

DATED

24 April 2018

ANTI-CORRUPTION, BRIBERY AND TAX EVASION POLICY

FOR

**SHEFFIELD FORGEMASTERS INTERNATIONAL LIMITED AND ITS
SUBSIDIARIES**

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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, corruption and tax evasion 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, corruption and tax evasion.
- 1.2 We will act in accordance with the UK Bribery Act 2010 and Criminal Finances Act 2017 and uphold all laws relevant to countering bribery, corruption and tax evasion in all of the jurisdictions in which we operate.

2. ABOUT THIS POLICY

- 2.1 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, corruption and tax evasion; and
 - (b) provide information and guidance to those working for us on how to recognise and deal with bribery, corruption and tax evasion issues.
- 2.2 It is a criminal offence to offer, promise, give, request, or accept a bribe. Individuals found guilty can be punished by up to ten years' imprisonment and/or a fine.
- 2.3 As an employer if we fail to prevent bribery or fail to prevent our employees, workers, agents or service providers facilitating tax evasion we can face an unlimited fine, exclusion from tendering for public contracts, and damage to our reputation. We therefore take our legal responsibilities very seriously.
- 2.4 We have identified that the following are particular risks for our business: (a) use of agents/intermediaries in our sales effort, (b) gifts and hospitality to influence our staff, (c) charitable/benevolent funds at SFEL which might give rise to a conflict of interest, (d) sales to public bodies and governmental organisations (e) lack of general awareness of the legislative changes under UK law.
- 2.5 To address those risks we have undertaken to (a) review all existing intermediaries agreements and ensure that these comply with all UK and local legislation, incorporate this policy into all intermediaries agreement (ensuring that we have rights to terminate for non-compliance and undertake appropriate levels of due diligence on all such intermediaries, (b) restrict what is permissible for our employees to offer and accept as gifts/hospitality to appropriate levels, (c) ensure any benevolent/charitable activities are undertaken fairly and openly, (d) review our sales work order process on an on-going basis to ensure sales approvals are vetted at the appropriate levels in the Company and (e) implement an awareness programme on

anti-bribery, corruption and tax evasion issues to all relevant staff and business partners.

2.6 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.

2.7 This policy has been implemented to seek to ensure that we comply with UK law and laws relating to bribery, corruption and tax evasion in all of the jurisdictions in which we operate.

2.8 This policy does not form part of any employee's contract of employment and we may amend it at any time.

3. **WHO MUST COMPLY WITH THIS POLICY?**

This policy applies to all persons working for us or any Group Company or on our behalf in any capacity, including employees at all levels, directors, officers, agency workers, seconded workers, volunteers, interns, agents, contractors, external consultants, third-party representatives and business partners, sponsors, or any other person associated with us, wherever located.

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

4.1 The Board of Directors have overall responsibility for ensuring that the company, and those under its control, complies with its legal and ethical obligations.

4.2 The Group Legal Counsel has primary and day-to-day responsibility for implementing this policy, monitoring its use and effectiveness, dealing with any queries about it, and auditing internal control systems and procedures to ensure they are effective in countering bribery, corruption and tax evasion.

4.3 Management at all levels are responsible for ensuring those reporting to them understand and comply with this policy and are given adequate and regular training on it.

4.4 You 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 Group Legal Counsel.

5. **WHAT ARE BRIBERY AND CORRUPTION?**

5.1 **Bribery** is offering, promising, giving or accepting any financial or other advantage, to induce the recipient or any other person to act improperly in the performance of

their functions, or to reward them for acting improperly, or where the recipient would act improperly by accepting the advantage.

5.2 An **advantage** includes money, gifts, loans, fees, hospitality, services, discounts, the award of a contract or anything else of value.

5.3 A person acts **improperly** where they act illegally, unethically, or contrary to an expectation of good faith or impartiality, or where they abuse a position of trust. The improper acts may be in relation to any business or professional activities, public functions, acts in the course of employment, or other activities by or on behalf of any organisation of any kind.

5.4 **Corruption** is the abuse of entrusted power or position for private gain.

Examples:

Offering a bribe

You offer a potential client tickets to a major sporting event, in an attempt to induce them 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 "facilitation" payment to a foreign official to speed up an administrative process, such as clearing our goods through customs.

The offence of bribing a foreign public official is 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.

6. WHAT YOU MUST NOT DO

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 or accept a gift or hospitality during any commercial negotiations or tender process, if this could be perceived as intended or likely to influence the outcome;
- (c) accept a payment, gift or hospitality from a third party that you know or suspect is offered with the expectation that it we will provide a business advantage for them or anyone else in return;
- (d) accept hospitality from a third party that is unduly lavish or extravagant under the circumstances.
- (e) offer or accept a gift to or from government officials or representatives, or politicians or political parties, without the prior approval of Group Legal Counsel;
- (f) threaten or retaliate against another individual who has refused to commit a bribery offence or who has raised concerns under this policy; or
- (g) engage in any other activity that might lead to a breach of this policy.

7. FACILITATION PAYMENTS AND KICKBACKS

7.1 We do not make, and will not accept, facilitation payments or "kickbacks" of any kind.

7.2 **Facilitation payments**, also known as "back-handers" or "grease payments", are typically small, unofficial payments made to secure or expedite a routine or necessary action (for example by a government official). They are not common in the UK, but are common in some other jurisdictions in which we operate. Notwithstanding the local customs, facilitations payments are expressly prohibited under this policy.

7.3 **Kickbacks** are typically payments made in return for a business favour or advantage.

7.4 You must avoid any activity that might lead to a facilitation payment or kickback being made or accepted by us or on our behalf, or that might suggest that such a payment will be made or accepted. 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 the Legal Counsel.

8. GIFTS, HOSPITALITY AND EXPENSES

8.1 This policy allows reasonable and appropriate hospitality or entertainment given to or received from third parties, for the purposes of:

- (a) establishing or maintaining good business relationships;
- (b) improving or maintaining our image or reputation; or

- (c) marketing or presenting our products and/or services effectively.

Hospitality offered or received that complies fully with this clause 8.1 and does not exceed the value equivalent of £100.00 must be recorded but does not need to be declared in accordance with clause 11 of this policy.

8.2 The giving and accepting of gifts is allowed if the following requirements are met:

- (a) it is not made with the intention of influencing a third party to obtain or retain business or a business advantage, or to reward the provision or retention of business or a business advantage, or in explicit or implicit exchange for favours or benefits;
- (b) it is given in the company's name, not in your name;
- (c) it does not include cash or a cash equivalent (such as gift certificates or vouchers);
- (d) it is appropriate in the circumstances, taking account of the reason for the gift, its timing and value;
- (e) it is given openly, not secretly; and
- (f) it complies with any applicable local law.

Gifts received or offered that comply fully with this clause 8.2 and do not exceed the value equivalent of £30.00 must be recorded but does not need to be declared in accordance with clause 11 of this policy.

8.3 Promotional gifts of low value such as branded stationery to or from existing customers, suppliers and business partners will usually be acceptable.

8.4 Reimbursing a third party's expenses, or accepting an offer to reimburse our expenses (for example, the costs of attending a business meeting) would not usually amount to bribery. However, a payment in excess of genuine and reasonable business expenses (such as the cost of an extended hotel stay) may amount to bribery and is not acceptable.

8.5 We appreciate that practice 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, hospitality or payment is reasonable and justifiable. The intention behind it should always be considered.

9. DONATIONS

9.1 We do not make contributions to political parties.

9.2 We only make charitable donations that are legal and ethical under local laws and practices. No donation must be offered or made on behalf of SFIL without the prior approval of the Chief Executive, the Chief Operating Officer and the Group Legal Counsel.

10. TAX EVASION FACILITATION

10.1 For the purposes of this policy:

- (a) **Tax evasion** means the offence of cheating the public revenue or fraudulently evading UK tax, and is a criminal offence. The offence requires an element of fraud, which means there must be deliberate action, or omission with dishonest intent;
- (b) **Foreign tax evasion** means evading tax in a foreign country, provided that conduct is an offence in that country and would be a criminal offence if committed in the UK. As with tax evasion, the element of fraud means there must be deliberate action, or omission with dishonest intent; and
- (c) **Tax evasion facilitation** means being knowingly concerned in, or taking steps with a view to, the fraudulent evasion of tax (whether UK tax or tax in a foreign country) by another person, or aiding, abetting, counselling or procuring the commission of that offence. Tax evasion facilitation is a criminal offence, where it is done deliberately and dishonestly.

10.2 Under the Criminal Finances Act 2017, a separate criminal offence is automatically committed by a corporate entity or partnership where the tax evasion is facilitated by a person acting in the capacity of an "associated person" to that body. For the offence to be made out, the associated person must deliberately and dishonestly take action to facilitate the tax evasion by the taxpayer. If the associated person accidentally, ignorantly, or negligently facilitates the tax evasion, then the corporate offence will not have been committed. The company does not have to have deliberately or dishonestly facilitated the tax evasion itself; the fact that the associated person has done so creates the liability for the company.

10.3 Tax evasion is not the same as tax avoidance or tax planning. Tax evasion involves deliberate and dishonest conduct. Tax avoidance is not illegal and involves taking steps, within the law, to minimise tax payable (or maximise tax reliefs).

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

- (a) engage in any form of facilitating tax evasion or foreign tax evasion;
- (b) aid, abet, counsel or procure the commission of a tax evasion offence or foreign tax evasion offence by another person;
- (c) fail to promptly report any request or demand from any third party to facilitate the fraudulent evasion of tax (whether UK tax or tax in a foreign country), or any suspected fraudulent evasion of tax (whether UK tax or tax in a foreign country) by another person, in accordance with this policy; or
- (d) threaten or retaliate against another individual who has refused to commit a tax evasion offence or a foreign tax evasion offence or who has raised concerns under this policy.

11. RECORD-KEEPING AND APPROVALS

- 11.1 We must keep financial records and have appropriate internal controls in place which will evidence the business reason for making payments to third parties.
- 11.2 You must keep a written record of all hospitality or gifts given or received, which will be subject to managerial review. Gifts received or offered that comply fully with clause 8.2 of this policy and do not exceed the value equivalent of £30.00 need not be declared. Hospitality offered or received that complies fully with clause 8.1 and does not exceed the value equivalent of £100.00 need not be declared.
- 11.3 All other hospitality or gifts to be given or received which is clearly in excess of these values should be approved in advance by the Legal Counsel, the Chief Operating Officer or the Chief Executive even where it complies fully with clauses 8.1 or 8.2. The Legal Counsel will keep a record of all approved hospitality or gifts to be given or received.
- 11.4 The Legal Counsel, the Chief Operating Officer and the Chief Executive will determine the manner in which gifts received shall be retained, with the usual position being that gifts will be retained by the company or donated for charitable purposes.
- 11.5 You must submit all expenses claims relating to hospitality, gifts or payments to third parties in accordance with our expenses policy and record the reason for expenditure.
- 11.6 All accounts, invoices, and other records relating to dealings with third parties including suppliers and customers should be prepared with strict accuracy and completeness. Accounts must not be kept "off-book" to facilitate or conceal or attempt to conceal improper payments.

12. YOUR RESPONSIBILITIES

- 12.1 You must ensure that you read, understand and comply with this policy.
- 12.2 The prevention, detection and reporting of bribery, tax evasion and other forms of corruption are the responsibility of all those working for us or under our control. You are required to avoid any activity that might lead to, or suggest, a breach of this policy.
- 12.3 You must notify the Group Legal Counsel 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, corruption or tax evasion are set out in clause 17. This list is not exhaustive but intends to give you examples of typical situations where concerns over bribery, corruption or tax evasion might arise.

13. HOW TO RAISE A CONCERN

- 13.1 You are encouraged to raise concerns about any issue or suspicion of bribery, corruption or tax evasion at the earliest possible stage.
- 13.2 If you are offered a bribe, or are asked to make one, or if you believe or suspect that any bribery, corruption, tax evasion or other breach of this policy has occurred or may occur, you must notify the Group Legal Counsel **OR** report it in accordance with our Protective Disclosure Policy as soon as possible.
- 13.3 If you are unsure about whether a particular act constitutes bribery, corruption or tax evasion you should raise it with your line manager or the Group Legal Counsel in accordance with the Protective Disclosure Policy.

14. PROTECTION

- 14.1 Individuals who refuse to accept or offer a bribe, or 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.
- 14.2 We are committed to ensuring no one suffers any detrimental treatment as a result of refusing to take part in or facilitate bribery or corruption, tax evasion or foreign tax evasion, or because of reporting in good faith their suspicion that an actual or potential bribery, tax evasion 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 Group Legal Counsel immediately. If the matter is not remedied, and you are an employee, you should raise it formally using our Grievance Procedure, which can be found within the HR section of the company policy library.

15. TRAINING AND COMMUNICATION

- 15.1 Training on this policy forms part of the induction process for all individuals who work for us, and regular training will be provided as necessary.
- 15.2 Our zero-tolerance approach to bribery, corruption and tax evasion must be communicated to all suppliers, contractors and business partners at the outset of our business relationship with them and as appropriate thereafter.

16. BREACHES OF THIS POLICY

- 16.1 Any employee who breaches this policy will face disciplinary action, which could result in dismissal for misconduct or gross misconduct.

- 16.2 We may terminate our relationship with other individuals and organisations working on our behalf if they breach this policy.

17. 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 corruption and anti-tax evasion 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 the Group Legal Counsel **OR** using the procedure set out in the Protective Disclosure Policy:

Bribery and Corruption


- (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 prescribed by our Commercial function, or to provide an invoice or receipt for a payment made;
- (e) a third party acting as an intermediary or agent for us refuses to provide evidence of their good standing or refuses to sign up to complying with this policy;
- (f) a third party requests that payment is made to a country or geographic location different from where the third party resides or conducts business;
- (g) a third party requests an unexpected additional fee or commission to "facilitate" a service;
- (h) a third party demands lavish entertainment or gifts before commencing or continuing contractual negotiations or provision of services;
- (i) a third party requests that a payment is made to "overlook" potential legal violations;
- (j) a third party requests that you provide employment or some other advantage to a friend or relative;
- (k) you receive an invoice from a third party that appears to be non-standard or customised or payments are made in cash or to high risk low tax jurisdictions or numbered or offshore accounts;

- (l) a third party insists on the use of side letters or refuses to put terms agreed in writing;
- (m) you notice that we have been invoiced for a commission or fee payment that appears large given the service stated to have been provided;
- (n) 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;
- (o) you are offered an unusually generous gift or offered lavish hospitality by a third party.

Tax Evasion

- (a) you become aware, in the course of your work, that a third party has made or intends to make a false statement relating to tax, has failed to disclose income or gains to, or to register with, HMRC (or the equivalent authority in any relevant non-UK jurisdiction), has delivered or intends to deliver a false document relating to tax, or has set up or intends to set up a structure to try to hide income, gains or assets from a tax authority;
- (b) you become aware, in the course of your work, that a third party has deliberately failed to register for VAT (or the equivalent tax in any relevant non-UK jurisdiction) or failed to account for VAT;
- (c) 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;
- (d) you become aware, in the course of your work, that a third party working for us as an employee asks to be treated as a self-employed contractor, but without any material changes to their working conditions;
- (e) a supplier or other subcontractor is paid gross when they should have been paid net, under a scheme such as the Construction Industry Scheme;
- (f) a third party requests that payment is made to a country or geographic location different from where the third party resides or conducts business;
- (g) a third party to whom we have provided services requests that their invoice is addressed to a different entity, where we did not provide services to such entity directly;
- (h) a third party to whom we have provided services asks us to change the description of services rendered on an invoice in a way that seems designed to obscure the nature of the services provided;
- (i) a third party insists on the use of side letters or refuses to put terms agreed in writing or asks for contracts or other documentation to be backdated;

- (j) you notice that we have been invoiced for a commission or fee payment that appears too large or too small, given the service stated to have been provided;
- (k) 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.

Signed: G. A. Honeyman 

Dr Graham Honeyman

Chief Executive Officer