

# Bribery Policy

**Author: Pam Mawson**

**Policy Owner: Audit Committee**

**Executive Owner: MLRO**

**Business Owner: Pam Mawson**

## Review Process / Version Control

Version	Amendment Date	Purpose / Review by / Input from	Outcome
1.1	May 2019	Approval by Audit Committee	Approved
1.2	May 2019	Considered and recommended by Management Risk Committee	No amends
1.3	29.05.19	Considered and approved by Audit Committee Transferred to standard format following this meeting	Approved

2019

# CONTENTS

CONTENTS.....	1
1. Policy Objective.....	2
2. Policy Owner.....	5
3. Target Audience.....	5
4. Scope.....	5
5. Inherent Risks.....	5
6. Determination of Key Policy Areas.....	3
7. Minimum Standards.....	4
8. Risk Mitigation.....	4
9. Regulation.....	5
10. Measurement and Reporting.....	6
11. Cross Reference to Supporting Documents.....	6
12. Alignment to Board Risk Appetite Statement.....	6
13. Responsibilities.....	7

## 1. Policy Objective

The aim of the Furness Building Society's Bribery Policy is to set out our practice and approach for countering bribery.

We take a zero-tolerance approach to bribery and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships and implementing and enforcing effective procedures to counter bribery.

The Bribery Policy applies to all business practices and conduct, including dealings with government and public bodies, their advisers, representatives and officials, politicians and political parties.

This Policy is to be read in conjunction with the Conflicts of Interest Policy.

## 2. Policy Owner

The Policy is owned by the Board of Directors and the Audit Committee has delegated authority to approve.

The Executive owner is the MLRO.

## 3. Target Audience

### Implementation

- a. It is every employee's responsibility to counter bribery in our business practices by adhering to the Bribery Policy.
- b. It is the responsibility of every manager to communicate this Policy and ensure that all employees receive the appropriate bribery training, and all employees and third parties, within their area of responsibility, understand and comply with the objectives.

### Communication of Policy

- a. All employees must ensure that they read, understand and comply with the Bribery Policy and sign a Fitness and Proprietary declaration.
- b. This Bribery Policy will be published on the Society's internet site and, where appropriate, incorporated into contractual dealings with third parties.

### Personal Commitments

- a. Employees are required not to put themselves in any position which might lead to, or suggest, a conflict of interest or other bribery behaviour. Employees are also required not to engage in any form of otherwise unethical or unlawful behaviour.
- b. (To be read in conjunction with c) Employees, third parties and Associated Persons are encouraged to raise concerns with their line manager about any potential issue or suspicion of malpractice within the scope of the Bribery Policy at the earliest possible stage. For example, if a third party offers something to gain an advantage with us, or indicates that a gift or payment is required to secure their business.
- c. Any concerns relating to the business practices of any employee, third party or Associated Person (for example if you believe or suspect that a conflict with the Bribery Policy has occurred or may occur in the future) can also be reported by following the procedure set out in our Whistleblowing Policy which can be found on the Society intranet. The Whistleblowing procedure should also be used if an individual fails to receive satisfactory feedback from an initial report of a bribery concern.

## 4. Scope

The Policy applies to the Society and Group subsidiaries.

## 5. Inherent Risks & General Principles

The key bribery risks identified and controlled are:

- Mortgage Fraud
- Savings and transactional fraud
- Data loss
- Tax fraud
- ID fraud
- Payment fraud
- Employee Fraud
- Management Fraud
- Agency Fraud
- IT Fraud & Cyber Fraud
- Intermediary or Supplier fraud

The general principles linked to bribery are:

- 5.1 This section should be read in conjunction with the Conflicts of Interest Policy and Section 3 of Employee Handbook.
- 5.2 No gift, invitation or hospitality can be offered under any circumstance where the sole intention is to obtain or retain business or any form of Advantage for the Society.
- 5.3 Specifically, there must never be any intention to induce an improper performance; this means that gifts, invitations and hospitality which are excessive or could be seen to influence judgements are not acceptable.
- 5.4 Gifts, invitations and hospitality must have a valid and compelling commercial justification. This might be upon completion of a significant project and/or to cement good relations or mutually enhance knowledge.
- 5.5 All gifts, invitations and hospitality received must be approved by, and disclosed to the relevant manager and entered on the Gifts and Entertainments Register.
- 5.6 Care must be taken to ensure that gifts, invitations or hospitality are not excessively repeated and do not evolve into a situation of mutual "escalation" where lavish invitations and gifts are bestowed or accepted with the inference or suggestion that rejection would be discourteous.
- 5.7 Just because the form of gift, invitation or hospitality is believed to be common within our business or sector, or has been offered or accepted in the past, does not mean that it is permissible.

## 6 Control Framework for Hospitality

### 6.1 Gifts

- 6.1.1 This section should be read in conjunction with the Conflicts of Interest Policy and Section 3 of the Staff Handbook.
- 6.1.2 All cash gifts including cash equivalent (such as gift certificates or vouchers) are prohibited, whatever the size and circumstances in which they are offered.
- 6.1.3 In certain situations, provided there is no intention to induce improper performance of a relevant function, where the amount involved is reasonable/proportionate and there is proper or due consideration, it is permissible to make reasonable contributions by way of charitable donations and gratuities related to acceptable social events.
- 6.1.4 The receiving of a trivial non cash gift such as a bottle of wine or spirits; food or tickets to a sporting or cultural event is not prohibited provided the following requirements are met:
  - (a) It is not made with the sole intention of influencing you to obtain or retain business or a business advantage, or to reward the provision or retention of business or a business advantage, or in explicit or implicit exchange for favours or benefits
  - (b) It does not include cash or a cash equivalent (such as gift certificates or vouchers)
  - (c) It is appropriate in the circumstances
  - (d) Taking into account the reason for the gift, it is of an appropriate type and value and given at an appropriate time
  - (e) It is given openly, not secretly
  - (f) It is otherwise legal.

- 6.1.5 Free use of property belonging to a third party; favours, perks, benefits and other forms of gift not otherwise defined within the terms of this rule are not permitted unless they are declared on the Gifts and Entertainments Register and approved by the individual's line Manager or a Member of the Executive Team.
- 6.1.6 Employees must exercise caution where the value of a gift is not capable of being quantified, or when a gift is offered by a third party with whom we do not have a business relationship, and seek approval of their line manager or a member of the Executive Team in the event of any doubt.
- 6.1.7 Gifts should not be offered to, or accepted from, government officials or representatives, or politicians or political parties.

## **6.2 Invitations and hospitality**

- 6.2.1 This Policy does not prohibit normal and appropriate hospitality given to and received from third parties.
- 6.2.2 Invitations to lunch or dinner, or sporting or other events are generally allowed provided:
  - (a) They are commercially justified and proportionate to the value of the business relationship
  - (b) The dominant purpose is to discuss business matters
  - (c) The value of the invitation is reasonable
  - (d) They are authorised by the individual's line manager or member of the Executive Team and declared on the individual's Gifts and Entertainments Register.
- 6.2.3 Corporate hospitality is generally permissible provided that:
  - (a) The hospitality relates to a valued customer
  - (b) The interests of the Society can be justified in advance and are compelling
  - (c) The value of the hospitality is reasonable
  - (d) A maximum of one private companion may accompany each invitee any exceptions are subject to prior agreement by 2 members of the Executive Team
  - (e) Incidental expenses such as taxi fares may be acceptable. Reasonable expenses are acceptable but nevertheless should be declared on the Gifts and Entertainments Register
  - (f) The same rules apply where an employee is invited as a guest to events of business partners or competitors. Reasonable expenses are acceptable but nevertheless should be declared on the Gifts and Entertainments Register.

## **6.3 Dealings with Public Officials**

- 6.3.1 Particular care must be exercised when dealing with public officials. Because of their position there is a greater possibility than with business partners that a reasonable person might infer inducement of improper performance of his or her function.
- 6.3.2 Cash and non cash gifts, whether trivial or otherwise, must not be offered to public officials.

## **6.4 Commissions**

- 6.4.1 This section should be read in conjunction with the Society's Agency Agreement.
- 6.4.2 Commissions can only be paid for permitted activities and payment must strictly always be rendered to the service provider.

## **6.5 Facilitation Payments and Kickbacks**

- 6.5.1 We do not make, and will not accept, Facilitation Payments or Kickbacks of any kind.
- 6.5.2 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 line manager or through the Whistleblowing procedures.
- 6.5.3 All employees must avoid any activity that might lead to, or suggest, that a Facilitation Payment or Kickback will be made or accepted by us.

## 6.6 Political and Charitable Contributions and Sponsorships

- 6.6.1 We do not participate in political contributions. Employees may exercise their private rights to participate in the political and democratic process.
- 6.6.2 We only make charitable donations that are legal and ethical under local laws and practices.
- 6.6.3 Community support and donations are acceptable, be it in-kind services, knowledge services exchange or direct financial contributions.
- 6.6.4 Managers and employees must ensure through due diligence and transparency that charitable contributions and sponsorships are not used as a subterfuge for and do not constitute bribery.
- 6.6.5 No donation must be offered or made without the prior approval of the Donations Committee or a member of the Executive Team.

## 6.7 Third Parties

### General principles when dealing with third parties

- 6.7.1 We will act with due care before engaging with a business partner and ensure that subsidiaries and business partners know and respect our Policy for countering bribery and corruption.
- 6.7.2 Payments to Associated Persons must be appropriate and justifiable remuneration for legitimate services rendered. The payment must be documented and, where possible, the Associated Persons must contractually agree to comply with this Bribery Policy.
- 6.7.3 We reserve the rights to terminate any contractual relationship in the event that Associated Person pays or solicits bribes or in any other ways violates bribery law.

### General rules of conduct where an advantage is offered by a third party

- 6.7.4 The overall test to be applied is whether in all the circumstances the gift or hospitality is reasonable and justifiable. The intention behind the gift should always be considered.
- 6.7.5 Always consider the moral and ethical nature of the invitation.
- 6.7.6 Any gifts offered which are not of a trivial nature or otherwise excessive or lavish should be declined and reported immediately.
- 6.7.7 In cases of doubt, always decline the offer of gift or invitation. It is also important in these circumstances that the business relationship is not negatively affected.
- 6.7.8 In the event that a gift or hospitality outside the guidelines of this Policy is accepted for whatever reason, the matter must be immediately reported to the Chief Compliance Officer & Group Secretary, who will determine the appropriate action to be taken. Actions will vary with individual circumstances; however in all cases the advantage will be surrendered. The gift/hospitality may be provided to non-profit organisations or raffled in the context of staff functions.

## 7 Determination of Key Policy Areas

The key risks and controls are regularly reviewed by each business area and considered at the Management Risk Committee meetings. Any changes to risk ratings and/or controls are approved by the Management Risk Committee and the MLRO also reports these changes to the Audit Committee.

The key policy areas for which procedures and controls have been developed and implemented are in:

- a. Any act of bribery may also amount to an offence under the Fraud Act 2006 and Proceeds of Crime Act 2002. For example, falsifying documents or making false statements could amount to fraud by false representation where there is dishonest intent to make a gain on the part of an individual or another, or to cause loss to another or to expose another to a risk of loss.
- b. Any violation of the Bribery Policy or anti-bribery procedures is a cause for disciplinary action, and could lead to dismissal for gross misconduct.
- c. No employee will be penalised, or be subject to other adverse consequences for refusing to pay bribes even if it may result in losing business.

- d. The Society reserves the right to terminate a contractual relationship with any third party in breach of this Policy and will in any event report any suspicion of unlawful activity to the regulatory authorities.

Bribery associated risks are also considered in new business ventures and channels and these new areas are also specifically reviewed for potential fraud impact at each Management Risk Committee meeting.

## **8 Minimum Standards**

The Society has a commitment to meet all regulatory requirements (as set out in section 6.7) and is committed to high legal, ethical and moral standards and all staff are expected to share this commitment and display such standards of behaviour. All staff are expected to act whonestly and with integrity and to safeguard customers' interests. The Society operates a robust recruitment procedure.

## **9 Risk Mitigation**

The Society will continually take appropriate measures as necessary to deter and detect bribery by monitoring the effectiveness of controls.

The Board has commitment:

- to take appropriate measures to prevent and detect bribery
- to introduce and maintain adequate procedures to detect bribery
- to encourage employees to report suspicions of bribery
- to investigate all instances of suspected bribery promptly and fairly
- to take appropriate action (including disciplinary and/or criminal action) on staff who accept or give a bribe
- to report instances as appropriate.

The key controls in place to mitigate the bribery risks are:

- Recruitment processes
- Staff training and awareness
- Team Briefs and other communications
- Due diligence eg brokers, third parties
- Customer verification - at onboarding and throughout the relationship
- CALLML
- National Hunter
- Staff authority/mandate levels for transactions and Treasury
- Bribery and conflicts of interest policies and procedures
- Challenge and review at Management committees
- AML controls
- Mortgage underwriting/lending criteria
- Use of and co-operation with 3<sup>rd</sup> party fraud data systems.
- Independent Audit function
- Whistleblowing policy
- Senior Management and Material Risk Takers under the Senior Management & Certification Regime are required to take a two week holiday.

### Protections

Employees who refuse to accept or offer a bribe, or those who raise concerns or report another's wrongdoing, are sometimes worried about possible repercussions. The Society encourages openness and will support any staff member who raises genuine concerns in good faith under this Policy, even if they turn out to be mistaken.

The Society is committed to ensuring no one suffers any detrimental treatment as a result of refusing to take part in bribery or corruption, or as a result 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 a Whistleblowing contact or HR Manager immediately.

## **10 Regulation**

The Society has a commitment to meet all regulatory and best practice requirements related to bribery:

- Bribery Act 2010
- Fraud Act 2007
- Money Laundering Regulations 2017
- JMLSG Guidance, including PEPs
- Proceeds of Crime Act 2002
- FCA - SYSC rules
- Terrorism Act 2000
- EU Money Laundering Directives, including PEPs
- Criminal Finances Act 2017

## **11 Measurement and Reporting**

All instances of potential, attempted or actual bribery are investigated and reported.

The Society's Bribery Policy is available on the Intranet. Staff are encouraged to make reports in confidence where necessary or appropriate.

A review of any control failures and the impact on other customers/areas is undertaken to identify if any further action is required to prevent/mitigate future instances.

The Board receives an annual report on conflicts of interest compliance from the Chief Executive. In addition, the Audit Committee receive a quarterly update.

Bribery will be included within the scope of work for inclusion on a risk basis in both the Compliance and Internal Audit Plan; the Board will therefore receive further bribery reporting from these functions appropriate to the nature and scale of the organisation and the level of associated risk.

## **12 Cross Reference to Supporting Documents**

This Policy is supported by and should be read in conjunction with:

- Financial Crime Manual
- Data Security Manual
- Lending Policy and criteria
- Whistleblowing Policy
- Fraud Policy
- Conflicts of Interest Policy

## **13 Alignment to Board Risk Appetite Statement**

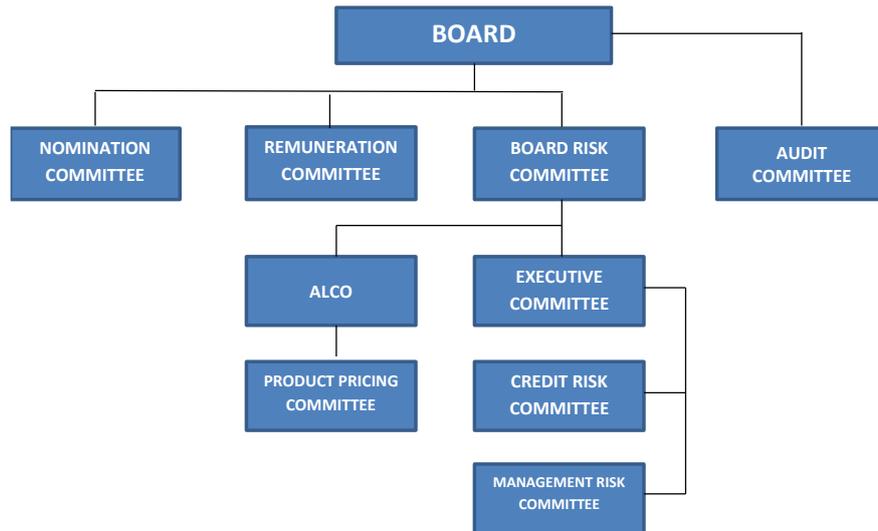
The Society adopts a risk based approach and the key fraud risks are mitigated through procedures and controls in all areas across the business as described in this document.

The Risk Register is regularly reviewed by the Business Managers in each area and the net controlled risks are monitored by the Operational Risk Manager and reported to the Management Risk Committee. Any risks which fall outside the Board Risk Appetite are added to an Action Plan and tracked by the Committee.

The Management Risk Committee and Audit Committee will receive and consider quarterly and annual reports from the MLRO and determine if the residual level of controlled risk remains with an acceptable level.

## 14 Responsibilities

### Risk Reporting Lines and Committee Framework



14.1 The Board of Directors has overall responsibility for general oversight including:

- ensuring the Bribery Policy and procedures are adequate within the meaning of Section 7 of the Bribery Act 2010 and otherwise comply with our legal and ethical obligations;
- that all those under our control comply with it;
- ensuring that the effectiveness of the Bribery Policy is monitored;
- periodically reviewing the Bribery Policy.

14.2 Line Managers have day-to-day operational responsibility for implementing the Bribery Policy, through ensuring staff awareness, understanding and compliance with this Policy. The Chief Compliance Officer & Group Secretary, as Head of the Compliance function and the Head of Internal Audit have responsibility for monitoring the use and effectiveness of the policy including through a proportionate level of testing.

14.3 Any line manager receiving a report of a bribery concern from an employee or third party is required to promptly pass any such reports to the Chief Compliance Officer & Group Secretary or Whistleblowing contact. Employees are required to co-operate with any internal or external investigation.

14.4 Employees are responsible for the prevention, detection and reporting of bribery and other forms of corruption and for honouring the personal commitments at Section 6 of the Bribery Policy.

## 15 Record Keeping

15.1 Financial records must be kept and appropriate internal controls in place which will evidence the business reason and justification for any form of advantage received from or made to any third party.

15.2 Employees must declare and keep a written record of all hospitality or gifts accepted or offered, which will be subject to periodic review by the Compliance function and an annual review by the Chief Executive. The Chief Executive's record is subject to annual review by the Chairman or Vice Chairman.

15.3 Employees must ensure all expenses claims relating to hospitality, gifts or expenses incurred are authorised and permitted and specifically record the reason for the expenditure.

15.4 All accounts, invoices, memoranda and other documents and records relating to dealings with third parties, such as clients, suppliers and business contacts, should be prepared and maintained with strict accuracy and completeness. No accounts must be kept "off-book" to facilitate or conceal improper payments or any form of advantage.

## **Definitions**

“Advantage” can be financial, such as any gift (including cash), loan, fee or commission; or non financial such as a non cash gift, benefit, hospitality/entertainment, favour or reward.

“Associated Person” means any third party over whom the Society exercises any degree of control eg agents and intermediaries with which the Society has an established relationship.

“Bribe” is defined as any form of advantage offered, promised, provided or received (including any intention or attempt to offer or receive) in the conduct of our business which is intended to induce or reward an improper performance.

“Commission” includes any fee charged by an agent, third party or other Associated Person for the provision of services to the Society.

“Facilitation payments” are typically small, unofficial payments made to secure or expedite a routine government action by a government official.

“Improper performance” is where a person acts other than impartially, in good faith or acts in breach of trust.

“Kickbacks” are typically payments made in return for a business favour or advantage.