



# Third Party Engagement Policy

## 1 S P SETIA'S THIRD PARTY ENGAGEMENT POLICY

- 1.1 Ethics, honesty and integrity are cornerstones of our approach to doing business.
- 1.2 Bribery and corruption is strictly prohibited. We take a zero-tolerance approach to all forms of bribery and corruption both within S P Setia and in respect of the actions of our agents, business partners, contractors, service providers and other third parties and associated persons.
- 1.3 We are committed to upholding the highest ethical standards in our workplace and in all our business dealings and relationships wherever we operate.
- 1.4 We expect that Third Parties will conduct themselves in accordance with S P Setia's values, policies and procedures and the relevant laws relating to bribery and corruption.
- 1.5 To ensure that the highest standards of business integrity are applied, S P Setia conducts risk-based due diligence before entering into a contract with a Third Party to ensure that the Third Party is capable of meeting, and willing to meet, S P Setia's standards.
- 1.6 The purpose of this document is to provide an overview of the compliance due diligence process as well as detailed guidance on how to conduct compliance due diligence in relation to Third Parties. This policy applies to all Third Parties engaged or proposed to be engaged by S P Setia.
- 1.7 S P Setia must not engage or pay any Third Party unless the Compliance Due Diligence process set out in this Policy has been successfully completed. If you have any questions or queries in relation to this Policy, please contact the Integrity and Governance Unit (**IGU**) for further guidance.
- 1.8 This policy should be read in conjunction with S P Setia's Anti-Bribery and Corruption policy, Code of Conduct and Business Ethics and the relevant standard operating procedures including, among others, Gifts and Hospitality policy, Donations and Sponsorships policy and the Whistleblowing policy.

## 2 DEFINED TERMS

- 2.1 **Director** means a Director appointed to a Board of Directors of S P Setia.
- 2.2 **Employee** means any individual working at any level or grade under the management, operation and supervision of S P Setia regardless of the name of the agreement between the parties, including officers, senior managers, trainees, secondees, agency staff, volunteers and interns of S P Setia, whether full-time, part-time, permanent, fixed-term or temporary.

- 2.3 **Head** means in relation to an Employee, the head of business unit, head of support unit, a Divisional General Manager, an Executive Vice President, a Senior Executive Vice President, Chief Operating Officer or Chief Executive Officer, within the Employee's reporting line.
- 2.4 **Integrity and Governance Unit or IGU** means the integrity and governance unit of S P Setia and further details of its establishment are set out in the Whistleblowing Policy.
- 2.5 **\*Public Official** means an individual who: (i) holds a legislative, administrative or judicial position of any kind; or (ii) who performs public duties or exercises a public function for or on behalf of a country or territory (or subdivision thereof) or for any public agency or enterprise (including government linked companies and enterprises, and state-owned or state-controlled companies and enterprises); or (iii) is an official or an agent of a public international organisation (such as the United Nations or similar body).
- \* In relation to Japan only, public officials include "deemed public officials (minashi-momuin)" who are officers and employees of specific private sector companies. Examples of "deemed public officials" are directors, officers or employees of the Japan Racing Association, Japan Post, major telecommunications companies (Nippon Telegraph and Telephone) and major railway companies (Tokyo Metro). You are to seek assistance from Group Legal to obtain the current list of such "deemed public officials" from S P Setia's Japanese foreign counsel*
- 2.6 **Red Flag** means an event, occurrence or circumstance identified during the due diligence process which indicates a potential threat or risk or area of concern to S P Setia. Based on the gathered information and research performed on the Third Party, Red Flags are indications that illegal or improper conduct could possibly occur or could have occurred.
- 2.7 **S P Setia** means S P Setia Berhad and its subsidiaries and any business entity which is directly or indirectly (i) wholly or majority owned; or (ii) controlled; or (iii) managed by S P Setia Berhad, details of which are available at: <https://www.spsetia.com/en-us/corporate/business-performance/investor-relations>.
- 2.8 **Third Party / Third Parties** includes anyone who at any time performs (or who is intended to perform) services for or on behalf of any entity in S P Setia, including anyone who is engaged (by contract or otherwise) or paid to represent any entity in S P Setia such as suppliers, distributors, business contacts, agents, representatives, intermediaries, middlemen, introducers, sponsors, consultants, contractors, advisers, and potentially Public Officials.

### **3 WHO IS COVERED BY THE POLICY?**

- 3.1 This Policy applies to all Employees and Directors wherever located.
- 3.2 Employees and Directors are expected, as part of their normal duties, to do the following:
- (a) familiarize themselves with and comply with this Policy and related procedures issued by S P Setia as amended from time to time;
  - (b) participate in any related training provided by S P Setia;
  - (c) familiarize themselves with and comply with any other policy and procedures which apply to their jobs issued by S P Setia as amended from time to time; and
  - (d) immediately report any actual or suspected bribe, allegation of bribery made or offered by a Third Party or breaches of policies and procedures which come to their attention to their Head or in accordance with the Whistleblowing Policy.
- 3.3 In this Policy, any reference to “you” or “your” means any person subject to this Policy.

### **4 WHO IS RESPONSIBLE FOR THE POLICY?**

- 4.1 The Board of Directors continues to lead S P Setia's anti-bribery and corruption efforts and has overall responsibility for ensuring this Policy complies with S P Setia's legal and ethical obligations. The Board of Directors will provide the necessary leadership, resources and active support for management's implementation of this Policy.
- 4.2 The IGU has primary and day-to-day responsibility for implementing and overseeing this Policy, and for monitoring its use and effectiveness. The IGU shall regularly report to the Risk Management Committee and ultimately the Board of Directors concerning the implementation and effectiveness of this Policy.
- 4.3 The Chief Risk, Integrity and Governance Officer (**CRIGO**) is responsible for reviewing the adequacy of this Policy and regularly reporting on its implementation and matters arising thereunder to the Risk Management Committee and ultimately the Board of Directors of S P Setia, taking into account relevant developments and evolving international laws and industry standards. The CRIGO will oversee the development, maintenance and testing of S P Setia's anti-corruption standards and procedures designed to evaluate and improve their effectiveness.
- 4.4 Every Employee of S P Setia and Director acting on behalf of S P Setia is responsible for understanding the Policy. All queries regarding this Policy's interpretation and when and how the rules apply in a given situation should be directed to the IGU.
- 4.5 Management at all levels are responsible for ensuring that those reporting to them are made aware of and understand this Policy and are given adequate and regular training on it. The nature and frequency of the training will vary depending on the role of the individual and the likelihood that such person or entity will be exposed to corruption issues. All Employees must ensure that they complete any related training that they are

required to undertake as directed by S P Setia's Board of Directors and management, from time to time.

## **5 Initial Risk Assessment**

- 5.1 The initial risk assessment on the Third Party shall be the responsibility of the Employee, in the relevant department of the business unit or support unit, who proposes to engage the Third Party (the **Requestor**).
- 5.2 The objective of this step is to assess the level of risk the Third Party presents, which then determines the required level of due diligence work to be carried out. Not all Third Parties present the same level of risk and therefore do not require the same level of due diligence. The risk level will depend on the:
- (a) Nature of service/arrangement;
  - (b) Country risk (both the country where the Third Party is located, and the country where the service is being provided); and
  - (c) Monetary value of the service provided.
- 5.3 S P Setia's risk assessment processes require the completion of the following steps prior to the engagement of the Third Parties:
- (a) the Due Diligence Checklist to be completed by the Requestor;
  - (b) the Third Party should complete and return a copy of the Due Diligence Questionnaire (along with supporting documents);
  - (c) a desktop search should be carried out on the Third Party; and
  - (d) formal business or registry searches (for example, company or business registration searches at the Companies Commission of Malaysia) should be conducted in respect of the Third Party, if available in the jurisdiction where the Third Party is incorporated or registered (**Official Searches**).
- 5.4 The Due Diligence Checklist and Due Diligence Questionnaire enable the collection of information about the Third Party, including information about the Third Party's ownership and management, track record of ethical conduct, internal policies and procedures, and subcontractor relations. The Third Party should provide supporting evidence in response to the questions on the Due Diligence Questionnaire wherever possible. To the extent any answers provided by the Third Party are unclear or unsatisfactory or conflicts with the Official Search Results, the Requestor should seek clarification and any supporting evidence from the Third Party promptly.
- 5.5 A desktop search should also be carried out to gain an initial understanding of the public profile of the Third Party and to determine whether there are any reputational issues relating to the Third Party (including its subsidiaries, officers and agents) that need to be further explored. The desktop search should be carried out by the Requestor and the

results documented. Searches ought to be conducted using internet search engines and any public databases that are relevant in the local jurisdiction and to the extent possible, in the local language. Searches should be broad enough to understand as much about the Third Party as possible. In addition, the search should include key words such as fraud, bribery, corruption, money-laundering, terrorism, sanctions, graft, and kickback.

5.6 In circumstances where a contract is to be proposed by the Third Party, the draft contract and proposed terms and conditions should also be obtained by the Requestor, wherever practicable. Please refer to the standard operating procedure.

## **6 Analysis and evaluation of the information gathered**

6.1 When complete, all information collated on the Third Party will be reviewed by the Requestor's approving manager for, among other things, completeness, accuracy and consistency with particular attention to the nature and scope of service provided, payment terms and mode of payment.

6.2 If there are any gaps or inconsistencies with the overall information collated, it may be necessary to carry out further research, including interviewing the Requestor and/or the Third Party.

6.3 Once the review is complete, the approving manager will assess whether any Red Flags have been identified. If the approving manager is in any doubt as to the existence of any Red Flags, the approving manager may consult with the IGU.

6.4 The approving manager should refer to the Red Flags Checklist while completing their review:

- (a) If no Red Flags are identified, the Third Party will be classified as "Green"; or
- (b) If Red Flags are identified, the approving manager will escalate the review of the Third Party to the relevant Head in order for the Head to determine whether the Third Party should be classified as "Amber" or "Red", in accordance with the parameters set out in the standard operating procedures to be read together with this policy.

6.5 Finding a Red Flag does not automatically mean that S P Setia is prohibited from engaging the Third Party. However, a Red Flag should not be ignored or left unaddressed by S P Setia. In order to proceed with the Third Party, S P Setia will implement risk mitigation measures set out in the standard operating procedures to be read together with this policy, reflecting the nature and seriousness of the Red Flag(s) identified. The Employees responsible for managing the relationship with the Third Party should also be made aware of the potential Red Flags and the steps that are to be taken to mitigate them.

6.6 After considering all the information and findings, the approving manager and the relevant Head, in consultation with IGU, will decide on the classification of the Third Party, along with the recommended mitigation actions to be taken, where relevant:

Classification	Description	Recommendation
Green	The proposed arrangement bears a low risk of corruption	Approved – arrangement can proceed
Amber	The proposed arrangement bears a moderate risk of corruption <b>AND there are actions which can be taken to mitigate the risks</b>	Arrangement may proceed under specified conditions
Red	The proposed arrangement bears a high risk of corruption	Not approved. The Third Party should not be engaged

**7 Mitigation**

7.1 In circumstances where the Third Party is classified as “Amber” or “Red”, actions must be taken to mitigate risk. Potential mitigation actions that can be considered and prescribed by S P Setia as and when necessary are set out non-exhaustively below. The mitigation actions shall be based on the type and nature of red flags identified following the review of the Third Party. If there is nothing that can be done to mitigate the risk satisfactorily, then the Third Party must be classified as “Red” and S P Setia shall not engage that Third Party.

- (a) As approved by the Head, in consultation with the IGU, enhanced due diligence by the approving manager and/or by external consultants, including interviews with and/or potential site visits to the Third Party;
- (b) Introduction of appropriate internal financial and accounting procedures, such as financial limits of authority and requiring detailed evidence of services performed by the Third Party;
- (c) Ensuring that the Third Party has appropriate policies and procedures in place to deal with anti-bribery and corruption issues;
- (d) Negotiating specific anti-bribery and corruption contractual clauses leading to audit rights, obligations to provide evidence of services provided and contract termination or compensation in case of compliance incidents should be tailored to the contract and relevant jurisdiction;

- (e) Continuous assessment during engagement, including periodic updating of the Due Diligence Checklist by the Requestor and the Due Diligence Questionnaire by the Third Party;
- (f) Self-disclosure by the Third Party of possible compliance violations;
- (g) Periodic or repeated training for the Third Party; and/or
- (h) Re-assessment of performance – including ethical business practices and service standards of the Third Party - at regular intervals.

## **8 Written Agreements**

- 8.1 All agreements with Third Parties should be entered into in writing prior to the commencement of work or services.
- 8.2 S P Setia should ensure that agreements with Third Parties contain:
  - (a) the scope of services to be provided by the Third Party;
  - (b) the Third Party's duties;
  - (c) the remuneration structure, including basis of commission, and/or payment terms providing clearly how payment shall be made, for example, against work done supported by clearly defined deliverables or progress milestones for work done;
  - (d) the term and conditions of the agreement; and
  - (e) the Third Party's commitment to all applicable laws, including anti-bribery laws, as represented by appropriate contract compliance language/representations and warranties.
- 8.3 Where S P Setia's ability to impose strict contractual safeguards is limited, S P Setia should at a minimum ensure that the Code of Conduct and Anti-Bribery and Corruption policy are communicated to the Third Party.
- 8.4 It should be borne in mind that the Due Diligence Checklist and Questionnaire are only guidance tools which should be "live" throughout the engagement of the Third Party. If a new Red Flag is uncovered during any stage of the engagement, the approving manager shall notify the Head in order to determine what, if any, mitigation steps or other decisions ought to be taken by the approving Manager and the Head, following consultation with IGU.

**9 Training and Awareness**

- 9.1 All S P Setia employees who are involved in the engagement of Third Parties will receive training on the Third Party due diligence process and potential Red Flags that they should look out for.
- 9.2 If you have not received training in the process, but believe that you should, please contact your Head.
- 9.3 Third Parties will be trained on S P Setia's Anti-Bribery and Corruption Policy. If such briefing is provided, this step should be documented by the IGU.

**10 Documenting the compliance due diligence performed**

- 10.1 The steps conducted as part of the compliance due diligence process on a Third Party shall be properly and systematically documented by the Requestor, approving manager and the other Employees responsible for the relationship with the Third Party. Signed originals should be retained in the safe custody of the business unit or support unit and copies of all signed originals shall be uploaded and maintained on the S P Setia Intranet.
- 10.2 Proper documentation is important as it acts as a record of the materials reviewed, the decision made and the reasons relied upon.

**11 Ongoing monitoring and review**

- 11.1 Once the Third Party has been approved and engaged, the Third Party's conduct and performance will be assessed by the business unit or support unit responsible for the relationship with the Third Party throughout the engagement period.
- 11.2 Compliance Due Diligence will be repeated for periodic cycles not exceeding 2 years for Third Parties categorised as "Green" and not exceeding 1 years for Third Parties categorised as "Amber", and anytime during those periodic cycles if there are any concerns or Red Flags or changes in circumstances resulting in new or altered compliance risks posed by the Third Party.

**12 Breaches of policy**

- 12.1 You must ensure that you read, understand and comply with this Policy and the relevant standard operating procedures and that you avoid any activity that might lead to, or suggest, a breach of this Policy or standard operating procedures.
- 12.2 Bribes given or offered by any Third Party carrying out services for S P Setia in order to retain business (or an advantage in the conduct of business) for S P Setia may result in S P Setia being convicted of an offence of failing to prevent that bribery, whether or not S P Setia knew of the existence of the bribe. If you are unsure whether a particular act

constitutes bribery, or if you have any other queries, these should be raised with your Head or the IGU.

- 12.3 You should raise concerns about any occurrence or genuine suspicion of misconduct or violation of this Policy at the earliest possible stage by reporting any occurrence or suspicion immediately in writing to the IGU. Please refer to the Whistleblowing Policy for more detailed guidance. Such reports may then be escalated by the IGU to the Risk Management Committee, and ultimately the Board of Directors, as appropriate.
- 12.4 Non-compliance with this Policy may therefore result in severe criminal or civil penalties which will vary according to the offence and which could include imprisonment.
- 12.5 It is a disciplinary offence for you to not comply with the terms of this Policy.
- 12.6 S P Setia has the liberty to inform and cooperate fully with the relevant authorities in relation to any case of bribery or corruption committed by a Third Party.

This policy has been approved by the Board of Directors on 23 November 2021.