

**ANTI CORRUPTION & BRIBERY POLICY**  
**July 2011**  
**(updated 28 August 2014)**



**Message from the Group Chief Executive**

At Hargreaves we are committed to conducting our business at all times at a level where our actions cannot be questioned, acting at all times in full compliance with all applicable laws and regulations and our internal compliance policies and procedures. This is particularly important because of the strict new rules brought in by the new Bribery Act 2010.

At Hargreaves we operate a zero tolerance approach to the making or receiving of bribes or corrupt payments, in any form. This type of conduct is absolutely prohibited whether committed by an employee or anyone else acting on the Company's behalf. This policy sets out what is not acceptable in general terms but if you are in any doubt as to whether any conduct could amount to bribery, the matter should be referred to the Group Company Secretary who is the compliance officer for this policy.

It is essential that you read, understand and comply with this policy.

**Gordon Banham**  
Group Chief Executive



**Statement from the Group Company Secretary**

As Compliance Officer for Hargreaves in respect of bribery and corruption matters I have overall responsibility for our compliance in this area. The plc Board of Directors considers bribery and corruption risks on an ongoing basis together with legal aspects of compliance. The Executive Management team is also updated on this topic on a regular basis and provided with ad hoc updates when necessary.

**Andrew Norman Robertson**  
General Counsel & Group Company Secretary

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## 1. POLICY STATEMENT

- 1.1 It is our policy to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery.
- 1.2 We will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we operate. However, we remain bound by the laws of the UK, including the Bribery Act 2010, in respect of our conduct both at home and abroad.
- 1.3 The purpose of this policy is to:
- (a) set out our responsibilities, and of those working for us, in observing and upholding our position on bribery and corruption; and
  - (b) provide information and guidance to those working for us on how to recognise and deal with bribery and corruption issues.
- 1.4 Bribery and corruption are punishable for individuals by up to ten years' imprisonment and if we are found to have taken part in corruption we could face an unlimited fine, be excluded from tendering for public contracts and face damage to our reputation. We therefore take our legal responsibilities very seriously.
- 1.5 In this policy, **third party** means any individual or organisation you come into contact with during the course of your work for us, and includes actual and potential clients, customers, suppliers, distributors, business contacts, agents, advisers, and government and public bodies, including their advisors, representatives and officials, politicians and political parties.

## 2. WHO IS COVERED BY THE POLICY?

This policy applies to all individuals working at all levels and grades, including senior managers, officers, directors, employees (whether permanent, fixed-term or temporary), consultants, contractors, trainees, seconded staff, homeworkers, casual workers and agency staff, volunteers, interns, agents, sponsors, or any other person associated with us, or any of our subsidiaries or their employees, wherever located (collectively referred to as **workers** in this policy).

## 3. WHAT IS BRIBERY?

A bribe is an inducement or reward offered, promised or provided in order to gain any commercial, contractual, regulatory or personal advantage.

#### 4. WHAT IS NOT ACCEPTABLE?

It is not acceptable for you (or someone on your behalf) to:

- (a) give, promise to give, or offer, a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given;
- (b) give, promise to give, or offer, a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure;
- (c) accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them;
- (d) accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return;
- (e) threaten or retaliate against another worker who has refused to commit a bribery offence or who has raised concerns under this policy; or
- (f) engage in any activity that might lead to a breach of this policy.

##### **Examples:**

##### **Offering a bribe**

You offer a potential client tickets to a major sporting event, but only if they agree to do business with us.

This would be an offence as you are making the offer to gain a commercial and contractual advantage. We may also be found to have committed an offence because the offer has been made to obtain business for us. It may also be an offence for the potential client to accept your offer.

##### **Receiving a bribe**

A supplier gives your nephew a job, but makes it clear that in return they expect you to use your influence in our organisation to ensure we continue to do business with them.

It is an offence for a supplier to make such an offer. It would be an offence for you to accept the offer as you would be doing so to gain a personal advantage.

##### **Bribing a foreign official**

You arrange for the business to pay an additional payment to a foreign official to speed up an administrative process.

The offence of bribing a foreign public official has been committed as soon as the offer is made. This is because it is made to gain a business advantage for us. We may also be found to have committed an offence.

Please also refer to Schedule 2 on page 8 of this policy. To promote proper understanding, further examples of likely scenarios are also included and to encourage discussion, these form an integral part of the e-learning Anti Bribery & Corruption Training Programme.

## **5. GIFTS AND HOSPITALITY**

- 5.1 This policy does not prohibit normal and appropriate hospitality (given and received) to or from third parties. We have established guidelines for the corporate entertaining of our customers. These Corporate Hospitality Guidelines can be accessed via SharePoint.
- 5.2 We appreciate that the practice of giving business gifts varies between countries and regions and what may be normal and acceptable in one region may not be in another. The test to be applied is whether in all the circumstances the gift or hospitality is reasonable and justifiable. The intention behind the gift should always be considered. We have guidelines in place for the giving and receiving of gifts. These can be accessed via SharePoint.
- 5.3 The giving or receipt of gifts is not prohibited, if the following requirements are met:
- (a) it is not made with the intention of inducing a third party to perform a function improperly or in explicit or implicit exchange for favours or benefits (leading to an inference of improper intent);
  - (b) it complies with local law;
  - (c) it is given in our name, not in your name;
  - (d) it does not include cash or a cash equivalent (such as gift certificates or vouchers);
  - (e) it is appropriate in the circumstances. For example, in the UK it is customary for small gifts to be given at Christmas time;
  - (f) taking into account the reason for the gift, it is of an appropriate type and value and given at an appropriate time;
  - (g) it is given openly, not secretly; and
  - (h) the expenditure is reasonable, proportionate, made in good faith and is an established part of doing business (and clearly connected with legitimate business activity)

All gifts whether received or given are recorded formally on the Gifts Register. This is available to access via Sharepoint (our internal internet system). This Register will identify the nature of the gift, the customer/supplier to whom it has been given/from whom it has been received, the value of that gift and the Business Purpose.

## **6. FACILITATION PAYMENTS AND KICKBACKS**

- 6.1 We do not make, and will not accept, facilitation payments or "kickbacks" of any kind. Facilitation payments are typically small, unofficial payments made to secure or expedite a routine government action by a government official. They are not commonly paid in the UK, but are common in some other jurisdictions in which we operate.
- 6.2 If you are asked to make a payment on our behalf, you should always be mindful of what the payment is for and whether the amount requested is proportionate to the goods or services

provided. You should always ask for a receipt which details the reason for the payment. If you have any suspicions, concerns or queries regarding a payment, you should raise these with your manager

- 6.3 Kickbacks are typically payments made in return for a business favour or advantage. All workers must avoid any activity that might lead to, or suggest, that a facilitation payment or kickback will be made or accepted by us.

## **7. RESPONSIBILITIES**

- 7.1 You must ensure that you read, understand and comply with this policy.
- 7.2 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for us or under our control. All workers are required to avoid any activity that might lead to, or suggest, a breach of this policy.
- 7.3 You must notify your manager as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future. For example, if a client or potential client offers you something to gain a business advantage with us, or indicates to you that a gift or payment is required to secure their business. Further "red flags" that may indicate bribery or corruption are set out in Schedule 1.
- 7.4 Any employee who breaches this policy will face disciplinary action, which could result in dismissal for gross misconduct. We reserve our right to terminate our contractual relationship with other workers if they breach this policy.

## **8. RECORD-KEEPING**

- 8.1 We must keep financial records and have appropriate internal controls in place which will evidence the business reason for making payments to third parties.
- 8.2 You must declare and keep a written record of all hospitality or gifts accepted or offered, which will be subject to managerial review and approval. All matters or queries in relation to corporate entertaining of our customers should be raised with your line manager and or the Marketing & Investor Relations Manager, as set out in the Corporate Hospitality Guidelines. With regard to incoming gifts and offers of corporate hospitality all members of the Executive Management team must seek approval from the Group Chief Executive before acceptance. All other incoming offers of gifts and invitations must be approved by the appropriate Executive Director. On receipt of approval you must send the information to the appropriate HR Department for recording on a centralised Gifts Register.
- 8.3 You must ensure all expenses claims relating to hospitality, gifts or expenses incurred to third parties are submitted in accordance with our expenses policy and specifically record the reason for the expenditure.
- 8.4 All accounts, invoices, memoranda and other documents and records relating to dealings with third parties, such as clients, suppliers and business contacts, should be prepared and

maintained with strict accuracy and completeness. No accounts must be kept "off-book" to facilitate or conceal improper payments.

## **9. HOW TO RAISE A CONCERN**

You are encouraged to raise concerns about any issue or suspicion of malpractice at the earliest possible stage. If you are unsure whether a particular act constitutes bribery or corruption, or if you have any other queries, these should be raised with your line manager or the Compliance Officer. Concerns should be reported by following the procedure set out in our Whistle-blowing Policy. A copy of our Whistle-blowing Policy can be found at <http://www.hargreavesservices.co.uk/>

## **10. WHAT TO DO IF YOU ARE A VICTIM OF BRIBERY OR CORRUPTION**

It is important that you tell the Compliance Officer as soon as possible if you are offered a bribe by a third party, are asked to make one, suspect that this may happen in the future, or believe that you are a victim of another form of unlawful activity.

## **11. PROTECTION**

- 11.1 Workers who refuse to accept or offer a bribe, or those who raise concerns or report another's wrongdoing, are sometimes worried about possible repercussions. We aim to encourage openness and will support anyone who raises genuine concerns in good faith under this policy, even if they turn out to be mistaken.
- 11.2 We are committed to ensuring no one suffers any detrimental treatment as a result of refusing to take part in bribery or corruption, or because of reporting in good faith their suspicion that an actual or potential bribery or other corruption offence has taken place, or may take place in the future. Detrimental treatment includes dismissal, disciplinary action, threats or other unfavourable treatment connected with raising a concern. If you believe that you have suffered any such treatment, you should inform the compliance manager immediately. If the matter is not remedied, and you are an employee, you should raise it formally using our internal Grievance Procedure.

## **12. TRAINING AND COMMUNICATION**

- 12.1 Training on this policy forms part of the induction process for all new workers. Workers will receive regular, relevant training on how to implement and adhere to this policy.
- 12.2 Our zero-tolerance approach to bribery and corruption must be communicated to all suppliers, contractors and business partners at the outset of our business relationship with them and as appropriate thereafter.

**13. WHO IS RESPONSIBLE FOR THE POLICY?**

- 13.1 The board of directors has overall responsibility for ensuring this policy complies with our legal and ethical obligations, and that all those under our control comply with it.
- 13.2 The Compliance Officer has primary responsibility for monitoring the use and effectiveness of this policy and dealing with any queries on its interpretation. Management at all levels are responsible for ensuring those reporting to them are made aware of and understand this policy and are given adequate and regular training on it.

**14. MONITORING AND REVIEW**

- 14.1 The Compliance Officer will monitor the effectiveness and review the implementation of this policy, regularly considering its suitability, adequacy and effectiveness. Any improvements identified will be made as soon as possible.
- 14.2 All workers are responsible for the success of this policy and should ensure they use it to disclose any suspected danger or wrongdoing.
- 14.3 Workers are invited to comment on this policy and suggest ways in which it might be improved. Comments, suggestions and queries should be addressed to the Compliance Officer.



## Schedule 1: Potential risk scenarios: "red flags"

The following is a list of possible red flags that may arise during the course of you working for us and which may raise concerns under various anti-bribery and anti-corruption laws. The list is not intended to be exhaustive and is for illustrative purposes only.

If you encounter any of these red flags while working for us, you must report them promptly to your manager:

- (a) you become aware that a third party engages in, or has been accused of engaging in, improper business practices;
- (b) you learn that a third party has a reputation for paying bribes, or requiring that bribes are paid to them, or has a reputation for having a "special relationship" with foreign government officials;
- (c) a third party insists on receiving a commission or fee payment before committing to sign up to a contract with us, or carrying out a government function or process for us;
- (d) a third party requests payment in cash and/or refuses to sign a formal commission or fee agreement, or to provide an invoice or receipt for a payment made;
- (e) a third party requests that payment is made to a country or geographic location different from where the third party resides or conducts business;
- (f) a third party requests an unexpected additional fee or commission to "facilitate" a service;
- (g) a third party demands lavish entertainment or gifts before commencing or continuing contractual negotiations or provision of services;
- (h) a third party requests that a payment is made to "overlook" potential legal violations;
- (i) a third party requests that you provide employment or some other advantage to a friend or relative;
- (j) you receive an invoice from a third party that appears to be non-standard or customised;
- (k) a third party insists on the use of side letters or refuses to put terms agreed in writing;
- (l) you notice that we have been invoiced for a commission or fee payment that appears large given the service stated to have been provided;
- (m) a third party requests or requires the use of an agent, intermediary, consultant, distributor or supplier that is not typically used by or known to us;
- (n) you are offered an unusually generous gift or offered lavish hospitality by a third party.

## Schedule 2: Examples of Common Scenarios

### Scenario One

X plc provides waste disposal and related consultancy services, it is currently tendering for a contract with a local council. Council officials at the council tell X plc that its prospects of being awarded the contract would be greatly enhanced by a generous donation to their favourite charity

**Question 1**      **Could the payment to the charity be regarded as a bribe?**

Answer            Yes

Under Section 1 of the Bribery Act a person is guilty of an offence where he offers, promises or gives a financial or other advantage to another person and does so intending the advantage to induce the person to perform improperly a relevant function or activity, or to reward a person for the improper performance of such a function or activity. The person whom the advantage is offered, promised or given need not be the same as the person who is to perform the function or activity concerned – which is the case here, as the bribe will benefit the charity and the function or activity in question is being carried out by the Council Officials. The “function or activity” of the Council officials must fall within the scope of the Act. A relevant function or activity includes “any function of a public nature” (which this is) and also “any activity performed in the course of a person’s employment, each of which applies to the council officials. (It also covers any activity connected with a business” and “any activity performed by or on behalf of a body of persons”)

A relevant function or activity must also satisfy one of the following three conditions, namely that the person performing the function or activity:

- Is expected to perform it in good faith
- Is expected to perform it impartially
- Is in a position of trust by virtue of performing it.

These conditions are all satisfied in respect of the purchasing manager (it would be sufficient for just one of the conditions to be met).

**Question 2: Would it make any difference if X plc, concerned that it might be doing something potentially unlawful, offered to make the payment through its solicitors?**

Answer:            No

It does not matter whether the financial advantage or other advantage is offered, promised or given by X plc directly or through a third party – it will still be a bribe

### Scenario Two

X Ltd is a company wholly owned by XY Council. It offers leisure facilities to the public, It is considering buying gym equipment from W Ltd, a specialist supplier. Mr A, employed by X Ltd, is under pressure to keep costs to a minimum and is therefore considering offering Mr B, the sales manager at X Ltd with whom he is dealing, £1,000 payable to him personally, if he will supply the equipment at a substantially reduced rate.

**Question 1**      **Would Mr A be committing an offence if he took the £1,000?**

Answer            Yes

It is an offence to accept a financial advantage intending that, in consequence, a relevant function or activity will be performed improperly

It is also an offence to request a financial advantage with the intention of performing a relevant function or activity improperly- so even if he doesn't accept, or agree to accept, the money he would be committing an offence just by asking for it.

**Question 2** Would it make any difference if, instead of £1,000, Mr A was an offering specialist tuition, provided by a former Olympian, Mr B's daughter, who is learning judo?

Answer No

The advantage need not be financial – it could be any “other advantage”. Nor does it matter if the advantage is conferred on a third party in this case Mr B's daughter.

**Question 3** Is Mr A guilty of an offence by making either of these proposals to Mr B?

Answer Yes

This is the offence of bribing another person. As with the first scenario, consider whether there is a “function or activity” to which a bribe relates and “improper performance to which a bribe relates”

**Question 4** Could X Ltd be prosecuted under the Bribery Act?

Answer Yes

X Ltd could be prosecuted under section 7 of the Bribery Act for the failure of a commercial organisation to prevent bribery. Its only defence would be to show that it had placed adequate procedures designed to prevent persons in Mr A's position from committing bribery.

It does not matter that X Ltd is owned by a public body. State owned bodies will be commercial organisations if they carry in business. The same is true of partnerships between the public and private sector.

**Question 5** Does Mr A have to be prosecuted before X Ltd can be prosecuted?

Answer No

A person paying a bribe does not have to be prosecuted in order for the company to be prosecuted. However, the prosecution will have to prove there has been a bribe (made with the requisite intent).

**Question 6** If, rather than being an employee of X Ltd, Mr A were engaged by them as a self-employed consultant, could the company be prosecuted under the Bribery Act.

Answer Yes

Although, in some respects, there is a lack of clarity around the precise nature of the relationship with a third party which must exist for that third party to be deemed to be an associated person, the safest view to adopt is that third parties are generally associated persons. A company can be prosecuted if a person associated with it commits bribery.

Note that there does not need to be a written contract in place with a service provider for the service provider to be associated with the company.

### Scenario Three

Mr X, a British citizen, is employed by Y Ltd, a development company wishing to develop a site in Dubai. The site does not have planning permission. Mr X invites an official employed in the Dubai Commercial Development Planning Authority to a corporate box at the Dubai races for a five-course meal to encourage him to pass the planning application.

Question 1 Is this an offence under the Bribery Act?

Answer Yes

This is an offence under section 6 of the Act. The following elements of the offence are established:

- The planning officer is a foreign public official
- Mr X's intention was to influence the planning officer in his capacity as a foreign public official
- Mr X was intending to obtain an advantage in the conduct of business (i.e. obtaining the grant of planning permission)
- Mr X is giving an advantage to the official (the corporate hospitality)
- The local law in Dubai does not permit or require the official to be influenced by corporate hospitality

Question 2 Would an offence be committed if the grant of planning permission were a formality and Mr X's intention was merely to speed up the bureaucratic process?

Answer Yes

Facilitation payments have been common practice for many UK companies with operations overseas. Such payments are not permitted under the Act.

Question 3 Could Y Ltd be prosecuted under the bribery act in respect of the facilitation payment?

Answer Yes

Y Ltd could be prosecuted under section 7 of the Act for failing to prevent bribery. If Y Ltd has identified facilitation payments as a potential problem, then the following are examples of steps it might consider to help reduce the risk of bribery and provide it with a defence to prosecution:

- Communicate its policy of non-payment of facilitation payments to Mr X;
- Seek advice on the law of Dubai concerning planning applications to differentiate between properly payable fees and facilitation payments;
- Build realistic timescales into the project. Facilitation payments are often made to expedite a process
- Maintain close liaison with Mr X so to keep abreast of local developments.



Question 4 Would an offence be committed if the corporate hospitality was not a five course banquet in a corporate box, but a cup of tea and a sandwich, still paid for by Mr X, in a Dubai snack bar?

Answer Yes / No (probably!!)

This is very much a grey area but there is a risk so long as there was an intention for a financial or other advantage to influence the foreign official in his official role and thereby secure a business advantage.

Question 5 Could the individual directors be prosecuted for bribery as a result of what Mr X has been doing in Dubai?

Answer Yes

If any of the offences of bribing another person, receiving or accepting a bribe or bribery of foreign officials is committed and it is proved that it was committed with the consent or connivance of a senior officer of the company then that senior official is guilty of the offence as well.

“Connivance” could be simply the turning of a blind eye to what MRX was doing. Directors must ask as a matter of course what their overseas (and home-based) agents and employees are doing when they seek to obtain or retain business. The maximum term of imprisonment for any director found guilty is ten years.