

Policy on Bribery

June 2011



CANOPIUS

Policy on Bribery

Review

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Approved by	Date
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Canopus Managing Agents Limited Board	28 June 2011

Document History

Version	Summary of Changes	Date Published
V1	Board Approval Version	1 July 2011

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1. INTRODUCTION

The Bribery Act 2010 (the “Act”) comes into force on the 1st July 2011. The Act:

- extends the crime of bribery to cover all private sector transactions (previously bribery offences were confined to transactions involving public officials and agents);
- creates a new strict liability offence of failing to prevent bribery. Canopus will only have a defence to this offence if it can show it had "adequate procedures" in place to prevent bribery;
- has extensive scope – the offences are very broadly defined and the Act has significant extra-territorial reach; and
- contains offences which carry criminal penalties for individuals and organisations. A maximum prison sentence of ten years and/or an unlimited fine can be imposed for individuals. An unlimited fine can be imposed for companies.

Canopus Managing Agents Limited (“CMA”) and the wider Canopus Group (operating outside the UK through subsidiary and joint venture companies), in its usual course of business, delegates its authority to others, outsources operations, participates in and runs tender processes, contracts with third parties, conducts business with and via intermediaries, provides and receives gifts and hospitality and donates money and time to charities etc. These activities (whilst legitimate) are examples of situations that are potentially open to corruption/bribery.

Canopus prides itself in the professionalism of its staff and transparency of its business practices and already operates a strong system of controls (and is FSA compliant) to prevent conflicts of interest, corruption, sanctions, bribery, money laundering and illegal activity.

Canopus, through this Policy, reiterates its commitment from the highest level to conduct all business in an honest and ethical manner. Canopus take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery. Canopus will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we operate. However, we remain bound by the laws of the UK, including the Bribery Act 2010 in respect of our conduct both at home and abroad.

This Policy is therefore applicable to all our business units, sectors, departments, operations and functions, globally.

This Policy has been developed through reference to the following sources so that it reflects industry good practice and should be read in conjunction with CMA’s existing policies (listed):

- the Bribery Act 2010;
- Ministry of Justice Guidance, The Bribery Act 2010;

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- Joint Prosecution Guidance of the Director of the Serious Fraud Office and the Director of Public Prosecutions;
- Transparency International's published works on the Bribery Act;
- The Proceeds of Crime Act 2002;
- The Financial Services and Markets Act 2000;
- The Money Laundering Regulations 2007;
- FSA Report into Anti-Bribery and Corruption in Commercial Insurance Broking;
- Principle 3 of the FSA's Principles for Businesses;
- Rule 3.2.6 of the FSA's SYSC;
- Rule 6.1.1 of SYSC;
- Lloyd's Market Bulletin Y4278 and Y4492;
- CMA's Broker Remuneration Policy;
- CMA's Project Governance Policy;
- CMA's Third Party Contract Policy;
- CMA's Authority Limits (expenses);
- CMA's Anti Fraud Policy;
- CMA's Whistleblowing Policy;
- CMA's Anti Money Laundering Policy;
- CMA's Sanctions Policy;
- CMA's Conflicts of Interest Policy;
- CMA's Claims Policy and Controls Manual;
- CMA's Underwriting Procedures;
- CMA's Binding Authority Policy;
- CMA's Re-Insurance Policy; and
- Employee Handbook (particularly sections 6 (conduct) and 9 (expense authorisation/travel and entertainment)).

2. DEFINITIONS

Definitions of significant terms used in this Policy are contained in Appendix A to this document.

3. SCOPE & RISK AREAS

This document sets out the key elements of the Bribery Act and principles and guidance to deal with bribery and corruption issues. We have identified the following as potential risk areas for our business:

- Expenses, gifts, hospitality, entertainment and travel, political and charitable donations;
- Third party contracts;
- Outsourcing (including tenders);
- Coverholders and delegated authority;
- Brokers (retail, wholesale, producing, reinsurance);
- Reinsurance placement;
- Underwriting; and
- Due diligence process.

It should be noted that existing policies (listed above in section 1) are considered proportionate for the risks faced but are continually monitored and amended as necessary from time to time.

4. OWNERSHIP & REVIEW

This Policy is owned by the Legal Counsel & Deputy Secretary.

This Policy shall be reviewed annually to ensure that it remains appropriate and relevant.

Additional reviews and/or amendments may be triggered by major changes in corporate strategy, the regulatory environment, or financial market conditions.

The Legal Counsel & Deputy Secretary is also responsible for communicating this Policy, and future changes to it, within CMA and shall ensure that it is readily accessible to all who need it. Future changes shall also be raised with Canopus Group Limited if overseas entities are affected.

Internal Audit is responsible for independently evaluating the effectiveness of compliance with this Policy, as part of its cycle of internal audit work.

5. WHISTLEBLOWING

If you consider that the Policy has not been followed or you are offered a bribe, asked to make one, suspect that this may happen in the future or believe you are a

victim of another form of unlawful activity you should raise the matter immediately with your line manager, or (if that is not appropriate) to the next level of senior management, or the Head of Human Resources, or in unusual circumstances to the independent Non-Executive Director appointed by Canopus for Whistleblowing (currently Jock Birney +44(0)207 337 3907). Further details can be found in the Whistleblowing Policy.

6. POLICY APPLICATION

This Policy applies throughout Canopus' business and Canopus Group's operations globally.

7. EFFECTIVE DATE

This Policy will become effective upon its formal approval by the Board for the UK and upon formal approval by Canopus Group for the rest of the world.

8. BRIBERY ACT OFFENCES

The four new offences are summarised below:

- **Bribing Another Person** – offering or giving a financial or other advantage to a person, intending to induce or reward them, or another person, to perform improperly a public function or business activity, or knowing or believing the acceptance in itself would constitute improper performance;
- **Being Bribed** – requesting or accepting an advantage or reward intending personally, or through another, to perform improperly a public function or business activity, requesting or accepting such advantage when the request or acceptance would constitute improper performance of a public function or business activity, or improperly performing a function or activity in anticipation of receiving such an advantage;
- **Bribery of Foreign Public Officials** – offering or giving to (or with the assent of) a foreign public official any advantage that is neither permitted nor required by the written law applicable to that official intending to influence them in their capacity as a public official and to obtain or retain business or business advantage; and
- **Failure of a Commercial Organisation to Prevent Bribery** – a commercial organisation will be guilty of an offence if an associated person (which includes agents, subsidiaries, joint ventures, contractors etc) bribes another person intending to obtain or retain business for the organisation or to obtain or retain an advantage in the conduct of business for the organisation.

Bribery and corruption are punishable for individuals by up to ten years' imprisonment and if organisations are found to have taken part in corruption (by failing to prevent bribery) they could face an unlimited fine, be excluded from tendering for public contracts and face damage to their reputation. Canopus therefore takes its legal responsibilities very seriously.

9. EXPENSES, GIFTS, HOSPITALITY, ENTERTAINMENT AND TRAVEL

This Policy does **not** prohibit normal and appropriate gifts, hospitality, entertainment and travel (given and received) to or from third parties.

However, it is not acceptable to:

- 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;
- 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;
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided in return;
- threaten or retaliate against another worker who has refused to commit a bribery offence or who has raised concerns under this Policy; or
- engage in any activity that might lead to a breach of this Policy.

You must declare (via the expenses form) and the expenses team will keep a written record of all gifts, hospitality, entertainment and travel incurred which is then subject to managerial review in accordance with CMA's Authority Limits.

10. FACILITATION PAYMENTS

Making or accepting facilitation payments or "kickbacks" of any kind are prohibited by this Policy. 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 are common in some other jurisdictions.

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 Legal Counsel & Deputy Secretary.

Kickbacks are typically payments made in return for a business favour or advantage. You must avoid any activity that might lead to, or suggest, that a facilitation payment or kickback will be made or accepted by Canopus.

11. POLITICAL AND CHARITABLE DONATIONS

Political donations to political parties may be authorised but these will never be made in an attempt to influence any decision or gain a business advantage.

Charitable donations are considered part of Corporate Social Responsibility and may be authorised but only in accordance with local legal & ethical laws and practices.

A record of all donations is kept by group finance.

12. EXEMPTIONS

Exemptions to this Policy will only be permitted where necessitated by exceptional circumstances. Application for variation or dispensation should be made to the Legal Counsel & Deputy Secretary, who will advise the Managing Director.

However, it is recognised that there are circumstances in which individuals and/or organisations are left with no alternative (and no time to obtain an authorisation) but to make payments in order to protect against loss of life, limb or liberty. In these circumstances **only** will no prior authorisation be required.

13. TRAINING AND COMMUNICATION

Bi-annual training of staff will be provided as part of Canopus' training programme for anti-corruption, bribery and money laundering.

This Policy is available on the intranet.

Canopus' zero tolerance approach to bribery and corruption must be communicated to all suppliers, contractors and business partners as and when appropriate.

The Board will also issue a statement of compliance on the Canopus website.

APPENDIX A – DEFINITION OF TERMS

The Bribery Act definitions of significant terms used in this policy are contained below:

Associated Person

A person (“A”) is associated with C if (disregarding any bribe under consideration) A is a person who performs services for or on behalf of C.

Bribery of Foreign Public Officials

Bribery of foreign public officials, see section 6 of the Act

Facilitation Payments

A small sum of money to induce foreign officials to perform routine functions they are otherwise obligated to perform.

Foreign Public Official

An individual who –

- (a) Holds a legislative, administrative or judicial position of any kind, whether appointed or elected, of a country or territory outside the United Kingdom (or any subdivision of such a country or territory),
- (b) Exercises a public function –
 - a. For or on behalf of a country or territory outside the United Kingdom (or any subdivision of such a country or territory), or
 - b. For any public agency or public enterprise of that country or territory (or subdivision), or
- (c) Is an official or agent of a public international organisation.

General Bribery Offences

Offences of bribing another person, see section 1 of the Act

Offences relating to being bribed, see section 2 of the Act

Improper Performance

Defined in sections 3, 4 and 5 of the Act but in summary this means performance which amounts to a breach of an expectation that a person will act in good faith, impartially, or in accordance with a position of trust.

Public International Organisation

An organisation whose members are any of the following –

- (a) Countries or territories,
- (b) Governments of countries or territories,

- (c) Other public international organisations,
- (d) A mixture of any of the above.

APPENDIX B – POTENTIAL RISK SCENARIOS

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 should report them promptly to your manager, or (if that is not appropriate) to the next level of senior management, or the Head of Human Resources, or in unusual circumstances to the independent Non-Executive Director appointed by Canopus for Whistleblowing (currently Jock Birney +44(0)207 337 3907). Further details can be found in the Whistleblowing Policy:

- you become aware that a third party engages in, or has been accused of engaging in, improper business practices;
- 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;
- 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;
- 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;
- a third party requests that payment is made to a country or geographic location different from where the third party resides or conducts business;
- a third party requests an unexpected additional fee or commission to "facilitate" a service;
- a third party demands lavish entertainment or gifts before commencing or continuing contractual negotiations or provision of services;
- a third party requests that a payment is made to "overlook" potential legal violations;
- a third party requests that you provide employment or some other advantage to a friend or relative;
- you receive an invoice from a third party that appears to be non-standard or customised;
- a third party insists on the use of side letters or refuses to put terms agreed in writing;
- you notice that we have been invoiced for a commission or fee payment that appears large given the service stated to have been provided;
- 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

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- you are offered an unusually generous gift or offered lavish hospitality by a third party.