

# Value Statement and Ethics

**Good corporate governance is regarded as critical to the success of the business of the Scheme and the Board and Scheme Management is unreservedly committed to exercising ethical and effective leadership. In so doing the Board strives to cultivate and exhibit the characteristics of integrity, competence, responsibility, accountability, fairness and transparency in all dealings by, in respect of and on behalf of the Scheme.**

## Structures and processes

The role of the GEMS Board of Trustees: The Board is responsible for exercising ethical leadership and assumes responsibility for the governance of ethics by setting the direction for how ethics should be approached and addressed by the Scheme in all its dealings.

The Board of Trustees reviews the Scheme's vision, mission and value statements on an annual basis to ensure that the Board's commitment to building and sustaining an ethical organisation is adequately reflected therein.

The GEMS Risk Social and Ethics Committee is responsible for supporting the Board in ensuring effective oversight of, and reporting on, organisational ethics in GEMS. The Committee is specifically responsible for supporting the Board in ensuring that the Scheme's Ethics Policy, Codes of Conduct and ethics management programmes:

- Encompass the Scheme's interaction with internal and external stakeholders and society in general;
- Address the key ethical risks of the Scheme; and
- Provide for arrangements that familiarise the employees and other stakeholders with the ethical standards of the Scheme.

The Committee is further responsible for supporting the Board in exercising ongoing oversight over the management of ethics in the Scheme.

Conflict of interest, skills requirements as well as fit and proper criteria for GEMS Trustees are addressed in the registered Rules of GEMS. In the Rules, the same requirements regarding conflict of interest that are applicable to Trustees also apply to GEMS Chief Officers.

Scheme Management discuss ethics and values and is responsible for designing and implementing policies and processes to achieve sound ethics management. Scheme

Management submits policies to the Board for approval and accounts to the Board in respect of the implementation of policies designed to achieve effective ethics management. In 2017, ongoing focus was placed on leadership collaboration and shared accountability.

An overarching GEMS Ethics Policy is in place which sets the tone for the various policies, measures and mechanisms used to ensure that Trustees, employees and contracted service providers meet the ethical expectations of the Scheme. These include measures on the acceptance of gifts; a GEMS Supply Chain Management ethics procedure consisting of the Supply Chain Management Code of Conduct; a declaration of interest process for all role players and the independent proactive monitoring of procurement processes above the informal quotation threshold by the Scheme's internal auditors.

GEMS applies a Procurement Conflict Matrix to specify which specific contracts may not be awarded to the same service provider. This enhances governance and is applied where there is a perception of bias if the service provider executes both contracts, where there is a conflict due to legal restrictions or conflict of interest restrictions should both contracts be executed by the same service provider. Examples hereof are the internal and external audit service providers, the GEMS procurement service provider and the GEMS vetting provider.

GEMS makes use of its appointed internal auditors to render procurement oversight to further enhance procurement governance. All procurement processes initiated and concluded during 2017 were declared free, fair, transparent and in line with the Scheme's Supply Chain Management Policy.

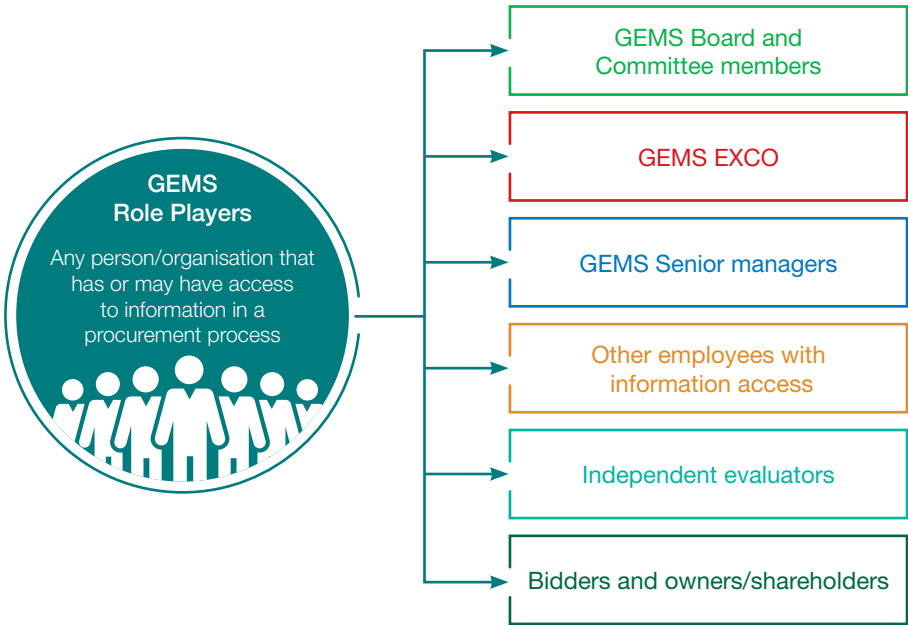
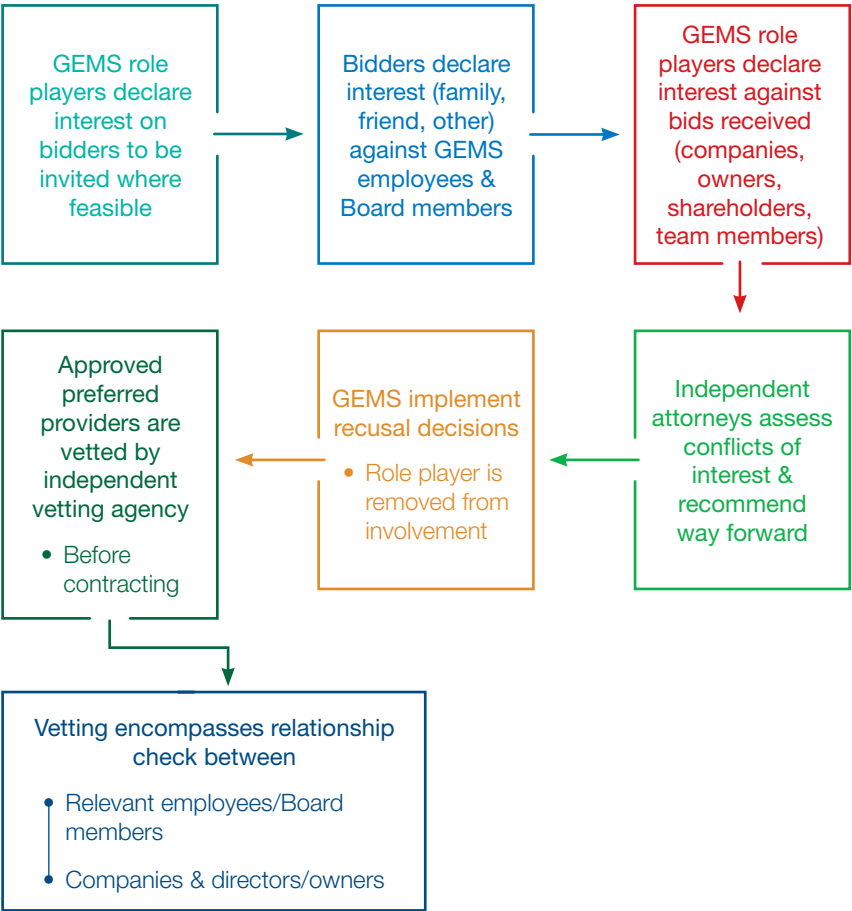
## Key focus areas in 2017

The investigation into tender irregularities which occurred in the Scheme in the period of 2014 to 2016, revealed weaknesses in the GEMS policy environment and institutional capacity for preventing, detecting and managing ethical breaches and corruption by Scheme Officers.

The main focus area in 2017 was to address shortcomings in the Scheme's policy environment and governance structure arrangements. The GEMS policies governing Supply Chain Management; Ethics Management; Vetting of Scheme Officers; and Recruitment and Selection were all revised based on an internal gap analysis as well as issues reported in the forensic tender investigation reports. The Principal Officer of GEMS engaged with employees in staff training and information sessions to provide updates on the tender investigation and to communicate the Scheme's expectations regarding ethical conduct and embracing the Scheme's values.

The Scheme's operations are based on a high level of outsourcing and this makes the GEMS Supply Chain Management Policy a critical component in ethical governance. The Board currently reviews the policy at least once annually.

The new GEMS Supply Chain Management ethics procedure is based on an extensive declaration of interest and vetting process.



Under the enhanced Supply Chain Management Policy aimed at managing specific conflicts of interest, GEMS has introduced the principle of a cooling-off period. GEMS will not consider the bid of a person who was an employee of GEMS, a GEMS Board Member or an Independent Committee member within a 12-month period prior to the closing date of the bid to which the person wanted to respond. This includes bids from organisations where such employee or Board/Committee member is an owner/shareholder or where such person is a team member for the bid submitted.

Other key changes on the GEMS policy environment:

- A new Whistle-blowing Policy was approved by the Board of Trustees on 5 December 2017.
- A key change in the GEMS Ethics Policy is an enabling provision for lifestyle audits on Scheme officers.

The Scheme commenced with the implementation of a Whistle-blowing Programme that includes the establishment of a structure for the reporting and investigation of unethical and corrupt conduct by Scheme Officers in 2017. An internal whistle-blowing hotline, managed by an independent provider, will become operational in 2018. The Board has allocated the responsibility for overseeing forensic investigations into the activities of Scheme Officers to the GEMS Audit Committee with effect from 1 January 2018.