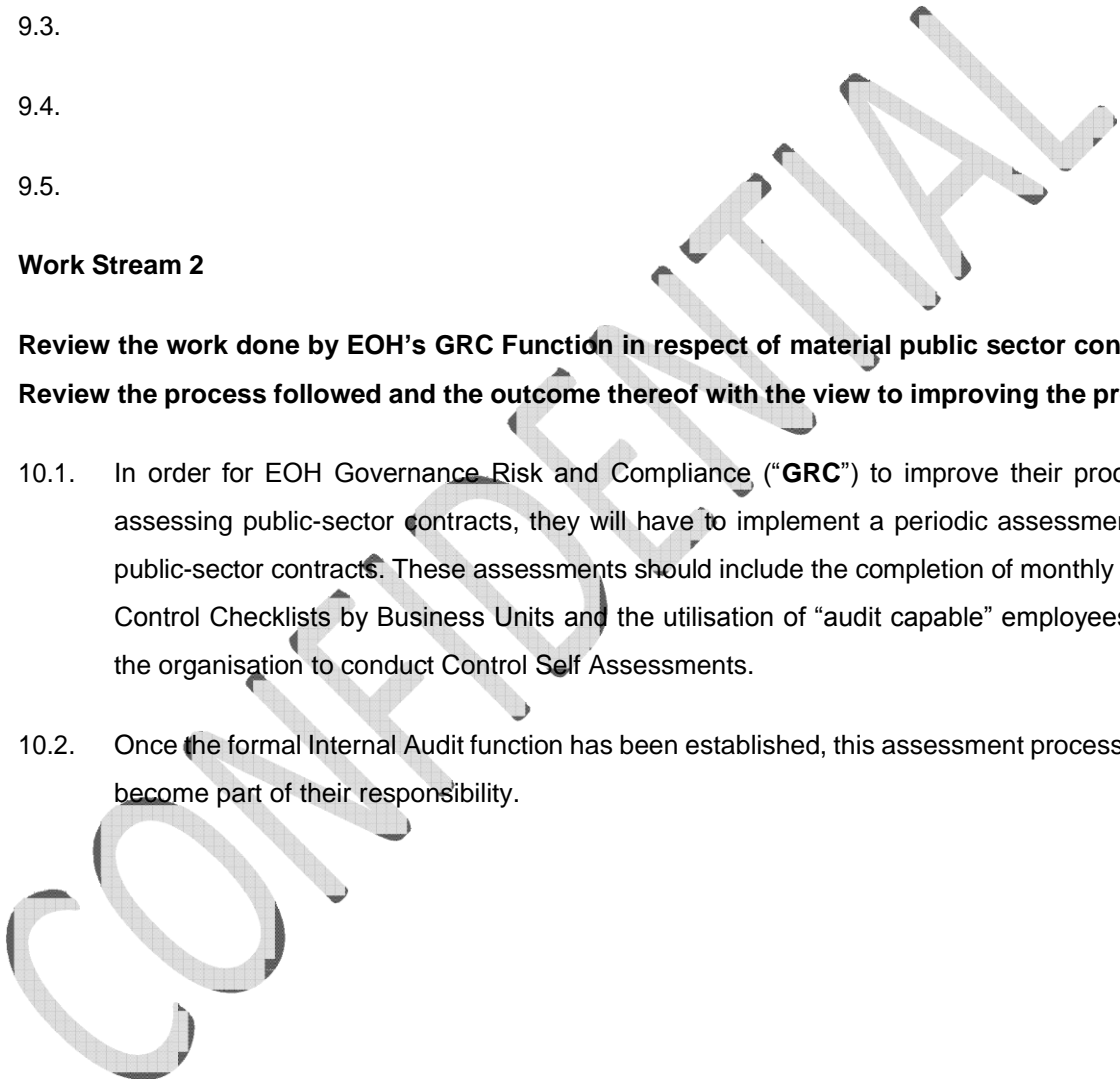
9.5.

10. **Work Stream 2**

**Review the work done by EOH's GRC Function in respect of material public sector contracts.  
Review the process followed and the outcome thereof with the view to improving the process**

10.1. In order for EOH Governance Risk and Compliance (“**GRC**”) to improve their process on assessing public-sector contracts, they will have to implement a periodic assessment of all public-sector contracts. These assessments should include the completion of monthly Internal Control Checklists by Business Units and the utilisation of “audit capable” employees within the organisation to conduct Control Self Assessments.

10.2. Once the formal Internal Audit function has been established, this assessment process should become part of their responsibility.



11. **Work Stream 3**

**Review the public sector bidding process with a view to ensuring that it is effective and recommend enhancements thereto**

- 11.1. Our review of the existing Public-Sector Vertical (“**PSV**”) bid management process as documented in the standard operating procedure and the related bid operations and compliance pack revealed a disconnect between the processes and the relevant forms to be completed. The accountability for each function is not adequately defined and this will have to be remediated.
- 11.2. Other issues noted include:
- 11.2.1. The PSV bid management process, with an emphasis on Zero-Tolerance in terms of anti-bribery and corruption, has not been adequately communicated throughout the organisation.
  - 11.2.2. Due diligence steps are not clearly defined in terms of 3rd parties, Joint Ventures, Mergers and Acquisitions.
  - 11.2.3. The GRC function is not adequately involved throughout the bid process to advise on identifying and mitigating risks.
  - 11.2.4. Bribery risks are not adequately identified and red flagged during the process.
  - 11.2.5. Monitoring of suppliers are not performed on an ongoing basis.
  - 11.2.6. Documentation throughout the bid management process is not maintained to ensure an audit trail and the security measures around data and information should be enhanced.

12. **Work Stream 4**

**Recommend the criteria that needs to be applied in determining the public sector contracts that will be subject to such oversight review, and agree the process that we recommend should be followed**

- 12.1. We have reviewed the criteria used by EOH GRC in determining the public sector contracts that were subject to oversight review. We understand GRC approached the Business Unit Leaders and requested them to provide a list of contracts that were most critical and material in terms of their business. The objectivity of GRC is impaired with this approach. GRC should obtain a complete list of all contracts from all BU's and independently decide which contracts should be assessed. We have recommended criteria for determining the public sector contracts that will need to be reviewed in section 18.2 of this report.

