# FreeBalance Integrity Due Diligence (IDD) Policy

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# Integrity Due Diligence Policy (IDD)

## 1.1 Overview

FreeBalance is proud to be making a difference in the world. We have increased our global footprint and continue to look at further opportunities to improve global government governance and transparency. However, International growth and expansion not only increases opportunities, it also increases FreeBalance's exposure to risk.

Company-wide integrity due diligence (IDD) requirements are aimed at improving FreeBalance's integrity control of business relationships - particularly in countries where corruption is higher risk and where business practices are unfamiliar.

Accordingly, prior to entering into a business relationship, FreeBalance will conduct risk-based due diligence of vendors, subcontractors and business partners consistent with the requirements of this policy. FreeBalance will also conduct appropriate ongoing monitoring of our business relationships at a frequency level relative to risk.

The Chief Compliance Officer (CCO) will administer the Integrity Due Diligence (IDD) program for FreeBalance and maintain the records of the program. The CCO may also hire and retain outside IDD vendors to conduct the initial as well as ongoing IDD consistent with procurement policies of FreeBalance.

## 1.2 Types of Business Relationships

The type of business relationship will affect the inherent risk of that relationship. Effectively the greater the autonomy and / or the greater the level of involvement of a potential business partner with actual or potential FreeBalance customers, the greater the potential inherent risk associated with that organization. This is not a measure of probability of these organizations taking a step in violation of anti-corruption law or our policies, but the impact of this risk if they do take steps that violate our policies. Keep in mind that all business relationships are in some form an extension of FreeBalance – so the behavior of our business partners when working on behalf of FreeBalance directly reflects upon FreeBalance.

Business relationship types:

- **Vendors** – This category of business relationship includes all companies that enable local operations from office / apartment landlords, office supply vendors, legal and accounting advisors, and other local vendors. Vendors typically have no direct involvement with FreeBalance customers. Generally, Vendors will be considered low risk from a compliance perspective and have minimal if any due diligence performed. Due diligence activities on vendors will typically focus only on legal and accounting advisors in recognition that these vendors take on some tasks that may have corruption related risks (VISA applications, corporate registrations, tax representation, etc.). Generally, office related vendors are not subject to due diligence activities.

- **Subcontractors** – Subcontractors are engaged by FreeBalance in order to deliver on commitments to our customers under FreeBalance contracts. Subcontractors typically have a specific defined scope of work that they are required to deliver on our project commitments, or in support of our project commitments. Subcontractors (mostly) have no contractual, direct relationship with the customer; there may be exceptions. Major subcontractors are typically disclosed during proposal, bid and contract cycles. From an operational perspective, subcontractors will often work with our customers in order to complete their daily activities. However, the Subcontractor is directly responsible to FreeBalance for their performance, and they operate under the direction of the FreeBalance Project Manager or Services VP. FreeBalance, as prime, is ultimately responsible for the overall performance of the customer contract, including the subcontractors portion. The subcontract terms will often flow through specific scope of work & contractual of the ultimate contract with the customer, including technical & functional specifications of work, as well as anti-corruption and / or other compliance related contract sections. This Subcontractor business relationship category may include custom software developers, reports developers, translators, hardware providers, local resource providers, change management specialists, other specialists, etc. As a result, the risk associated with subcontractors can range from low to medium risk, and some unique cases may be high risk dependent on the specific scope of work they are delivering. As a result, subcontractors will be subject to a higher level of due diligence than vendors, considering the specific aspects for that engagement.
- **Partners** – there are two major types of partnerships (i) those with joint responsibility for projects and (ii) subcontractors making margin on services. There is a special type of Partner called a Reseller who is permitted to sell, implement and support FreeBalance software:
    - **Partners with Joint Responsibility for a Project** – often these partnerships are a result of or with the intention of establishing a joint venture. The partners in this case work together to submit a joint bid or proposal to a customer, with a commitment to form a legal or operational joint venture. These relationships involve joint responsibility to deliver on contract commitments, joint benefit of delivery and joint risk associated with the project. Both partners are signatories to the contract with the customer. One partner will typically act as the lead partner with the customer and has the authority to act on behalf of the joint venture. Regardless of who is lead partner, the parties are jointly responsible for the whole customer

contract, including adherence to all anti-corruption and compliance obligations, and all local laws. Obviously, given our ties to this partner, our information and research on this partner must be very high. Any action of that partner will directly affect FreeBalance. As a result, the risk associated with a Partner with Joint Responsibility will be generally medium to high, depending on the specific facts of the opportunity or the breadth of the partner relationship. This will result in a much higher level of due diligence for approval.

- **Partners making Margin on Services** – these partners deliver some services/s on the customer contract commitments for example hardware infrastructure, IT services etc. FreeBalance is responsible for the actual customer contract. The risk of a partner doing something in contravention of our policies, or the customer standards is considered very low as they are managed directly on the project deliverables by FreeBalance, and FreeBalance manages all customer interaction.
  - Resellers are partners that are authorised to sell, implement and support FreeBalance software in agreed territories and departments of government.
- Note that as of May 2018, FreeBalance has no agency or commission based only relationships)

## 1.3 Due Diligence Process

The FreeBalance IDD will be conducted after sufficient discussions have occurred to confirm that the parties are jointly interested in pursuing a business relationship. For subcontractors and partners, it is required to have a Mutual Non-Disclosure Agreement in place prior to any detailed discussions where confidential information may be disclosed by either party (not generally required for vendors). This MNDA / NDA is required to start the IDD process.

In all cases, the FreeBalance Alliance Team is responsible to submit to the necessary documents for due diligence and any other ISO 9001:2015 requirements, as well as hold responsibility for the agreed upon monitoring and controls of that engagement.

The CCO will maintain due diligence databases and processes sufficient for conducting specified IDD for FreeBalance in accordance with this policy as updated from time to time to meet FreeBalance business needs. The CCO will review all provided materials to identify any specific risks associated with a proposed engagement, work with the Sponsor to clear any concerns, and will ultimately provide approval, disapproval or further action required opinion. The FreeBalance CEO has ultimate final approval on all business relationships and can override any prior opinion or require further actions be taken to mitigate risks.

The below table summarizes the vendor partnership tables and level of IDD to be applied. In all cases, the CCO will be responsible to determine how extensive the IDD to be applied.

| Phase 1 | Vendors | Partners/ Subs NOT Resellers | Resellers |
|---|---|---|---|
| NDA | Typically, only required for legal and accounting advisors as part of engagement letter | Required for IDD | Required for IDD |
| Complete IDD Questionnaire | Only required for legal and accounting advisors, or other unique advisors that have compliance related risks for FB | Required for IDD, | Required for IDD |
| Contracting | Vendor templates to be completed., | Scope of work, Teaming Agreement including completing Compliance Documentation | Reseller Agreement, Training Plan, and all the Compliance documentation. |
| Monitoring & Controls | Annual ISO Vendor review IF involved directly or indirectly in customer projects only | Project Management standard controls<br>Annual ISO Vendor Review | As per specific monitoring plan, may include:<br>Periodic reporting on activities of partner<br>Project Management standard controls<br>Annual ISO Vendor Review |

## 1.4 Phase I Initial Data Collection, Assessment & Contracting

This phase applies to all subcontractors and partners. A subset of this requirements list may apply to some specific vendors such as accounting and legal advisors, as determined appropriate by the CCO. This Phase is designed to gather sufficient initial information to establish the initial risk assessment, identify further required information and to identify unique challenges with pursuing the relationship. This Phase is designed to engage the CCO in the proposed business relationship, and to commence the file documentation.

Note that a subset of these requirements may be applied for specific relationships based on inherent risk. For example: an individual translator subcontract engagement for a short period to translate project documents with minimal direct engagement with the customer would not require all of this data. The CCO will determine the appropriate level of documentation required based on engagement and will work with the Sponsor to achieve a reasonable approach.

This Phase 1 includes collection of the following initial documents, which are intended to enable the initial screening:

- Non-disclosure agreement confirmed and signed by both parties;
- Integrity Due Diligence (IDD) form is sent by FreeBalance regional sales/business development/management to partner for completion (Standard explanatory email is available to support partners in understanding requirement). The IDD questionnaire includes legal entity structure, board of directors, officers, key employees, references and key compliance questions;
- The Partner is no longer required to provide financial statements as per the previous process; the partner is required to sign the FreeBalance Attestation Form wherein.
    - local license of operations for intended markets;
- The regional team is asked to provide brochures, presentations, marketing materials as provided by the partner during initial discussions. This is intended to validate the expertise of the potential partner/subcontractor/vendor;
- QMS-905- New Partner / Supplier Selection form is sent to the Sponsor or his delegate for completion of sections 1 to 3 to gather basic information on the potential partnership. This form is designed to document the justification for the retention of the business partner, accompanied by any further details on the entity as obtained and known by the sponsor. The CCO will complete Section 3 and 4 as a result of due diligence, Section 5 is completed as part of final recommendation for approval / rejection of the partner and will document the final CEO decision on the partnership.

## Phase 1 Assessment Steps for Partners

Relying on the New Supplier Selection form and the IDD Questionnaire and other risk relevant information available, the CCO will perform a high-level assessment of the proposed business partner based on for example: geographic location of the business partner, previous performance record with the company, status of owners of the company, nature of the business (e.g. government facing), among others. The business partner risk will be identified as low, medium or high to be recorded on the background questionnaire and maintained in the business partner file.

Assessment steps include:

- CCO reviews QMS-905-New Partner / Supplier Selection form and other supporting materials to understand purpose and justification of the business relationship, markets, relationship type, contribution value proposition, etc.
- Lexis Nexis Bridger (Global risk compliance set of databases) is used to do initial background checks using the data contained in due diligence form and as available publicly on the internet. This includes checks on company, subsidiaries, owners, officers and key employees disclosed on DD form. These checks cover government prohibited individuals, sanctioned or barred entities and individuals, politically exposed persons ("PEPs") as well as terrorism, corruption, criminal and money laundering subjects.
- General web research is done on the business to augment information documented and found in Bridger - English online targeted research in global subscription databases, media sources, trade publications and open online sources to determine whether the entity and key directors/officers/shareholders have appeared in any previously publicized regulatory action, civil litigation, criminal investigations, or in allegations concerning illicit or unethical practices. The focus will be primarily on any indication of bribery, corruption or other such business impropriety.
- Processing organization and proposed relationship details through scoring algorithm (CDD Risk Matrix Calculation).
- Other market specific Risk Review tools:
    a. TRACE country guides particularly for new markets to identify unique country level risks
    b. Consulate information on the market, consulate discussions
    c. Industry Canada published info

**Result of the Phase 1** is the initial assessment and categorization of the partner into Low, Medium or High-risk levels. This categorization will define the further assessment steps in Phase 2, or whether the relationship can continue to Phase 3 Contracting, and eventually the monitoring and controls specific to that relationship.

| Risk Level | Next Steps |
|---|---|
| **Low Risk** | Further due diligence generally is not required, unless specifically identified by CCO or Sponsor |
| **Medium Risk**: | Phase 2 may be required. |
| **High Risk:** | Phase 2 is typically required. |

## 1.5 Phase II Extended Data Collection and Assessment

Phase II commences if the partner passes the initial Stage 1 assessment, with no concerns raised by the CCO Stage 2 is intended to dig deeper into the partner background, expertise and value profile for FreeBalance, where appropriate. The CCO and Sponsor must carefully consider the appropriate additional documents to gather for the completion of the due diligence assessment process, with focus on effectiveness and efficiency of the due diligence program. We must recognize that any document we request of the partner must be one that we would be willing to share if the tables were turned.

Phase 2 activities include:

- Sponsor may be required to complete any missing elements of the vendor selection form. This may include ensuring that references were properly checked, background and vendor skills / value proposition are well understood and documented.
- Further analysis of documents gathered in Phase 1.
- Additional documents / questions may be requested to clarify any items or for more information, which may include:
    a. employee / headcount information (# of employees, locations, departments, skills sets),
    b. business presentations;
    c. organizational charts (management, compliance, internal audit, legal);
    d. Compliance training plan;
    e. More information on results in due diligence searches (i.e. negative hits can be vetted, explained);
    f. Sales processes;

g. Any other documents considered appropriate by regional team or CCO to understand the expertise of the partner, the value profile they bring to FreeBalance, and to help establish appropriate compensation and monitoring measures.

- High risk partnerships / countries – FreeBalance may consider external due diligence services including as available with our TRACE membership.
- In person meetings may be requested for Sponsor, Regional Management or CCO to meet in person with the potential company to address concerns.

**Result of the Phase 2:** CCO will leverage the new information to update the risk assessment categorization: Low, Medium or High. The updated assessment and risk categorization of the relationship is captured in the New Supplier Selection form. CCO makes a recommendation on whether to proceed with partnership discussions or not. Sponsor / Regional VP will then discuss partnership with CEO to obtain final approval or rejection.

## 1.6 Contracting

If FreeBalance is in a position to proceed to actual preparation of a partnership agreement (CCO and CEO approval are in place) then the contracts can be prepared.

Generally:

- Vendor agreements will be specific to the engagement, and generally require the use of the vendor template, which may be updated as appropriate for the business engagement, and or any specific compliance policies deemed appropriate.
- Subcontract agreements will be prepared by Legal and the Project team for distribution to subcontractors.
- Joint Venture Agreements will be prepared by the CFO with input from Legal and the Sales team.
- Business Partner contracts will be prepared by the Sponsor using FreeBalance approved templates.

Standard contracts for partners and vendors will include:

- Clause regarding prohibition of corrupt activities,
- Commitment to prevent corruption and to adhere to the customer's policies on corruption / FreeBalance policies on corruption or suitable equivalent depending on form of contract and engagement type,
- Where appropriate, audit rights for FreeBalance, should there be any concerns / red flags regarding third party activities in relation to corruption,

- Right to terminate contract in case of violations of compliance clauses,
- Prohibition to subcontract further third parties without the prior written consent of FreeBalance.

### Review of Partner Contracts

Those deal specific partnership documents are managed by the CFO.  Particular focus will be on the appropriate compensation plan for that particular partnership – value for contribution, skill sets, etc.

**Final approval of all partnerships rests with the CEO** – who will consider inputs from the  CFO and CCO.  The standard partnership agreement automatically includes language with respect to honoring the FreeBalance compliance program.

## 1.7 Monitoring and Controls

If an agreement is signed, then the monitoring and evaluation of the partner will commence. This is generally conducted by a member of the Services team who works alongside the Partner in question. These submissions are distributed, and then reviewed and managed by the Finance team on an annual basis, and more specifically by the VP Finance or Director Finance.

### Partnership Monitoring

Partner monitoring and controls may include:

- Specific meetings with the  partner reminding them of their deliverables as per the Subcontractor or Reseller Agreement whichever is applicable. In the case of the Reseller, delivery of new business for FreeBalance is the main KPI.
- Training sessions for partners in which compliance videos are provided as reminders of what is expected of them whilst working in partnership with FreeBalance
- Periodic  sales  reporting from the  partner on activities around specific opportunities being pursued.

This monitoring process includes the annual ISO process for Supplier Evaluations.  Annually, the Services team will be required to complete the Supplier Evaluation Form to document performance of the partner, activities undertaken, and recommendation on whether to continue with the relationship.

### Subcontractor Monitoring

Generally monitoring of subcontractors is done within the context of project management regular activities for the project as a whole.   Additional subcontractor monitoring will include the annual ISO process for Supplier Evaluations. The CCO and Sponsor may determine other appropriate monitoring activities for the subcontractor in light of unique facts at the time of establishing the engagement.

## Vendor Monitoring

Documented monitoring and controls are generally not required for low-risk vendors.

## Attachments

1. IDD Background Questionnaire (Company)
2. IDD Background Questionnaire (Individual)