



## **ANTI - BRIBERY POLICY**

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## **ANTI- BRIBERY POLICY**

### **1. INTRODUCTION :**

The Bribery Act 2010 came into force in UK from the 1<sup>st</sup> July 2011, replacing a number of older laws and creating a single comprehensive code in relation to Bribery and Corruption. The act creates new offences and places responsibility on organisations as well as the individual. The act covers gifts and hospitality received and provided by an organisation. The act also covers the acts of agents or associates acting on behalf of the organisation.

The Bribery Act 2010 covers not only the employees but also third parties such as their suppliers, business associates, consultants, contractors etc. , it extends geographically to any part of the world with severe penalties for bribery which can result in unlimited fines and imprisonment for up to 10 years. Other penalties may include director disqualification, debarment from public procurement and asset confiscation.

The UK Law contains four broad criminal offences.

- Offering, promising or giving a bribe (section1)
- Requesting, agreeing to accept or receiving a bribe(section2)
- Bribing a foreign public official(section6)
- Failure by a commercial organization to have adequate procedures to prevent such acts by those working for the company or on its behalf, no matter where in the world the act takes place.(Section7)

Union Bank of India (UK) Ltd hereinafter referred to as “Bank”, shall comply with the provisions of the Bribery Act 2010 and lay down policies and procedures through which it can maintain and ensure ethical standards in the conduct of business and protect its reputation against allegations of bribery and corruption.

### **2. SCOPE AND PURPOSE:**

This Policy shall apply to all staff including directors of the Bank and to third parties such as agents, agency workers, consultants, contractors and others working on behalf of the Bank irrespective of their location, function or grade.

The Bank does not wish to stifle the development of its working relationships with suppliers, agents, contractors or their officials; however, their actions must be transparent, proportionate and auditable. The Bank expects its business partners, agents, suppliers and contractors to act with integrity and without actions that may be considered as an offence within the meaning of the Bribery Act 2010.

To that end, all the Bank’s staff including directors, agents, consultants and contractors as well as suppliers involved in the Bank’s activities must read, become familiar and comply with this Anti-Bribery Policy (the "Policy") and the annexure to this policy on the Bank’s Gift and Hospitality Code which provides a guidance and Bank’s rules on gifts and hospitality given and received.

The Board attaches utmost importance to this policy and will not tolerate acts of bribery and corruption by any of its employees or business partners working on the Bank’s behalf. Any breach of this policy will be regarded as a serious breach of policy by the Bank and will result in further appropriate action/s.

It is the responsibility of the MLRO and Compliance Officer of the Bank, to monitor that the



bank complies with the Anti-bribery act 2010. Further responsibilities such as monitoring, reporting and review are mentioned in Para 5.4 and 7.

The UK anti-bribery and corruption legislation applies to all activities of a UK based business no matter where they are carried out in the world. This policy therefore applies to all activities of the Bank worldwide, whatever local law, practices or custom may be. The Policy also offers protection for “Whistle blowing” as per the provisions of Public Interest Disclosure Act 1998.

### **3. OBJECTIVE, DEFINITION AND PHILOSOPHY:**

#### **3.1. OBJECTIVE:**

The bank is committed to carry out its business in an honest, open and ethical manner. Prevention of bribery and corruption is important for a Bank, as a failure to prevent bribery and corruption would hit the reputation of the Bank and the trust, reposed by the customers. Recognising this threat, the Bank has drafted this policy with an objective to achieve zero tolerance to bribery and corruption.

#### **3.2. DEFINITIONS:**

##### **Bribery**

“Bribery” is the “offer of undue reward by or to any person in a public sector, private employee, colleague or representative of another organisation in order to influence his / her behaviour in office and to induce them to act in contravention of the rules and regulations, ethics, trust and integrity”.

##### **Corruption:**

“Corruption” is the “abuse of entrusted power for private gain”.

##### **Gift:**

“Gift” is defined for the purpose of this policy as any item (cash or goods), or any service offered as a personal benefit at no cost or at a cost that is lesser than the actual commercial value of the item or service.

##### **Hospitality:**

“Hospitality” is defined for the purpose of this policy as any material welcome, pleasantries or reception that is more than the normal courtesies which are modest and adequate for the occasion.

#### **3.3. PHILOSOPHY:**

Acts of bribery or corruption are designed to influence the individual in the performance of their duty and incline them to act dishonestly. For the purposes of this policy, whether the giver or recipient of the act of bribery or corruption works in the public or private sector is irrelevant.

The Bribery Act 2010 creates a new offence under section 7 which can be committed by the Bank for failure to prevent its staff, business partners, agents, suppliers and contractors from committing bribery on their behalf. This policy puts adequate procedures in place to prevent persons associated with it from bribing. A guidance note issued as per Section 9 of the Act by the Secretary of State about procedures which commercial organisations can put in place has six guiding principles. The principles are flexible and focused on outcome and it is the Bank’s philosophy to prevent bribery and corruption guided by these principles.



- i. The Bank aims to prevent bribery and corruption by its employees and persons associated with it. The bank will take proportionate measures to mitigate the bribery risks it faces, based on the nature, scale and complexity of the Bank's business activities. Such measures would be practical and effectively implemented and enforced by the Bank.
- ii. The Bank's Board of Directors is committed to preventing bribery by persons associated with it. The senior management will foster a culture of zero tolerance of bribery within the Bank.
- iii. The Bank will assess the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. This risk assessment would be done annually by the MLRO and Compliance officer and discussed at the Risk and Compliance Committee of the Board and appropriate measures evolved to combat the same.
- iv. On assessing the nature of the service performed by the associate or product supplied by a supplier or agent, the Bank will apply due diligence procedures in proportion to the risk posed by the persons who perform or will perform services for or on behalf of the Bank, in order to mitigate such any bribery risks.

The senior management of the Bank will ensure that its bribery prevention policies and procedures are understood by all staff of the Bank through internal and external communication, including training, in proportion to the risks.

The Bank will monitor and review the anti – bribery procedures in place at least on an annual basis to prevent bribery and corruption in the Bank by persons associated with it and make improvements as may be necessary from time to time.

#### **4. COMPLIANCE STRATEGY:**

It is the Bank's policy to comply with the provisions of the Bribery Act 2010 In addition to the Bribery Act 2010, the Bank shall comply with the FCA's rules, in particular, the FCA's principles for financial institutions focus on ensuring that authorized firms have adequate systems and procedures in place to counter the risk of financial crime (including bribery and corruption).

The strategy for compliance of The Bribery Act 2010 includes the following:

1. Risk assessment,
2. Risk mitigation,
3. Due diligence of agents,
4. Monitoring and supervision and
5. Training

##### **4.1 Risk Assessment:**

The Bank faces the threat of reputation risk due to incidents of bribery and corruption in the regular course of business, through the use of business partners, gifts and hospitality, facilitation payments and its own employees. Besides business practices around the world can be deeply rooted in the attitudes, cultures and economic prosperity of a particular region- any of which can vary.

An initial assessment of the risk across the various functions of the bank will be done



and adequate bribery prevention procedures in proportion to the risks that the organization faces would be drawn.

Effective risk assessment lies at the core of the success or failure of this policy as this pinpoints the specific areas in which the bank faces bribery and corruption risks and allows the management to evaluate and mitigate these risks. The major risks are detailed below:

- i. Country risk: Bank will assess the country in which we engage to do business with, should have satisfactory anti-bribery and corruption laws and a good enforcement system. Countries with weak anti-bribery and corruption risk would pose a serious risk and the bank will have to avoid such businesses.
- ii. Transaction risk: Some transactions, especially off-shore transactions like remittances to or from countries with a low transparency international rating or to bank's which are shell banks or registered in tax havens could pose a risk of bribery and corruption. The type of transaction may be a political contribution or a charitable contribution and the bank would need to take extra precautions for such transactions.
- iii. Sectoral risk: Some sectors are perceived as more risky than others. For higher risk sectors like infrastructure sector, facilitation payments are a normal practice, however the Bank would take due care as such payments amount to a bribe.
- iv. Outsourcing risk: The risk posed by the service providers, agents and their employees with regard to anti-bribery and corruption to secure the contract or orders or information or data to other third parties.
- v. Employee risk: For any service provider institution, the employees form the corner stone and if they are corrupt or if their integrity is doubtful, it could lead a very bad culture within the Bank and would leave an indelible mark on the Bank. The Bank faces a big risk in the form of employee risk.
- vi. Gifts and Hospitality: The other major risk is that of gifts. At times gifts become inducements, which can be a form of bribery and the bank's Gift and Hospitality Code is provided as an annexure to this policy.

The above said risks will be reassessed in relation to the changing environment in the banking industry with its size, new products, customer profile and market exposure.

#### **4.2. Risk Mitigation**

To mitigate the various risks posed and in order to maintain its high ethical standards and protect its reputation against any allegation of bribery and corruption and to ensure that the transactions and activities of the Bank personnel to comply with the law, the Bank will take up the following risk mitigation measures:

- i. The Staff including directors will conduct business in compliance with the highest professional integrity and ethical standards and with the laws of all countries in which the Bank does business.
- ii. Use of Bank's funds for unlawful, improper or unethical purpose is prohibited.
- iii. The Bank may not authorize, promise, encourage or make any Prohibited Payments (described below), regardless of amount, in the course of the Bank's



business. This prohibition also applies to indirect contributions, payments/gifts through consultants, contractors, sub-contractors, agents, sub-agents, sponsors or sub-sponsors, joint venture partners, advisors, customers, suppliers or other third parties.

For purposes of this Policy:

- "Prohibited Payments" includes any offer, gift or payment, or authorization of an offer, gift or payment, of any money or thing of value to or for the benefit of any Government/Corporate official/director or employee or any other person.
  - "Government official or employee" includes any official or employee of any government of any country or subdivision thereof; or any official or employee of a public international organisation, or any person acting in an official capacity on behalf of such government, state owned company or public international organization, or any political party or official thereof, or any candidate for political office.
- iv. The Bank's staff may not either directly or indirectly, give, or agree to give, offer or receive, any money, gift or thing of value to or from any Government/Corporate official/director or employee or its representative, or to or from any director or manager of anybody corporate or any other person or party as an inducement or reward for favourable action or forbearance from action or the exercise of influence. For the purposes of this Policy, a "representative" includes any person employed by or acting for another, and "party" includes an employer.
- v. Other than in extraordinary and exceptional circumstances, no payment to any party or its representative may be made in cash or other than by wire transfer or cheque to a Bank account in such party's or representative's name in the country where the party or representative regularly delivers service for the Bank .
- vi. All the Bank's staff are reminded of the Bank's policy on corporate records, which requires as follows:
- All corporate records for which employees are responsible must accurately reflect and be a fair presentation of the activities they record and reflect the nature and purpose of the activity. No false or inaccurate entries will be made in the Bank's records for any reason.
  - Before proceeding with any contract or arrangement with a prospective agent or consultant, representative or joint venture partner, the Bank staff must follow the mandatory process in place for the use of such agents outlined in Bank's Anti-Corruption and Bribery policy and in the standard procurement and contract procedures. This process requires due diligence to be conducted and appropriate sign off from competent authorities.
- vii. In conducting business internationally, the Bank personnel must be aware of and employ special scrutiny in "red flag" situations that create greater risk of non-compliance. These situations include, but are not limited to:
- Close family, personal or business ties that a prospective agent,





representative or joint venture partner may have with government/corporate officials/directors or employees;

- A history of corruption in the country;
- Requests for cash payments;
- Requests for payment to be made in a third country or to a third party, or other unusual payment arrangements;
- Requests for reimbursements of extraordinary or vague expenses;
- Over-invoicing or lack of standard invoices; and
- A refusal by an agent, representative or joint venture partner to certify that it will not take any action in furtherance of a corrupt payment.

In these situations, the Bank personnel must seek guidance from the Compliance Department.

All the Bank staff must report any suspected or actual (whether or not based on personal knowledge) instances of non-compliance with this Policy and must provide all pertinent information to assist in any internal investigation of the relevant circumstances.

In the event that an incident of bribery, corruption or wrong doing is reported, the senior management will act as soon as possible to evaluate the situation. The bank has clearly defined procedures for investigating fraud, misconduct and non compliance issues and these will be followed in any investigation of this kind.

- viii. As money laundering legislations covers proceeds of crimes, bank staff will monitor the transactions in the accounts and where there is actual knowledge or suspicion that the funds in the account may be associated with taking of bribe and/or corruption it may be necessary to report a SAR to the MLRO.
- ix. Under no circumstances will the reporting of a possible impropriety serve as a basis for retaliatory actions against any employee.
- x. The Bank has come out with the guidelines on giving and accepting gifts and minor hospitality which is attached as an annexure to this policy.
- xi. The Bank's internal auditor would make a report on any bribery or corruption suspected or detected by it during the course of its audit. Such reports would then be scrutinised by the MLRO and Compliance officer in detail and further action based on the report would follow, including termination of the contract for service providers.

Any employee found guilty of indulging in bribery and corrupt practices would be subjected to the Bank's internal disciplinary proceedings and action taken accordingly.

#### **4.3 Due Diligence of Associated Persons:**

Due diligence is an element of corporate good governance and it is envisaged that due diligence related to bribery prevention will often form part of a wider due diligence framework of the Bank. Due diligence procedures serve as a tool for mitigating the outsourcing, business associate or agent risk.

The bank by way of illustration will identify risks that as a general proposition attach to doing business in reliance upon local third party intermediaries. Due diligence of specific prospective third party intermediaries could significantly mitigate these risks. The



procedure would be in proportion to the bank's assessment of the risk and the following:

- Considerable care should be exercised while entering into new business relationships;
- Continued monitoring and appraisal of the existing relationships.
- Due care to be exercised over change of personnel deployed for the outsourced work by the service provider.
- Due diligence of employees would be taken before employing them and contract of employment offered only if the due diligence is found satisfactory.

#### **4.4. Monitoring, Reporting and Supervision:**

The bribery risks that the Bank faces may change over time, as may the nature and scale of its activities, so the procedures required to mitigate those risks are also likely to change. The internal audit would also cover the monitoring of incidence of bribery or corruption during the course of the regular audits as stated in 4.2. (xi).

The Bank may step up its vigil on its non- interest expenditure to monitor unusual increases if any in expenses to detect bribery. The Bank will also monitor the ethical quality of transactions, such as internal financial control mechanisms, will help provide insight into the effectiveness of procedures designed to prevent bribery. This function would be taken up by the internal auditor of the Bank.

Any report of bribery or corruption by employees or agents, suppliers, consultants or contractors is reported to the CEO for immediate action. The report of incidents of bribery or corruption will also be placed before the Risk and Compliance committee (RCC) during the quarterly meetings. An annual report on the incidents of bribery and corruption and areas of concern if any would be submitted to the RCC for addressing the risk at the apex level. The MLRO and Compliance officer, will be responsible for submitting all the above said reports.

The Bank's employees are responsible for annual certification as to the receipt and understanding of this policy as part of banks annual compliance training.

#### **4.5. Training and Awareness:**

The Bank is seized of the reputation risk threat posed by bribery and corruption. One of the main identified strategies to overcome this threat is by having a well informed and committed team of employees.

Employees should be aware of their responsibilities as individuals under The Bribery Act 2010 and their obligations towards the Bank to protect its reputation and furthering its business. This is achieved through training and awareness programmes internally by the Bank. The training will enable them to recognize report and avoid bribery by themselves and by others and endeavour to maintain the ethical standards the Bank is committed to.

- i. All new employees would be imparted a general awareness training of the bribery act and their responsibilities under the act as a part of their induction training.
- ii. Intermittently employees would be made aware of the responsibilities in case of changes in the regulations or the act and the expectations of the Bank's management from them vide internal communications
- iii. Staff will be provided with opportunities to speak up, if they have ideas or



suggestions that would help manage the risk of bribery and corruption.

- iv. Business associates and outsourcing agents will also be provided with awareness of the Bank's Anti-bribery policy.
- v. Training may be tailored to the requirement of the employee for example purchases and contracting etc.

## **5. Whistle Blowing:**

The act of 'making a disclosure in the public interest, is referred to as 'whistleblowing'.

The Bank encourages employees to make a disclosure if the employee believes there is wrongdoing at the workplace (e.g., bribery or corruption at workplace involving colleagues at work or supervisors or committing a criminal offence) an employee can report this by following the correct processes, and his employment rights are protected as per provisions of PIDA. If the qualifying disclosure is made in good faith to the Bank, or through a process that the Bank has outlined, the employee is protected.

## **6. Review**

The Policy will be reviewed annually by the MLRO and Compliance Officer for approval by the Bank's Board of Directors. However, the policy may also be reviewed more frequently, should there be any change in the guidelines by the regulators or the UK government requiring the policy be reviewed.

In the circumstances where the policy is not approved by the Board before the expiry date of 31<sup>st</sup> March 2016, the policy may be extended by the Risk and Compliance Committee of the Board for a further period of 6 months.



## ANNEXURE

### GIFTS AND HOSPITALITY CODE:

This code is applicable to all employees and directors of the Bank.

Bank recognises that it is inappropriate to offer and/ or accept gifts and hospitality for the conduct of business by the Bank. However certain gifts and hospitality of a modest nature and insignificant value, which are incidental to business, are exempt.

#### **Receiving Gifts**

Any employee who is offered a gift by a business contact (suppliers, customers whether actual or potential), or any other third party must disclose the fact and the details of the gift to their reporting authority.

At times in very exceptional cases, where the Bank decides that the gift was made as a token of the donor's gratitude for a service of high standards carried out by an employee, the recipient may be permitted to retain the gift, subject to the approval of the CEO.

Gift items such as, stationery, mementoes etc. which are of insignificant value, are exempt from being treated as a gift and may be accepted unless an inducement is intended or suspected.

Such gifts must be modest enough not to interfere with the ethical judgement of the member of staff and must not create an appearance of impropriety.

If the gift in question is of significant value and if a gift or hospitality is not in keeping with circumstances, then every effort must be made to refuse the offer without offending the person or organisation making the offer.

#### **Offering gifts**

The Bank, recognises that occasional gifts are a common practice in business and is meant to create goodwill and enhance relationships, when such gifts are reasonable and proportionate, while unreasonable gifts could be deemed a bribe. The managers of the Bank in general should not offer gifts except of a token kind (where the value is estimated to be about GBP 100 or lesser).

While it is not Bank's policy to offer gifts to suppliers and customers etc., other than giving ceremonial gifts during a festival or other special occasions. In some cases it may be necessary as a mark of appreciation, when someone carries out work on a voluntary basis or for a nominal fee or, if a service has been carried out in an exceptional manner. In such a case, employees should put a request in writing to the CEO, with details of the customer, service provider, consultant for whom the gift is being given, the reason and the value. If approved, the gift may be provided.

Employees must not offer any inappropriate gifts or benefits to existing or potential contacts and providing gifts which have not been approved in accordance with this procedure, shall not be reimbursed the cost of the gift. Furthermore, such action may, depending on the circumstances be treated as a disciplinary offence.



Employees must not enter into any private purchasing arrangements with any of the Bank's suppliers or customers. Employees should not to use any of the Bank's relationships with its suppliers or customers to obtain any gratuities, which includes client branded products, merchandise or services.

All gifts offered and received should be noted in the gift register to be maintained in the bank.

**Hospitality:**

Hospitality to the extent of courtesies during business meetings is generally acceptable, provided it is limited to light refreshments or a business meal/ lunch (onsite visit to customers). Invitations to lunch or dinner from customers or other organizations should be accepted only where the primary reason for accepting an invitation is to discuss or pursue business matters and where the venue and hospitality are not in themselves an inducement to accept the invitation or the purpose of invitation.

**Invitation to conferences, seminars or trade shows:**

Participation in events such as vendor or industry conferences, seminars and trade shows can be of particular value, where they support the establishment of relationships with strategic suppliers to the business or enhance our knowledge or understanding of particular area. For such events, the hospitality element should be incidental to the event and relevant knowledge expected to be gained out of the participation. However, prior written authorisation of the CEO must be obtained for attending such events.

**Invitations for social events:**

Invitations for social events (e.g. sporting or cultural events) should be declined except where the interest of the Bank can be clearly demonstrated in advance and the business justification is both compelling and exceptional. In such exceptional cases, prior permission must be obtained from the CEO before accepting the invitation.

Where such hospitality includes travel or overnight accommodation, it must not be accepted. Repeated invitations are deemed to be inappropriate and must not be entertained.

When an employee is concerned about issues relating to the acceptance of hospitality or needs guidance, the matter should first be discussed with the MLRO and Compliance Officer.

**Facilitation Payments:**

Facilitation payments are a form of bribery made with the purpose of expediting or facilitating the performance by a public official of a routine governmental action and not to obtain or retain business or any other undue advantage. Facilitation payments are typically demanded by low level and low income officials in exchange for providing services to which one is legally entitled without such payments.

In the United Kingdom, facilitation payments whether paid in UK or abroad are a criminal offence. While countries like the United States do not prohibit such payments abroad and have no upper limit for them, the United Nations convention against corruption (UNCAC) prohibits facilitation payments. The Bank will not pay any facilitation payments and considers such payments as violative of this code.



All should read this code and scrupulously follow this code. Violation of this code would render them liable for disciplinary proceedings.