

ANTI-BRIBERY POLICY

Issued/approved by: Modern Water plc Board on 14 June 2011
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Applies to: Modern Water plc and any company or other entity (registered or operating anywhere in the world) controlled by Modern Water plc, as well as all their agents, consultants and contractors

I POLICY STATEMENT

- I.1 It is our policy to conduct all of our business in an honest and ethical manner. We have a zero tolerance of bribery and corruption everywhere that we operate, and we are committed to implementing and enforcing effective systems to counter bribery.
- I.2 We will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we operate. In particular, as an English company we are covered by the laws of England including the Bribery Act 2010, which applies to our conduct both in the UK and abroad.
- I.3 This policy:
- i) sets out our responsibilities, and of those working for us, in observing and upholding our position on bribery and corruption; and
 - ii) provides information and guidance to those working for us on how to recognise and deal with bribery and corruption issues.
- I.4 Bribery is not a victimless crime - it causes extensive and sustained damage, to individuals, societies and nations, and increases the cost of doing business, hindering economic growth and development. This is well expressed in the introduction to the UK Government's guidance about procedures which companies can put in place to prevent bribery:
"Bribery blights lives. Its immediate victims include firms that lose out unfairly. The wider victims are government and society, undermined by a weakened rule of law and damaged social and economic development. At stake is the principle of free and fair competition, which stands diminished by each bribe offered or accepted."
- I.5 The consequences of taking part in bribery and corruption are severe and damaging:
-individuals face imprisonment (up to 10 years under UK law) and fines;
-the Company could be fined (unlimited amounts under UK law), excluded from tenders for public contracts, and suffer significant reputational damage.
- I.6 We have reviewed the current and planned activities of the company and the bribery and corruption risks that may arise from these, and we have identified the following particular risks:
- i) We operate and sell into some countries where corruption is perceived to be medium to high risk (as assessed by Transparency International's Corruption Perceptions Index), such as Middle East countries, and China.
 - ii) Our desalination related business includes government/public bodies as its end user or customer, and we have regular interactions with public officials.
 - iii) We use agents in some jurisdictions, and we sell monitoring equipment through distributors. Bribery by such persons could result in us committing the offence under UK law of failure to prevent bribery.
 - iv) The construction and utilities sectors with which we are involved have some history of corruption.
 - v) Corporate hospitality and gifts: There is a risk that corporate hospitality and the giving or receiving of gifts might be seen as bribery, especially in dealings with foreign



public officials. We must avoid giving or receiving hospitality or gifts that may be perceived as lavish, or disproportionate to the business context in which it occurs. We have adopted a Gifts and Entertainment Policy to provide clear guidance on what is and is not permitted.

- vi) Public procurement: If we are convicted of "active corruption" we will face mandatory exclusion under EU law from carrying out public contracts in the EU. The same may apply in other jurisdictions. If convicted of the offence of failing to prevent bribery, public authorities would have discretion to exclude us from public contracts. Such exclusion would represent a significant loss of business opportunity and reputation damage for the company.
- vii) Facilitation payments: These are payments demanded by officials (or others) simply to secure or expedite the performance of their normal duties (for example, granting a licence, allowing goods to cross a border, and so on). These are commonplace in some jurisdictions, but the making of such payments, regardless of how small, is an offence under the Act. Whilst such payments sometimes can not be avoided, we are expected to do what we can to eradicate them.

1.7 In this policy, third party means any individual or organisation you come into contact with during the course of your work for us. This includes: actual and potential clients, customers, suppliers, distributors, business contacts, agents, consultants, and advisers; government and public bodies, including their advisers, representatives and officials; politicians and political parties.

2 WHO IS RESPONSIBLE FOR THE POLICY?

- 2.1 The Board has overall responsibility for ensuring this policy complies with our legal and ethical obligations, and for its effective implementation, maintenance and review.
- 2.2 The Company Secretary has day-to-day responsibility for the effective operation of this policy, for ensuring compliance with it, for monitoring its use and effectiveness, and dealing with any queries on its interpretation.
- 2.3 All managers are responsible for ensuring their staff (and third parties where appropriate) are made aware of and understand this policy and are given adequate and regular training on it. Such awareness and training must be proportionate and appropriate to the roles of those staff and to the bribery and corruption risks they may encounter.
- 2.4 All staff are responsible for compliance with this policy, and for reporting any non-compliance.
- 2.5 Infringements of this policy and significant issues arising from it will be reported to the Board, either through regular updates, or through a specific communication where the severity or nature of the situation so requires.

3 WHO IS COVERED BY THE POLICY?

- 3.1 This policy applies to all individuals working in or for our organisation, at all levels and grades, wherever located. So this includes all officers, directors, employees (whether permanent, fixed-term or temporary), consultants, contractors (supplying labour only, and working substantially under our direction), trainees, seconded staff, homeworkers, casual workers and agency staff, volunteers, interns, and agents (collectively referred to as workers in this policy).
- 3.2 This policy has direct application to our subsidiaries and joint ventures which we control or manage, whether through shareholding, board directorships, or other operational or management control of the activities of the venture.
- 3.3 This policy does not apply to joint ventures that we do not control or manage, or to companies in which we have a minority interest without control. For such entities we will endeavour to influence our partners to adopt appropriate anti-bribery policies and procedures.

- 3.4 This policy does not form part of any worker's contract of employment and it may be amended at any time.

4 WHAT IS BRIBERY?

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

- 4.2 Here are some examples of different situations that involve a bribe:

Offering a bribe

You offer a potential customer tickets to a major sporting event, provided they agree to do business with us.

This would be an offence as you are making the offer to gain a commercial and contractual advantage, or to win business.

This does not prevent normal hospitality and entertainment (see 5 below), but you must be particularly careful to avoid any suggestion of wrongdoing, and this is likely to arise if there is a tender in progress or a contract award or business decision is imminent. You must consider the circumstances carefully before offering or providing hospitality.

Receiving a bribe

A supplier gives your nephew a job, and makes it clear that in return they expect you to use your influence to ensure we continue to do business with them.

It is an offence for a supplier to make such an offer. It would be an offence for you to accept the offer as you would be doing so to gain a personal advantage.

Bribing a foreign official

You arrange for the business to pay an additional payment to a foreign official to speed up an administrative process, such as clearing our goods through customs.

The offence of bribing a foreign public official is committed as soon as the offer is made, because it is made to gain a business advantage for us.

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

- i) 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.
- ii) give, promise to give, or offer, a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure.
- iii) 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.
- iv) 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 by us in return.
- v) threaten or retaliate against another worker who has refused to commit a bribery offence or who has raised concerns under this policy.
- vi) engage in any activity that might lead to a breach of this policy.

5 GIFTS AND ENTERTAINMENT

- 5.1 This policy does not prohibit normal and appropriate hospitality, entertainment and gifts, given to and received from third parties.

- 5.2 However such activities could sometimes disguise bribes, or be misinterpreted as bribes, and in order to protect the company and its workers we have adopted a Gifts and Entertainment Policy which identifies what we consider to be genuine and acceptable, and what is not. This is

available with our other Policies and Procedures, and please study it and ensure you understand how it applies to you, and what you have to do to comply with it.

6 FACILITATION PAYMENTS AND KICKBACKS

- 6.1 We do not make, and will not accept, facilitation payments or "kickbacks" of any kind. Facilitation payments are typically small, unofficial payments made to secure or expedite a routine government action by a government official. Kickbacks are typically payments made in return for a business favour or advantage. Neither are common in the UK, however they may be common in some jurisdictions in which we operate, and are sometimes perceived locally as normal and acceptable practice. We will do what we can to eradicate facilitation payments and kickbacks.
- 6.2 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 your manager and/or the Company Secretary.
- 6.3 All workers must avoid any activity that might lead to, or suggest, that a facilitation payment or kickback will be made or accepted by us.
- 6.4 We acknowledge that situations may arise where it is necessary to make such a payment in order to protect or preserve life or liberty or avoid personal injury or harm.
- 6.5 We will provide support and further advice, guidance and training to our workers who operate in an area where such payments are common, or who may otherwise be exposed to situations involving such payments.

7 DONATIONS

- 7.1 We do not make contributions to political parties.
- 7.2 We only make charitable donations that are legal and ethical under local laws and practices. No donation must be offered or made in our name or on our behalf without the prior approval of the Chief Executive Officer.

8 YOUR RESPONSIBILITIES

- 8.1 You must read, understand and comply with this policy. If you have any questions or concerns about it, its interpretation or application, contact your manager or the Company Secretary.
- 8.2 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for us or under our control. All workers are required to avoid any activity that might lead to, or suggest, a breach of this policy.
- 8.3 You must notify your manager or the Company Secretary as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future. For example, if a customer or potential customer offers you something to gain a business advantage with us, or indicates to you that a gift or payment is required to secure their business. Further examples of "red flags" that may indicate bribery or corruption are set out in the Schedule.
- 8.4 Any employee who breaches this policy will face disciplinary action, which could result in dismissal for gross misconduct. We reserve our right to terminate our contractual relationship with other workers if they breach this policy.

9 RECORD KEEPING

- 9.1 We must keep financial records and have appropriate internal controls in place so as to properly record all payments made and the reason for them.

- 9.2 You must ensure all expenses claims relating to hospitality, gifts or expenses incurred to third parties are submitted in accordance with our expenses policy and specifically record the reason for the expenditure.
- 9.3 All accounts, invoices, notes and other documents and records relating to dealings with third parties, such as clients, customers, suppliers and business contacts, should be prepared and maintained accurately and completely so as to properly reflect the nature of the transaction or relationship. No accounts must be kept "off-book" to facilitate or conceal improper payments.

10 HOW TO RAISE A CONCERN

- 10.1 You are encouraged to raise concerns about any issue or suspicion of malpractice at the earliest possible stage. If you are unsure whether a particular act constitutes bribery or corruption, or if you have any other queries, these should be raised with your manager or the Company Secretary.
- 10.2 Concerns should be reported by following the procedure set out in our Whistleblowing Policy.

11 WHAT TO DO IF YOU ARE A VICTIM OF BRIBERY OR CORRUPTION

- 11.1 It is important that you tell your manager or the Company Secretary as soon as possible if you are offered a bribe by a third party, are asked to make one, suspect that this may happen in the future, or believe that you are a victim or participant in another form of unlawful activity.

12 PROTECTION

- 12.1 Workers who refuse to accept or offer a bribe, or those who raise concerns or report another's wrongdoing, may be worried about possible repercussions. We encourage openness and will support anyone who raises genuine concerns in good faith under this policy, even if they turn out to be mistaken.
- 12.2 We are committed to ensuring that 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 your manager or the Company Secretary immediately. If you are an employee and the matter is not resolved to your satisfaction, you may raise it formally using our Grievance Procedure.

13 TRAINING, COMMUNICATION AND THIRD PARTIES

- 13.1 We will inform new workers about this policy as part of their induction process. We will provide regular and relevant training to workers on how to implement and adhere to this policy, which will be appropriate to their role and the perceived level of bribery risk.
- 13.2 Our zero-tolerance approach to bribery and corruption must be communicated to all suppliers, contractors and business partners (including agents and distributors) at the outset of our business relationship with them and as appropriate thereafter.
- 13.3 We will identify our trading partners and associates who may expose us to an increased bribery risk, taking into account in particular:
- value/volume of business;
 - whether a government entity is the ultimate customer or user, or there is some other form of involvement by government officials;
 - the location of the trading partner or the activity, and that country's rating on Transparency International's Corruption Perceptions Index.
- For new trading partners and associates this assessment will be done when we start doing

business with them.

Where there is considered to be a significant increased bribery risk, we will conduct a more detailed risk assessment, including due diligence on that partner, and identify and implement measures to mitigate the identified risks.

Responsibility for this lies with the manager who is responsible for that business relationship.

14 MONITORING AND REVIEW

- 14.1 The Company Secretary will monitor the effectiveness and review the implementation of this policy, regularly considering its suitability, adequacy and effectiveness. Any improvements identified will be made as soon as possible. Minor changes to this policy may be implemented by the Company Secretary in discussion with the Chief Executive; significant changes will be referred to the Board for approval.
- 14.2 The Board will monitor and review infringements of this policy and significant issues arising from it.
- 14.3 Internal control systems and procedures will be subject to regular audits to provide assurance that they are effective in countering bribery and corruption.
- 14.4 Workers are invited to comment on this policy and suggest ways in which it might be improved. Comments, suggestions and queries should be addressed to the Company Secretary.

SCHEDULE

POTENTIAL RISK SCENARIOS: "RED FLAGS"

The following are examples of "red flags" that could arise in the course of your work for us and which may raise concerns under anti-bribery and anti-corruption laws. This is not an exhaustive list, and is provided to help you understand the types of situation that may raise concerns.

If you encounter any of these red flags you must report it promptly to your manager or the Company Secretary.

In these examples a "third party" means any individual or organisation you come into contact with during the course of your work for us, and with whom we have or intend to have a business relationship, or upon whom we depend for the establishment or continuation of our business. This includes: actual and potential clients, customers, suppliers, distributors, business contacts, agents, consultants, and advisers; government and public bodies, including their advisers, representatives and officials; politicians and political parties.

- i) you become aware that a third party engages in, or has been accused of engaging in, improper business practices (whether or not in the course of working for us).
- ii) 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.
- iii) a third party insists on receiving a commission or fee payment before committing to sign a contract with us, or carrying out a government function or process for us.
- iv) 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.
- v) a third party requests that payment is made to a country or geographic location different from where the third party resides or conducts business.
- vi) a third party requests an unexpected additional fee or commission to "facilitate" a service.
- vii) a third party demands lavish entertainment or gifts.
- viii) a third party requests that a payment is made to "overlook" potential legal violations.
- ix) a third party requests that you provide employment or some other advantage to a friend or relative.
- x) you receive an invoice from a third party that appears to be non-standard or customised, or does not properly and correctly describe the goods or services provided.
- xi) a third party insists on the use of side letters or refuses to put in writing the terms that have been agreed.
- xii) you notice that we have been invoiced for a commission or fee payment that appears large given the service stated to have been provided.
- xiii) 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.
- xiv) you are offered an unusually generous gift or lavish hospitality by a third party.