

## **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 with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery.
- 1.2. We acknowledge that on occasion our business requires that we conduct ourselves in other countries, which are generally considered to be low-risk, and will uphold all laws relating countering bribery and corruption. We will continue to uphold the laws of the Bribery Act regardless, wherever we conduct our business.
- 1.3. We prepared a memorandum on the Bribery Act, which is included at Schedule 1, which identified the development of the law, the consequences of being found guilty of one of the offences and identified what we see to be the relevant risks to the organisation.
- 1.4. This policy seeks to set out our responsibilities in upholding the provisions of the Bribery Act and provide information and guidance to our employees, affiliates and those working for us on how to recognise and eliminate bribery and corruption should it occur within the organisation.

## **2. Who this policy applies to**

- 2.1. The organisation acknowledges that it is bound by the Bribery Act as it is a company incorporated in England and Wales (with affiliates incorporated in Scotland) and trading within the United Kingdom.
- 2.2. This policy applies to all individuals working at all levels and grades, including directors, managers, employees (whether permanent, fixed-term or temporary), consultants, contractors, seconded staff, agency staff, interns, agents 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?**

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

- 3.2. Offering and agreeing to accept a bribe is still a bribe and it doesn't matter if the bribe is ultimately paid!
- 3.3. The memorandum on the Bribery Act contained at schedule 1 contains further information on what constitutes bribery, however some examples are:
  - 3.3.1. Offering a bribe – you offer a potential client tickets to a major sporting event, but only give the tickets if the person agrees to do business with you;
  - 3.3.2. receiving a bribe – a person offers to sit on one of your committees if you agree to send work to their company;
  - 3.3.3. bribing a foreign official - although this is unlikely for this organisation, this could be where you arrange for an additional payment to a foreign official to speed up internal processes; and
  - 3.3.4. making a bribe on another's behalf – you have a project manager for a joint industry project and they make a payment to someone in order to expedite the work of the project.

#### **4. Facilitation payments**

- 4.1. We do not make, and will not accept, facilitation payments of any kind, or in any circumstances. Although these are not commonly paid in the UK we uphold the prohibition of the making and receiving of such payments.
- 4.2. In the unlikely event you are asked to make a payment or receive 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 request a receipt detailing the payment. If you have any suspicions, concerns or queries relating to a particular payment, you should raise this with your line manager.

#### **5. Associated persons**

- 5.1. The organisation appreciates that it undertakes a number of joint ventures (in the form of joint industry projects) and utilises consultants and workers on occasion. The definition of "associated person" is wide and can mean any person performing services for and on behalf of the organisation. In having regard to all the circumstances, this could include staff, agents, contractors, subsidiaries and co-venturers.

5.2. In working with associated persons, the following should be considered:

5.2.1. due diligence – due diligence should be conducted on proposed associated persons using a risk based approach. Regard should be given to the work being undertaken by that person, the location of their business, any history of non-compliance or bribery and any other relevant risks. Although we do not anticipate contracting with anyone in a high-risk relationship, where you consider someone to be in a high-risk category you should revert to your line manager.

In light of due diligence that is carried out, you should consider whether it is appropriate to continue or whether further due diligence may need to be undertaken.

5.2.2. contracting – if the organisation decides to enter into a contract with an associated person, you should consider whether to include additional anti-corruption provisions in the written contract. In contracting such person you should speak to the Legal Advisor on the most appropriate provisions to include.

5.2.3. Training – all associated persons should be given training on anti-corruption and bribery, and on this policy, prior to undertaking any work on behalf of the organisation. Such training should be monitored and reviewed on a regular basis.

5.2.4. Monitoring – the work undertaken by the associated person should be monitored. You should ensure that the organisation has a right to audit the work undertaken and a procedure for breaches.

5.2.5. joint ventures – care should be taken when entering into joint ventures that your co-venturers have their own adequate bribery and corruption policies and procedures and that are not materially different from this policy.

## **6. Gifts and hospitality**

6.1. This policy does not prohibit normal and appropriate hospitality, both given and received, to or from third parties; however any gifts given or received must be in accordance with the provisions of this policy.

6.2. You are permitted to give or receive gifts on behalf of the organisation provided that:

6.2.1. it is not made with the intention of influencing you (in the case of receiving a gift) or a third party (in the case of giving a gift) to perform your/their duties in an improper manner such as (but not limited to) obtaining or retaining a business advantage, rewarding the provision of a business advantage or the exchange of favours and/or benefits;

6.2.2. it complies with local law, especially in the unlikely event the organisation conducts business outwith the UK;

6.2.3.taking into account all the circumstances it is proportionate and given or received at an appropriate time;

6.2.4.it is given or received openly and is not secretive in nature;

6.2.5.it does not include money or a money equivalent, such as gift certificates; and

6.2.6.in relation to government officials, it is not given or received without the prior approval of your line manager.

6.3. Although we have provided scenarios where receiving a gift may be acceptable, you should have regard at all times to whether, in considering all the circumstances, the gift is reasonable and justifiable. On each occasion you should consider the intention behind the gift and whether in receiving the gift you are being asked to perform your duties in an improper way.

6.4. All gifts received or given should be recorded in accordance with our provisions on record-keeping.

## **7. What should you avoid?**

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

7.1.1.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 the provision of a business advantage;

7.1.2. give, promise to give, or offer a payment, gift or hospitality to a government official or their agent with a view to expediting a routine procedure;

7.1.3.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;

7.1.4.accept a gift from a third party where you know or believe that it is provided with the expectation that a business advantage will be provided;

7.1.5.threaten or retaliate against another worker that refuses to commit a bribery offence or who has raised concerns under this policy; or

7.1.6.engage in any actions that may lead to a breach of this policy.

## **8. Donations**

We do not make contributions to political parties. We only make charitable donations that are legal and ethical under local laws and practices. No donation should be made, under any circumstances, without the prior approval of the Chief Executive.

## **9. Your responsibilities**

- 9.1. **You must ensure that you read, understand and comply with this policy at all times.** This policy has been set by the board and management shall be responsible for the implementation and monitoring of this policy.
- 9.2. All staff are responsible for complying with the organisation's policies and procedures in the day-to-day conduct of the business. The prevention, detection and reporting of bribery and other forms of corruption are both an individual and a collective responsibility and all workers are required to avoid any activity that might lead to, or suggest, a breach of this policy.
- 9.3. If you believe or suspect that a breach of this policy has occurred you should notify your line manager immediately. If your line manager is not available then you should notify one of the other managers of the organisation. A non-exhaustive list of potential "red flags" has been included at schedule 2.
- 9.4. Any employee who is found to be in breach of this policy will face disciplinary action, which could result in dismissal for gross misconduct. We also reserve the right to terminate our contractual relationship with other workers if they breach this policy.

## **10. Record Keeping**

- 10.1. The HR department will maintain a log book of all hospitality and gifts received and given. In the event that you receive a gift or entertainment, this must be promptly notified to HR by email ([hr@oilandgasuk.co.uk](mailto:hr@oilandgasuk.co.uk)) to be recorded in the log book. Such log books will then be reviewed and be subject to managerial review.
- 10.2. You must ensure that all expenses claims relating to hospitality, gifts or expenses given specifically record the reason for the expenditure.

## **11. 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 as to whether a particular circumstance constitutes bribery or corruption, or if you have any other queries in relation to this policy, these should be raised with your line manager. Concerns should be reported following the procedure set out in our Whistleblowing Policy, which can be found in electronic form on the N: drive under "HR Directory".

## **12. Protection from bribery**

- 12.1. Workers who refuse to accept or offer a bribe, or those who raise concerns or report another's wrongdoing, are sometimes concerned of repercussions. We aim to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.
- 12.2. 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 HR department.

## **13. Training and communication**

- 13.1. Training on this policy forms part of the induction process for all new workers within the organisation. All existing workers shall also receive regular, relevant training on how to implement and follow this policy.
- 13.2. Where any changes are made to this policy as a result of monitoring and reviewing the policy, all workers shall be notified of these changes.

## **14. Who is responsible for the policy?**

- 14.1. 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.
- 14.2. The management of the organisation has responsibility of the day-to-day responsibility for implementing this policy, monitoring its suitability, adequacy and effectiveness. Any improvements identified will be made as soon as possible and shall be subject to regular review to ensure that they are effective for the purpose.
- 14.3. All workers are responsible individually and collectively for the success of this policy and ensure that they use it to make disclosures. If a worker is of the opinion that the policy could be improved then such comments, suggestions and queries should be raised with a line manager.

## **Schedule 1**

### **Memorandum on the Bribery Act**

#### **1. Introduction**

- 1.1. The act of bribery is not a new concept to the United Kingdom and has been recognised as an illegal act for many years. The implementation of the Bribery Act 2010, however, is the biggest reform of the common law of bribery in more than 100 years and consolidates the existing law into one statute.
- 1.2. The Bribery Act interrelates with existing common law provisions, in particular, to reduce the complexities in enforcing the law. Bribery is recognised as being morally wrong in that it results in inefficient economic markets, the diversion of funds to persons that may be less worthy and can also lead to the use of inappropriate goods, services or equipment.
- 1.3. Oil & Gas UK accepts that it will be bound by this new legislation by reason of it being a company incorporated in England & Wales (with affiliates incorporated in Scotland) and carrying on a business within the UK. This memorandum summarises the significant changes in UK anti-corruption law and the need for Oil & Gas UK to take appropriate action to ensure that it and its affiliates employees and contractors (the "Group") are aware of the offences and protect against incurring any liability of whatsoever nature to the extent that such actions have not already been taken.

#### **2. The changes**

- 2.1. Although Oil & Gas UK has never condoned any act of bribery, it is recognised that consideration must be given to this new piece of legislation. Oil & Gas UK operates, almost exclusively, within the United Kingdom but recognises that it has a distinct relationship with the Westminster Government, the Scottish Government and other trade associations working within the oil and gas industry surrounding the North Sea.
- 2.2. The Bribery Act is effective from 1 July 2011 and will introduce changes that could impact the conduct of the Group's business, in that:
  - 2.2.1. The offences carry criminal penalties for both individuals and organisations. For individuals (including directors of a company) a maximum prison sentence of ten years and/or an unlimited fine can be imposed; for companies, an unlimited fine can be imposed;
  - 2.2.2. It creates a new strict liability offence (see below) where the only defence is to have adequate procedure in place (please see above for our policy);
  - 2.2.3. It extends the crime of bribery to cover all private sector transactions when previously it was limited solely to transactions involving public officials; and
  - 2.2.4. Its scope reaches farther than the previous law in that, in relation to a person bound by the act, it applies to actions anywhere in the world.

2.2.5. In response to these changes, Oil & Gas UK have chosen to review its anti-corruption procedures.

### **3. The bribery offences**

3.1. The Bribery Act creates four different offences:

3.1.1. A general offence of actively offering, promising or paying a bribe in circumstances involving the “improper performance” of a relevant function or activity;

3.1.2. A general offence of passively requesting, agreeing to receive or accepting bribes in circumstances involving the “improper performance” of a relevant function or activity;

3.1.3. A separate offence of directly or indirectly bribing of a foreign public official where that official is not permitted or required by the written law of their state to be so influenced (please note that custom and tolerance are not deemed to be acceptable); and

3.1.4. A new offence of failure by a commercial organisation to prevent bribes being paid by those acting on its behalf where they intend to obtain or retain business or a business advantage for the corporation unless there are “adequate procedures” in place.

3.2. It is noted that the Bribery Act will not be retrospective in its application but, once again, Oil & Gas UK has never condoned any illegal act of bribery.

### **4. The new offence of failure to prevent bribes**

4.1. Although Oil & Gas UK has not condoned the paying of bribes on its behalf, the organisation is aware that particular attention should be paid to this section as Oil & Gas UK undertakes a large number of collaborative pieces of work and engages with people to undertake work on its behalf.

4.2. A commercial organisation commits an offence if a person associated with it bribes another person for that organisation’s benefit.

4.3. The term “associated” in relation to a commercial organisation involves a person that performs services for or on behalf of the organisation, regardless of the capacity in which they do so. This can, therefore, be an employee, agent, subsidiary or joint-venture partner.

4.4. As you will be able to see, this is widely defined and could cover our employees, agents, subsidiaries and joint-venture partners, all of whom could render the Group guilty of this offence.

4.5. **This is a strict liability offence.** As a result, it is not necessary to prove negligence, involvement and guilt of the “directing mind and will” of the company that was required under the previously existing law.

4.6. Adequate procedures defence.

A defence exists in relation to the failure to prevent a bribe if the organisation can show that it had in place “adequate procedures” to prevent bribery taking place. This term is not defined in the legislation but the Ministry of Justice has published guidance on what these may involve<sup>1</sup>.

The guidance sets out the following six principles:

- proportionate procedures
- top level commitment
- risk assessment
- due diligence
- communication
- monitoring and review

We have reviewed the guidance and will conduct a risk assessment and ensure that we have implemented measures to ensure compliance with the Bribery Act.

## 5. The penalties

5.1. The consequences of being convicted of any of the offences listed at paragraph 3 above could include:

### **Individuals (including Senior Officials)**

- up to 10 years imprisonment
- unlimited fines
- disqualification from acting as a director for up to 15 years

### **Organisations**

- unlimited fines
- more innovative use of the existing penalties such as confiscation and civil recovery

5.2. “Senior Officials” is widely defined (including directors) and they can be convicted of an offence where they are deemed to have consented to any of the offences, which could also include omitting to act.

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<sup>11</sup> The Bribery Act 2010: Guidance about procedures which relevant commercial organisations can put in place to prevent persons associated with them from bribing (see: <http://www.justice.gov.uk/guidance/docs/bribery-act-2010-guidance.pdf>).

## 6. Risks for the Group

6.1. It is recognised that there are certain activities of the Group that could cause more exposure to the risk of being involved in these offences. In particular:

- **Corporate hospitality:** there is a risk that corporate hospitality and the giving and receiving of gifts might be seen as bribery. Lavish and unnecessary hospitality or gifts must be avoided at every opportunity including both the giving and receiving of such gifts.

- **Facilitation payments:** although Oil & Gas UK as a trade association does not tend to undertake business in any countries where such payments are considered custom, it recognises that the oil and gas industry is a sensitive sector with regard to such payments and wishes to support the understanding that any payments requested by officials to secure or expedite performance are entirely unlawful and should not be condoned, regardless of how small the payment may be.

- **Public officials:** we have frequent interactions with public officials but note, however, that such officials are not of states that could be considered high-risk.

- **Agents:** the Group makes extensive use of agents and enters into joint ventures.

## 7. Action to be taken

7.1. Action will be taken as follows, which is proportionate to the Group and consistent with available guidance:

- conduct a comprehensive Group-wide risk assessment
- review anti-corruption policies and procedures, especially relating to the points listed in paragraph 6 above;
- adopt a code of conduct for the Group which sets out in detail how employees and other associated persons should conduct themselves in light of the Bribery Act;
- conduct suitable due diligence of any "associated persons";
- prepare a reporting system for the purpose of gifts and/or corporate hospitality
- provide a monitoring requirement of conduct;
- ensure adequate training is given and refreshed for all staff; and
- clearly publish the Group's anti-corruption statement and policies.

## **Schedule 2**

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