

DIPLOMA PLC

ANTI-BRIBERY AND CORRUPTION POLICY

Circulation List:

All Employees of Diploma Group

March 2015

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1. POLICY STATEMENT

- 1.1 It is the Policy of Diploma PLC (“the Company” or “the Group”) that all of its businesses and employees should conduct their business in an honest and ethical manner. The Group’s businesses and employees are committed to acting professionally, fairly and with integrity in all their business dealings and relationships wherever they operate in the world. In support of this commitment, the Company will implement and enforce effective systems of control to identify any instances of bribery and take immediate action to stop them. The Board will take a zero-tolerance approach to bribery and corruption.
- 1.2 The Group will comply with all laws relevant to countering bribery and corruption in all the jurisdictions in which it operates, while ensuring that at all times it complies with the laws of the UK, including the Bribery Act 2010, in respect of the Group’s conduct both at home and abroad. The UK Bribery Act 2010 applies worldwide and its scope is considerably more far reaching than the US Foreign Corrupt Practices Act; in particular it makes unlawful all Facilitation Payments, as described further in paragraph 6 of this Policy.
- 1.3 The purpose of this Policy is to:
- (a) set out the Group’s responsibilities, and of those working for the Group, in observing and upholding the Group’s Policy on bribery and corruption; and
 - (b) provide information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues.
- 1.4 Bribery and corruption are punishable in the UK for individuals by up to ten years’ imprisonment and the Company, if also found to have taken part in bribery, would face an unlimited fine, as well as substantial damage to its reputation. The Board therefore takes its legal responsibilities very seriously.
- 1.5 In this Policy, **third party** means any individual or organisation with which an employee of the Group comes into contact during the course of their work for the Group, and includes actual and potential clients, customers, suppliers, distributors, business contacts, agents, advisers, and government and public bodies, including their advisors, representatives and officials.

2. WHO IS COVERED BY THE POLICY?

- 2.1 This policy applies to all individuals working at all levels throughout the Group’s businesses and throughout the world, including senior managers, officers, directors, employees (whether permanent, fixed-term or temporary), consultants, contractors, trainees, seconded staff, home-employees, casual employees and agency staff, volunteers, interns, agents, sponsors, or any other person associated with the business wherever located (collectively referred to as **employees** in this Policy).

2.2 This policy also applies to all third party sales representatives, sales agents and intermediaries working for or on behalf of the Group's operating businesses and again is applicable throughout the world.

3. WHAT IS BRIBERY?

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

Examples:

Offering a bribe

You offer a potential client tickets to a major sporting event, but only if the client agrees to do business with the Group.

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

However, if the primary purpose of the hospitality was to enhance the relationship or enhance knowledge of the business's products and services, it is unlikely that this hospitality would constitute bribery.

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 Group to ensure the Group continues 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, such as clearing goods through customs.

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 the Group. The Group may also be found to have committed an offence.

Bribes through Agents or Intermediaries

You arrange for the Company to pay an agent a commission which is higher than the normal industry standard; this higher payment provides the agent with sufficient remuneration to allow him to pay a bribe to a key decision maker on a contract without the Company's knowledge.

The Group is liable when it fails to prevent bribes offered by its "associated persons" i.e. Agents or intermediaries – those who perform services on behalf of the business. Any decision to reward a particular agent at a higher level of commission must be justifiable on business grounds and a record of the decision and the underlying reasons should be added to the files.

4. GIFTS AND HOSPITALITY

4.1 This policy does not prohibit normal and appropriate hospitality (given and received) to or from third parties. Bona fide hospitality and promotional activities which seek to improve the image of a Diploma Group business, or establish cordial relations are not prohibited, provided these are reasonable and proportionate.

4.2 The giving or receipt of gifts is not prohibited, 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 complies with local law;
- (c) it is given in the Company's name, not in the employee's 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 some countries 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.

4.3 In addition, in no circumstances at all should gifts be offered to, or accepted from, government officials or representatives, or politicians or political parties, unless approved in advance in writing by the Group Chief Executive Officer.

4.4 The Board appreciates 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.

4.5 If an employee is unsure whether a gift or hospitality is appropriate, he should refer to the Gifts and Hospitality Policy and if still uncertain, consult with his General Manager.

5. WHAT IS NOT ACCEPTABLE?

5.1 It is not acceptable for an employee (or someone on behalf of an employee) 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 the employee knows or suspects 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 the employee knows or suspect that it is offered or provided with an expectation that a business advantage will be provided by the Group in return;
- (e) threaten or retaliate against another employee 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.

6. FACILITATION PAYMENTS AND KICKBACKS

- 6.1 Employees in the Group must not make or 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 can be more common in some other jurisdictions.
- 6.2 If an employee is asked to make a payment on the Group's behalf to any customer or supplier, or agent working on their behalf, the employee should always be mindful of what the payment is for and whether the amount requested is proportionate to the goods or services provided. The employee should always ask for a receipt which sets out clearly the reason for the payment. If the employee has any suspicions, concerns or queries regarding a payment, they should raise these concerns with their Managing Director or the Group Internal Auditor.
- 6.3 Kickbacks are typically payments made in return for a business favour or advantage. All employees must avoid any activity that might lead to, or suggest, that a facilitation payment or kickback will be made or accepted.

7. DONATIONS

- 7.1 The Company does not make contributions to political parties. The Group does make charitable donations that are legal and ethical under local laws and practices. All charitable donations should be reported annually to the Group Finance Department in Diploma PLC.

8. YOUR RESPONSIBILITIES

- 8.1 All employees must ensure that they read, understand and comply with this Policy.
- 8.2 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all employees working for the Group or under the Group's control. All employees are required to avoid any activity that might lead to, or suggest, a breach of this Policy.
- 8.3 All employees must notify their Managing Director or the Group Internal Auditor immediately if they 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 something to gain a business advantage with the Group, or indicates that a gift or payment is required to secure their business. Further "red flags" that may indicate bribery or corruption are set out in the attached schedule.
- 8.4 Any employee who breaches this Policy will face disciplinary action, which could result in dismissal for gross misconduct. The Board reserves its right to terminate the contractual relationship with any employee if they breach this Policy.
- 8.5 The key action for all employees if they are in doubt about any proposed transaction, gift or payment, is to ask your Managing Director for advice.

9. RECORD-KEEPING

- 9.1 Each business in the Group must keep financial records and have appropriate internal controls in place which will properly support the business reason for making any payments to third parties.
- 9.2 All employees must keep a written record of all hospitality or gifts accepted or offered, which will be subject to review by their Managing Director and periodic review by Internal Audit.
- 9.3 All employees must ensure that their expenses claims relating to hospitality, gifts or expenses incurred on entertaining third parties are submitted in accordance with their businesses expenses policy and specifically record the reason for the expenditure.
- 9.4 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.

10. HOW TO RAISE A CONCERN

- 10.1 All employees are encouraged to raise concerns about any issue or suspicion of malpractice at the earliest possible stage. If an employee is unsure whether a particular act constitutes bribery or corruption, or they have any other questions, these should be raised with their General Manager or the Group Internal Auditor (Andrew Beske – andrew.beske@diplomapl.com).
- 10.2 Concerns can also be reported by following the procedure set out in the Group's Whistleblowing Policy. A copy of the Whistleblowing Policy is available on local staff noticeboards can be obtained from either your line manager or the Group Company Secretary.

11. WHAT TO DO IF AN EMPLOYEE IS A VICTIM OF BRIBERY OR CORRUPTION

- 11.1 It is important that all employees immediately report to their Managing Director any instances where they are offered a bribe by a third party, are asked to make one, suspect that this may happen in the future, or believe that they are a victim of another form of unlawful activity.
- 11.2 The Managing Director will respond within the business to ensure compliance with this policy and where action is required at Diploma Group level, details will be sent to the Group Company Secretary for the monitoring and where appropriate, for self-reporting to the appropriate authorities.

12. PROTECTION

- 12.1 Employees who refuse to accept or offer a bribe, or those who raise concerns or report another's wrongdoing, are sometimes worried about possible repercussions. The Group aims to encourage openness and will support any employee who raises genuine concerns in good faith under this policy, even if they turn out to be mistaken.
- 12.2 The Group is committed to ensuring that no employee 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 an employee believes that they have suffered any such treatment, they should inform their Managing Director immediately. If the matter is not remedied, the employee should raise the matter formally using the businesses' applicable Grievance Procedure.

13. TRAINING AND COMMUNICATION

- 13.1 Training on this policy will form part of the induction process for all new employees. Existing employees will also receive relevant periodic training on how to implement and adhere to this policy.
- 13.2 The Group's zero-tolerance approach to bribery and corruption must be communicated to all suppliers, contractors and business partners at the outset of any business relationship with them and as appropriate thereafter.

14. WHO IS RESPONSIBLE FOR THE POLICY?

- 14.1 The Board of Directors, through the Group Company Secretary, has overall responsibility for ensuring this Policy complies with the Group's legal and ethical obligations, and that all those under the Group's control comply with it.
- 14.2 The Group Company Secretary has primary day-to-day responsibility for implementing this Policy, and for monitoring its use and effectiveness and dealing with any questions on its interpretation. Management at all levels are responsible for ensuring that all employees who report to them are made aware of and understand this policy and are given adequate training on it.

15. MONITORING AND REVIEW

- 15.1 The Group Internal Auditor will monitor the effectiveness of this Policy and review its implementation regularly considering its suitability, adequacy and effectiveness. Any improvements identified will be made as soon as possible. Internal control systems and procedures will be subject to regular internal audits to provide assurance that they are effective in countering bribery and corruption.
- 15.2 All employees are responsible for the success of this Policy and should ensure they use it to disclose any suspected danger or wrongdoing.
- 15.3 Employees are invited to comment on this Policy and my suggest ways in which it might be improved. Comments, suggestions and questions should be addressed to AJ Gallagher, Group Company Secretary (Tel: +44 207 549 5712 or email: anthony.gallagher@diplomapl.com).
- 15.4 This Policy does not form part of any employee's contract of employment and it may be amended at any time.

Potential risk scenarios: "red flags"

The following is a list of possible red flags that may arise during the course of working for the Group 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 an employee encounters any of these red flags while working for the Group, the employee must report them promptly using the procedure set out in Paragraph 10:

- (a) the employee becomes aware that a third party engages in, or has been accused of engaging in, improper business practices;
- (b) the employee learns 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 the Group, or carrying out a government function or process for the Group;
- (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) an employee is offered an unusually generous gift or offered lavish hospitality by a third party;
- (i) a third party requests that a payment is made to "overlook" potential legal violations;
- (j) a third party requests that an employee provides employment or some other advantage to a friend or relative;
- (k) an employee receives an invoice from a third party that appears to be non-standard or customised;
- (l) a third party insists on the use of side letters or refuses to put terms agreed in writing;

- (m) an employee notices that the Group has been invoiced for a commission or fee payment that appears large given the service stated to have been provided; or
- (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 the Group.