

LFF GROUP* **ANTI BRIBERY AND CORRUPTION POLICY**

The Policy

LFF carries out business in an honest, transparent and ethical way. We will comply with all laws and regulations in all countries in which we operate.

We do not tolerate bribery or corruption.

This policy extends to all our activity throughout the world. All directors, officers and employees must abide by its terms. All subsidiary companies and those associated with LFF including Sales Agents and Agents/Intermediaries who obtain permits, licences or authorisations from public officials or regulators are bound by the terms of this policy.

Failure to comply with the policy may result in criminal action and potential loss of employment and/or cancellation of agency agreements.

The Boards of Directors of LFF and its subsidiaries are responsible for the oversight of this policy, with each company appointing an Anti-Bribery Officer ("ABO") responsible for its implementation. Contact ABO@LFF.co.uk

***LFF Group ("LFF") includes LFF Holdings Limited, London Fittings & Flanges Limited, LFF Houston Inc., LFF (Scotland) Limited, Kazakhstan Integrated Services LLP, LFF Glamal Limited, LFF Glamal Holdings Limited, LFF Perth Pty Limited, LFF Brisbane Pty Limited, Valvenco Limited and LFF Middle East DWC LLC. In this document "LFF" or the "Company" means each or any of these companies and reference to the Board means the Board of Directors of each company.**

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1. What is bribery and corruption?

1.1 Bribery is the offer, promise, giving, demanding or acceptance of advantage or benefit as an inducement to act improperly, illegally or in breach of trust.

1.2 Corruption is the abuse of power or responsibility for private gain.

1.3 Bribery or corruption is a risk in our commercial relationships with customers. It could also involve a public or government official, including politicians, civil servants or representatives of state owned or majority controlled organisations.

1.4 Under UK law, LFF may be liable for corrupt activity on the part of its third party representatives and agents. Their use is often regarded as creating the highest risk for bribery or corruption.

1.5 It is important to remember that even if bribery or corruption takes place outside the UK, it may still be prosecuted in the UK as well as in the country where the bribery took place.

2. Why this policy is important

2.1 Bribery and corruption are serious criminal offences which can be committed by:

- Employees (including Directors and agency or temporary staff) ;
- LFF ('the Company') or anyone acting on our behalf or
- anyone who authorises another to carry out bribery on behalf of the Company.

2.2 LFF may be held criminally liable for failing to prevent bribery by anyone working on our behalf anywhere in the world. Accordingly, LFF will work to ensure that this policy is implemented by all business entities and individuals over which it has effective control, such as subsidiaries, other business entities in which it has significant investment or with which it has significant business relationships and agents.

2.3 Failure to comply with this policy may result in:

- severe criminal penalties for employees, directors and the Company, including lengthy terms of imprisonment and unlimited fines;
- significant reputational damage;
- loss of contracts and a prohibition on bidding for future work or
- disciplinary action leading to possible loss of employment.

3. Who is responsible for implementing and monitoring this policy?

3.1 This policy reflects the ethical culture which LFF seeks to maintain. Therefore, all those who work on behalf of LFF have a responsibility to behave honestly and to assist the Company in maintaining proper standards of conduct.

3.2 The Boards of Directors of LFF and its subsidiaries are responsible for the oversight of this policy with each company appointing an Anti- Bribery Officer ("ABO") responsible for its implementation. The Board will:

- ensure the policy is disseminated to all employees, joint venture partners and agents;
- implement anti-bribery training;
- maintain the structure for reporting suspected bribery;
- make a clear statement that no employee or party associated with LFF will be disciplined for making a report of bribery or any other form of unlawful conduct;
- maintain a register of reported bribery with a record of action taken;
- review and appoint agents;
- maintain a standing item on bribery issues on all Board meeting agendas;

4. What does the policy cover?

4.1 This policy deals with the following areas:

- risk assessment
- promotional expenses such as business entertaining and gifts
- facilitation payments
- conflicts of interest
- politically connected persons & donations
- dealings with Foreign Public Officials
- charitable donations
- books and record keeping
- use of third party representatives
- contractors and suppliers
- joint ventures
- training
- confidential alert scheme.

5. Risk Assessment

5.1 The risk of bribery and corruption affecting LFF's operations must be assessed to ensure that we do not become involved in improper activity. This risk assessment will include:

- monitoring of our current business profile, noting any shift in focus;
- monitoring the level, frequency and nature of relationships with agents; intermediaries, suppliers, public officials and joint venture partners;
- assessing local conditions and customs, including prevalence of facilitation payments;
- monitoring external corruption risk indicators;

6. Business Entertaining and Gifts

6.1 *Bona fide* hospitality* and promotional expenditure such as business entertaining and gifts is recognised as an established and important part of doing business provided that it is reasonable and proportionate and seeks:-

- to improve the image of the Group
- better to present products and services
- to establish cordial relations.

(*Hospitality is defined as hosting a business contact where an LFF Group employee is in attendance. Where hospitality is given and no LFF Group employee is present, this represents a gift.)

6.2 However, the UK Bribery Act 2010 prohibits offering or providing anything of value to obtain improper advantage or influence. Particular concerns arise when such activity is in some way connected with business transactions or regulatory approval.

6.3 LFF employees and those acting on our behalf must not give or accept any hospitality or gift that could influence or be perceived to be capable of influencing a contractual or material transaction or creating a conflict of interest.

6.4 Any promotional expenditure or its receipt must be transparent, proportionate, reasonable and *bona fide*.

6.5 A reasonable test in identifying whether the expenditure or gift is appropriate is to assess whether it creates any sense of obligation; is anything expected in return? If so, then it would be improper to give or receive the gift or hospitality.

Hospitality or business entertaining

6.6 It is imperative that if and whenever business entertaining is undertaken the following guidelines are followed. If you have any doubts consult your Managing Director or ABO before the event.

6.7 LFF employees may carry out business entertaining only where it is within budgetary limits and where it is likely to help LFF to further its business objectives, i.e. there is a genuine business reason for entertaining customers, suppliers, or other business connections in the course of performing your duties of employment.

6.8 Acceptable forms of business entertaining include: -

- a. Meals and drinks.
- b. Attendance at sporting or other events; and
- c. Ancillary costs such as travel to and from events.

6.9 Business hospitality and entertaining require Group staff to be present with the recipient.

6.10 All business entertaining expenditure must be recorded properly. Any tips and gratuities must be reasonable and proportionate.

6.11 All LFF employees* must seek approval for business entertaining given or received in the following circumstances:

- Expenditure in excess of £250 per head and/or total payment in excess of £1500 must be approved in writing in advance by the local Managing Director, or if not practicable as soon as possible thereafter.

*For the Group Sales Director expenditure in excess of £500 per head and/or total payment in excess of £4000 must be approved in writing in advance by the Group MD or the appropriate ABO, or if not practicable as soon as possible thereafter.

In addition to financial value, consideration must be given to the frequency of the offering or receiving of hospitality including entertaining and gifts. Care must be taken to ensure that the frequency is reasonable and proportionate.

Subject to these constraints, LFF employees may claim reasonable and appropriate entertaining expenses. As a guide, the cost of a meal should not be extravagant or excessive but reasonable in relation to the status of the employee, the occasion and the geographical market.

Gifts

6.12 Generally, gifts should not be given by LFF employees or those associated with the company unless they are of a modest nature.

6.13 All LFF employees must seek approval for giving gifts in the following circumstances:

- Gifts valued in excess of £150 per recipient must be approved in writing in advance by the local Managing Director, or if not practicable as soon as possible thereafter.

7. Facilitation Payments

7.1 A facilitation payment is a small unofficial payment made to secure or expedite the performance of a routine or necessary action to which the payer has a legal or other entitlement – the well-known comment that ‘this is just how things are done’ often applies. A common example is a small payment to a customs officer for entry clearance into a country for goods or individuals.

7.2 Facilitation payments are illegal under UK law and no employee or person connected with LFF should make a facilitation payment no matter how small.

7.3 No facilitation payment will be reimbursed to a LFF employee or anyone associated with LFF.

7.4 In circumstances where an employee or agent/intermediary suspects that a payment may be considered as a facilitation payment, the relevant ABO should be consulted.

7.5 Notwithstanding the prohibition on facilitation payments, LFF recognises that there may be exceptional circumstances where an employee is under threat of personal harm unless a payment is made. If this situation does occur, the relevant ABO must be contacted for advice as soon as is reasonably possible.

8. Conflicts of Interest

8.1 A conflict of interest may occur where the personal, social, financial or political interest of an LFF Group employee or person operating on behalf of LFF may influence or appear to influence objective conduct of their business on behalf of the Company. It is important to avoid actual or perceived conflicts of interest, either can be very damaging to our reputation. Any potential cases must be declared to your line manager.

8.2 Use of company resources and an employee’s position working for LFF must not be used for the personal benefit of the employee or his / her associates, friends or family members, nor for any business activities / relationships external to the company.

8.3 It is the duty of all LFF employees and persons operating on behalf of the Company to report promptly if they have reason to suspect there is a breach or potential breach of this clause. This may be undertaken within the context of the LFF “Confidential Alert” scheme.

8.4 LFF employees and other persons operating on behalf of LFF must declare (to their manager and / or via the appropriate company conflict of interest declaration / registration procedures) if they have or think they may have an actual or potential conflict of interest.

8.5 Employees with a conflict of interest must not engage in activities where the conflict is perceived to be inappropriate to LFF’s business operations.

8.6 All new employees must declare conflicts of interest upon signing their contract of employment.

9. Politically Connected Persons & Donations

9.1 "Connected Persons" are individuals (employees or third parties working on behalf of LFF) who are or have been, or who have a family member, working in an official capacity in central or local government or in a government / public sector agency. Where LFF employs any connected persons, the company must ensure that they are not put in a position where their professional duties and personal relationships give the perception of being in conflict with each other. Their connections must be disclosed, recorded and managed.

9.2 All connected persons working for LFF must be managed appropriately to ensure their activities are not perceived as giving LFF inappropriate advantage in its dealings with public officials or regulatory authorities.

9.3 The HR function must maintain a record of connected persons with details of their hiring or advancement and influential relationships. It should ensure that all recruitment and promotion of connected persons is transparent, undertaken in accordance with HR policies on the basis of merit, qualifications and experience.

9.4 An assessment must be undertaken in relation to a connected person working on behalf of LFF to ensure the individual: (1) receives no preferential treatment in relation to terms and conditions of employment, remuneration and advancement; (2) is restricted from undertaking duties where a conflict of interest occurs or may be perceived to occur; (3) gives a written undertaking that they will not inappropriately influence connected public officials to the benefit of LFF.

9.5 LFF policy prohibits the offer of gifts, hospitality or political donations to politically connected persons or bodies by its employees or associates on its behalf. Political donations by the Company in any form are prohibited.

9.6 Any meetings with politically connected persons must be recorded in writing by the senior company attendee and all correspondence between the two parties must be kept and stored on file.

9.7 LFF accepts that personal, lawful, political contributions, voting or serving in civic bodies are important rights and responsibilities of the citizens of a democracy and as such are not affected by this policy.

10. Dealings with UK and Foreign Public Officials

LFF's policy is to comply with all governmental laws, rules and regulations applicable to its operations, in any given country, and to conduct those operations to the highest ethical standard.

LFF policy prohibits the offer of gifts or hospitality to UK and foreign public officials by company employees or associates. Where a UK or foreign public official requests either a gift, hospitality or payment (sometimes referred to as a 'facilitation payment') in order to perform his or her public function, this must be reported as soon as is possible to the directors of the company. Any meetings with public officials must be recorded in writing by the senior company attendee and all correspondence between the company and foreign public officials and/or departments must be kept and stored on file.

For the purposes of this procedure a 'public official' includes officials, whether elected or appointed, who hold a legislative, administrative or judicial position of any kind. Examples of public officials include, but are not limited to, the following:- customs officer, embassy staff, planning officer, tax inspector, any employee of a state owned enterprise including JV's with oil companies.

11. Use of third party representatives

11.1 Under UK law, LFF may be liable for corrupt activity on the part of its third party representatives and agents. Their use is often regarded as creating the highest risk for bribery or corruption.

11.2 In appointing agents or representatives, LFF will ensure that:

- the business case for the appointment of the agent must be made to the Board;
- there is a transparent selection process;
- due diligence is carried out on the prospective agent requiring details of corporate structure and beneficial ownership, involvement of public officials and ability to carry out the required function;
- remuneration should be proportionate and wherever possible benchmarked, with the justification kept on record;
- appointment of agents must be approved by the Board;
- there should be an express contractual requirement for the agent to observe and comply with LFF's anti-corruption and anti-bribery policy. Any suspected failure to do so or suspected corruption may lead to termination of contractual arrangements;
- appropriate training should be provided to agents;
- they comply fully with LFF's gifts and hospitality policy.

12. Charitable donations and sponsorship

12.1 Charitable donations and sponsorship are areas that are vulnerable to bribery and corruption. Both often lack benchmarks for what an appropriate donation might be and both can, and sometimes are, used to facilitate kickbacks to unknown third parties. Charitable organisations are sometimes used as 'fronts' for political groups and bringing all the risks identified in section 1 above.

12.2 As a result of the risks, appropriate due diligence must be carried out on the recipient of any charitable donation or sponsorship before it is arranged and a review carried out after payment to ensure the payment is utilised for the intended purpose. Any proposal for such expenditure must set out full details of the recipient, any connection with LFF Group companies or employees or customers or suppliers, and in the case of sponsorship the commercial benefit for LFF.

12.3 Charitable donations on behalf of LFF are: (1) only to be made to charities which have been approved by the Board; (2) to be disclosed publicly and accounted for in the Company's books.

12.4 Charitable donations must not be: (1) made in cash; (2) paid to an individual or to a bank account in the name of an individual; (3) used as a way of concealing any personal benefit to an individual; (4) made if any third party suggests the possibility of a benefit to LFF from supporting the contribution, or any threat from withholding a contribution. In such instances a report should be made to the appropriate ABO.

12.5 Sponsorship on behalf of LFF can only be made for promotional or advertising purposes.

12.6 All donations and sponsorship payments must be approved in writing by the local Managing Director in advance of payment being made.

12.7 All charitable donations or sponsorship must be authorised as set out above and reviewed at Board level.

13. Books and records

13.1 LFF complies with rigorous accounting standards which ensure that the books and records of the Company accurately reflect and describe all financial/commercial transactions. Doing so minimises the risk that the Company or those acting on its behalf behave improperly.

14. Contractors and suppliers

14.1 Under UK law, LFF may be liable for any corrupt activity on the part of its contractors and suppliers. Accordingly, LFF will communicate its anti-bribery policy to its contractors and suppliers. In addition, there must be a 'no bribery' clause in all contracts and the right to terminate contractual arrangements in the case of suspected bribery or corruption should be an express term of any contract. Training will be given in appropriate cases (such as major contractors). A competitive selection process should take place wherever possible and appropriate due diligence must be completed in accordance with the Company's Internal Controls.

15. Joint ventures

15.1 LFF will ensure that appropriate due diligence is carried out before entering into a joint venture or consortium. If LFF is the lead partner, it will ensure that, as far as is reasonable, its own anti-bribery policy will be incorporated into the activity of the joint venture.

15.2 In those joint ventures where LFF is not the lead partner or manager, it will work to ensure that appropriate ABC measures are in place.

15.3 LFF will work towards joint approval of agents and intermediaries. In situations where LFF's policy is not adopted, employees should be particularly vigilant to ensure that bribery or corruption does not take place.

16. Training

16.1 On-going training in anti-bribery and corruption is of crucial importance in ensuring that LFF's business is conducted on an ethical basis. All relevant employees must be trained on a regular basis beginning with induction and carrying on throughout the period of employment.

16.2 Agents represent the Company and will be made aware of LFF's anti-bribery culture through targeted and regular training – particularly on appointment.

16.3 It is ultimately the Board's responsibility to ensure that appropriate and targeted training is carried out.

17. Reporting and confidential alert

17.1 It is the duty of all directors and employees to report cases of suspected unethical or unlawful behaviour to the appropriate ABO in writing where a record will be made and appropriate action taken. E-mails should be sent to ABO@LFF.co.uk. No disciplinary or other adverse action will be taken against anyone making a bona fide report but we will not respond to anonymous communications. Where we discover any requests or suspicion of corrupt activity we will undertake an internal investigation, and, subject to legal advice, notify the appropriate authorities.

17.2 To enable the reporting of ethical issues and concerns, LFF will:

- 1) Promote an environment where remaining silent is never acceptable and where employees feel empowered to raise concerns or report actual or suspected non-compliance in good faith.
- 2) Not tolerate any form of harassment or retaliation against anyone who seeks advice, raises a concern or reports a non-compliance or suspected non-compliance of the LFF Anti-Bribery and Corruption Policy, as long as that report is made in good faith.
- 3) Provide a confidential email address for reporting concerns, whereby all notifications received via the confidential alert will be acknowledged within 72 hours.
- 4) Ensure that all employees, business partners and intermediaries are fully aware of the mechanisms for reporting ethical non-compliance if they feel unable to raise their concerns directly with their manager / supervisor or LFF contact.

17.3 LFF employees, business partners and intermediaries must:

- 1) Report promptly if they have reason to suspect that there has been a non-compliance or potential non-compliance of the LFF ABC Policy, or any laws or regulations relating to anti-bribery or corruption issues, by employees, business partners or intermediaries.

- 2) Report their concerns to the appropriate ABO and provide sufficient information to enable a full investigation to be made.

18. Review

18.1 This policy will be reviewed annually.