



Merchant Securities

ANTI-BRIBERY POLICY (JULY 2011)

MSL Policy Statement

The Merchant Securities group (all companies in the Merchant Securities group of companies) and its senior management have a zero-tolerance anti-bribery policy that forbids employees from offering or accepting bribes in any form – monetary or otherwise.

This document is the group's high-level policy statement. Employees of group companies must also comply with local policies and procedures that apply to them as set out in any other individual group company compliance manual or procedures.

Bribery and fraud may occur internally or externally and may be perpetrated by employees, clients, suppliers, contractors, service providers, agents or anyone else doing business with the group. We reject bribery in any form and our customers and any other person with whom the group interacts can be confident that we value our reputation very highly and that they are dealing with a company that will not risk damage to its reputation by getting involved in illegal or unethical business practices.

The group will not, therefore, enter into any business relationship or engage in any activity if it knows or has reasonable grounds to suspect that a business relationship or activity is, in any way, connected with or facilitates bribery or fraud. We will actively cooperate with law enforcement authorities for the investigation and punishment of any act of bribery connected to any group company.

Bribery Act - Offences

The UK Bribery Act 2010 (the "Bribery Act") defines the following offences:

1. **Paying bribes:** Offering, promising or giving a financial or other advantage to induce someone to perform their function or activity 'improperly' (the 'active' bribe offence)
2. **Receiving bribes:** Requesting, agreeing to receive or accepting a financial or other advantage for performing your function or activity 'improperly' (the 'passive' bribery offence)
3. **Bribing a foreign public official:** This includes bribes paid to stop public officials from exercising their normal function, or exercising a function that is not within their authority
4. **Failure by a company to prevent bribery** by associated persons* (the corporate offence)

*Under the UK Bribery Act if a person associated with an organisation bribes a person with the intention of gaining or retaining a business advantage for a commercial organisation, then the organisation may be guilty of an offence under the Act and liable for an unlimited fine. Associated persons include anyone who performs services for or on behalf of the company, e.g. an employee, agent or subsidiary.

Non-compliance with the Bribery Act may lead to disciplinary action, including termination of employment and could result in criminal penalties for the group and any individual staff members who commit bribery or fraud.

UK Bribery Act 2010 Penalties

1. Individuals convicted for paying or receiving bribes face up to ten years' imprisonment
2. Companies convicted of failing to prevent bribery by associated persons face unlimited fines
3. Directors and senior officers of companies involved can face criminal and civil liabilities

Hospitality

In its guidance to the Bribery Act, the UK Government has stated that bona fide hospitality and promotional expenditure to improve a company's image, present products and services, or establish cordial relations with clients, is completely legitimate.

Hospitality or promotional expenditure which is reasonable, proportionate and made in good faith, is an established and important part of doing business, so, paying for a business lunch or taking a client out for an event to discuss business is perfectly acceptable; the Act does not seek to penalise such activity.

However, corporate hospitality, promotions and gifts have the potential to create a perception of bribery, and it is essential to draw a distinction between what is legitimate in business situations and what is bribery; any gift or hospitality that seeks to influence the recipient into performing their function improperly would be considered a bribe.

If hospitality or promotions are offered to influence an official to secure business or a business advantage, or to improperly induce a potential client to award a contract, it can amount to bribery.

The more lavish the hospitality or expenditure (beyond what may be reasonable standards in the particular circumstances) the greater the inference that it is intended to encourage or reward improper performance or influence an official. Lavishness is just one factor that may be taken into account by the authorities in determining whether an offence has been committed.

The full circumstances of each case would need to be considered. Other factors might include that the hospitality or expenditure was not clearly connected with legitimate business activity, or was concealed.

Employees should note that any hospitality, given or received, where the host is not present will be regarded as a gift under our group policy and will, unless the value of the gift is below the financial limits that we have set, most likely be viewed as being unacceptable.

Employees should consider the following in determining whether a gift, hospitality or expense is acceptable:

- **Made for the right reason:** if a gift or hospitality, it should be given clearly as an act of appreciation, or to establish cordial relations with new or existing customers; if travel expenses then for a bona fide business purpose
- **No obligation:** the gift, hospitality or reimbursement of expense does not place the recipient under any obligation which can only be satisfied by improper behaviour designed to favour the host or donor
- **No expectations:** expectations are not created in the giver or an associate of the giver or have a higher importance attached to it by the giver than the recipient would place on such a transaction
- **Made openly:** if made secretly and undocumented then the purpose will be open to question
- **Accords with stakeholder perception:** the transaction would not be viewed unfavourably by stakeholders if it were to be made known to them

- **Reasonable value:** the value of the gift is small or the value of the hospitality or reimbursed expense accords with our entertainment policy and monetary limits and accepted business practice
- **Appropriate:** the nature of the gift, hospitality or reimbursed expense is appropriate to the relationship and accords with general business practice and local customs
- **Legality:** it is compliant with relevant laws
- **Conforms to the recipient's rules:** the gift, hospitality or reimbursement of expenses meets the rules or code of conduct of the recipient's organisation
- **Infrequent:** the giving or receiving of gifts and hospitality is not overly frequent between the giver and the recipient
- **Documented:** the expense is properly recorded in our books and records, and
- **Reported:** the gift, hospitality or expense is recorded and where necessary, reported to Compliance in accordance with our Gifts and Hospitality reporting requirements

Sponsorship

Merchant Securities is committed to corporate social responsibility, which may include donation and sponsorship of various activities and events. However, we must take care that donations and sponsorships are not used as, or perceived to be, inducements to retain or gain business.

Employees may at times be asked by a customer to support a good cause or sponsor something that they are involved with. Overseas, you may be called upon by officials to make political contributions or sponsor events or projects that they are involved with. Such situations must be weighed carefully and brought to the attention of and sanctioned by the board of the relevant group company before acting on the request.

Facilitation Payments

The Bribery Act specifically outlaws facilitation payments as they are seen as a form of bribery made with the purpose of expediting or facilitating the performance by a public official of a routine governmental action, the exception being where such payments are for legally required administrative fees, or fast-track services.

Whistle-blowing

If any employee is aware of bribery that person must report it immediately.

If any employee has a concern about any malpractice, he should raise his concern with his senior manager. If he feels unable to do this, it should be raised with the Compliance Officer who will investigate the matter. Such approaches will be treated in confidence and with discretion.