

ANTI-BRIBERY AND CORRUPTION POLICY

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1. PURPOSE

Lodge Service International and all of its subsidiary companies are committed to the highest standards of ethical conduct and integrity in their business activities in the UK and overseas. This policy outlines Lodge Service's position on preventing and prohibiting bribery, in accordance with the Bribery Act 2010.

Lodge Service will not tolerate any form of bribery by, or of, its employees, agents or consultants or any person or body acting on its behalf. The Senior Leadership Team is committed to implementing effective measures to prevent, monitor and eliminate

2. SCOPE

The Code applies to all personnel, including directors, full time and part time employees, as well as freelance consultants and contractors, partners and agents, all of whom are expected to know this Code, observe its terms and keep themselves up to date with any changes.

This policy covers:

- the main areas of liability under the Bribery Act 2010;
- your responsibilities and those of associated persons acting for, or on behalf of, the company; and
- the consequences of any breaches of this policy.

You are encouraged to be vigilant at all times and report any suspicions that you may have: corrupt activity could seriously damage our business, so it is in your interest and the interest of all personnel to be on guard.

3. THE ORGANISATION’S ANTI-BRIBERY STRUCTURE

The Senior Leadership Team are committed to this Code.

Managers must ensure compliance by their teams and third party associates.

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All relevant transactions should be recorded.

Senior Leadership Team:

The Senior Leadership Team has a clear commitment to our anti-bribery policy and will monitor compliance on a regular basis.

Directors and Managers:

Each of our senior managers, including directors, has a duty to ensure that the Code is understood and observed by their own teams and to monitor compliance. This will involve initial training courses for all personnel as well as refresher courses from time to time.

Associates & Third Parties:

It is also the responsibility of senior management to bring this Code of Conduct to the attention of our business partners, contractors, agents and consultants. Those outside parties who provide services to Lodge Service or act on our behalf should be given a copy of the Code and be asked to confirm that they will observe its terms in their dealings on behalf of the company. Appropriate checks will be introduced, which may range from signing a questionnaire to a full on-site audit of the party in question. Our formal contracts with them should reflect this commitment on their part as a binding contractual obligation. In appropriate cases, Lodge Service should have the right to terminate the contract or cancel a transaction if the Code is breached.

Employees:

You are expected to conduct business honestly and to be on guard against any conduct by other members of Lodge Service or by third parties that is or appears to be corrupt in any respect. Report to your line manager if you have any concerns. It is extremely important that you do not notify or alert the suspected party in such circumstances. Confidentiality will be observed in any such discussion. How to deal with the offer and acceptance of gifts and hospitality is dealt with in more detail below. Any breach of the Code will be treated seriously and could constitute gross misconduct by an employee resulting in dismissal.

4. BRIBERY ACT 2010

The Bribery Act 2010 came into force from 1 July 2011. Bribery is both a criminal offence and a bad business practice. Research shows that a culture of corruption is a disincentive to investment and trade and adds to the costs of doing business as well as being unethical.

Under the Bribery Act 2010, a bribe is a financial or other type of advantage that is offered or requested with the:

- intention of inducing or rewarding improper performance of a function or activity; or
- knowledge or belief that accepting such a reward would constitute the improper performance of such a function or activity.

A relevant function or activity includes public, state or business activities or any activity performed in the course of a person's employment, or on behalf of another company or individual, where the person performing that activity is expected to perform it in good faith, impartially, or in accordance with a position of trust.

A criminal offence will be committed under the Bribery Act 2010 if:

- an employee or associated person acting for, or on behalf of Lodge Service offers, promises, gives, requests, receives or agrees to receive bribes; or

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- an employee or associated person acting for, or on behalf of Lodge Service, promises or gives a bribe to a foreign public official with the intention of influencing that official in the performance of his/her duties (where local law does not permit or require such influence); and
- Lodge Service does not have the defence that it has adequate procedures in place to prevent bribery by its employees or associated persons.

Accounting Records: Lodge Service's Finance Department will maintain appropriate procedures to ensure all relevant transactions including entertainment and hospitality costs are recorded and any abnormal expenses identified and scrutinised.

What is Prohibited?

Lodge Service prohibits you and associated persons from offering, promising, giving, soliciting or accepting any bribe. The bribe might be cash, a gift or other inducement to, or from, any person or company, whether a public or government official, official of a state-controlled industry, political party or a private person or company, regardless of whether you or the associated person is situated in the UK or overseas. The bribe might be made to ensure that a person or company improperly performs duties or functions (for example, by not acting impartially or in good faith or in accordance with their position of trust) to gain any commercial, contractual or regulatory advantage for Lodge Service in either obtaining or maintaining business, or to gain any personal advantage, financial or otherwise, for the individual or anyone connected with the individual.

This prohibition also applies to indirect contributions, payments or gifts made in any manner as an inducement or reward for improper performance, for example through consultants, contractors or sub-contractors, agents or sub-agents, sponsors or sub-sponsors, joint-venture partners, advisors, customers, suppliers or other third parties.

5. HOSPITALITY & GIFTS

Hospitality & Gifts must be:

- Modest
- Appropriate
- Transparent
- Recorded/Approved in advance

You must always avoid accepting or offering any hospitality or gift when this is in the hope that Lodge Service will receive a business advantage or to reward an advantage that has already been received.

All hospitality and gifts must be transparent: i.e. disclosed to the company and, in appropriate circumstances, approved in advance.

Hospitality: Entertaining or being entertained by clients and contacts is not in itself prohibited. But it must be appropriate, modest and given or accepted in the context of our business. Also, all offers of and invitations to hospitality must be reported to the appropriate Head of Department before any commitment is made and a Hospitality Form filled in (See Appendix).

Lavish entertainment is prohibited. We have a marketing budget within which there is scope for corporate entertaining. Incurring expenditure outside the budget should not occur.

For those employees with an expense allowance, you have to report your expenditure promptly as well as supplying relevant receipts and vouchers.

Frequent entertainment of an individual employee by a third party and frequent entertainment of the same client or contact by a member of Lodge Service are not permitted and should be reported.

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Corporate entertainment, gifts, hospitality and promotional expenditure:

Principle: Lodge Service permits corporate entertainment, gifts, hospitality and promotional expenditure that is undertaken:

- for the purpose of establishing or maintaining good business relationships;
- to improve the image and reputation of Lodge Service; or
- to present Lodge Service's services and products effectively;

Provided that it is:

- arranged in good faith, and
- not offered, promised or accepted to secure an advantage for Lodge Service or any of its employees or associated persons or to influence the impartiality of the recipient.

Lodge Service will authorise only reasonable, appropriate and proportionate entertainment and promotional expenditure.

This principle applies to you and associated persons, whether based in the UK or overseas. However, those with remits overseas will be given further training on the specific procedures that they are required to follow.

Procedure: You and, where relevant, associated persons should submit requests for proposed hospitality and promotional expenditure well in advance of proposed dates to the Managing Director.

You are required to set out in writing:

- the objective of the proposed client entertainment or expenditure;
- the identity of those who will be attending;
- the organisation that they represent; and
- details and rationale of the proposed activity.

Lodge Service will approve business entertainment proposals only if they demonstrate a clear business objective and are appropriate for the nature of the business relationship. Lodge Service will not approve business entertainment where it considers that a conflict of interest may arise or where it could be perceived that undue influence or a particular business benefit was being sought (for example, prior to a tendering exercise).

Any gifts, rewards or entertainment received or offered from clients, public officials, suppliers or other business contacts should be reported immediately to the Director of your business area. In certain circumstances, it may not be appropriate to retain such gifts or be provided with the entertainment and you and associated persons may be asked to return the gifts to the sender or refuse the entertainment, for example, where there could be a real or perceived conflict of interest. As a general rule, small tokens of appreciation, such as flowers or a bottle of wine, may be retained by employees.

If you or an associated person wishes to provide gifts to suppliers, clients or other business contacts, prior written approval from the Director of your business area is required, together with details of the intended recipients, reasons for the gift and business objective. These will be authorised only in limited circumstances and will be subject to a cap of £50 per recipient.

You and, where applicable, associated persons must supply records and receipts, in accordance with the Company's expenses policy.

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Charitable and political donations

Lodge Service considers that charitable giving can form part of its wider commitment and responsibility to the community.

Lodge Service supports a number of charities that are selected in accordance with objective criteria, following a risk assessment. Lodge Service may also support fundraising events involving employees.

Political donations are strictly prohibited. Lodge Service does not make donations to political parties, political candidates, or political causes of any kind.

What practices are permitted?

This policy does not prohibit:

- normal and appropriate hospitality and entertainment with clients (please see Lodge Service's expenses policy); and
- the use of any recognised fast-track process that is publicly available on payment of a fee.

Any such practices must be proportionate, reasonable and made in good faith. Clear records must be kept.

6. CASH & FINANCIAL INCENTIVES

It is prohibited to solicit any cash or financial benefit or assistance from any third party with whom Lodge Service may have a business connection. It is also prohibited to make any cash gifts or payments to third parties with whom you deal in relation to Lodge Service's business.

Facilitation Payments: It is not acceptable to make a facilitation payment (or 'grease payment') to any Government or other official or any other third party in order to speed up an official procedure or achieve an advantage through the payment when no such payment is officially required.

Principle: Lodge Service prohibits its employees or associated persons from making or accepting any facilitation payments. These are payments made to government officials for carrying out or speeding up routine procedures. They are more common overseas. Facilitation payments are distinct from an official, publicly available fast-track process. Facilitation payments, or offers of such payments, will constitute a criminal offence by both the individual concerned and Lodge Service under the Bribery Act 2010, even where such payments are made or requested overseas. You and associated persons are required to act with greater vigilance when dealing with government procedures overseas.

Procedure: Where a public official has requested a payment, you or associated persons should ask for further details of the purpose and nature of the payment in writing. If the public official refuses to give these, this should be reported immediately to the CEO.

If the public official provides written details, the CEO will consider the nature of the payment and local legal advice may be sought. If it is concluded that the payment is a legitimate fee, for example part of a genuine fast-track process, or is permitted locally, the CEO will authorise you to make the payment.

Where the CEO considers that the request is for a facilitation payment, you or the associated person will be instructed to refuse to make the payment and notify the public official that you are required to report the matter to Lodge Service and the UK embassy.

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Lodge Service will seek your assistance in its investigation and may determine that the matter should be referred to the prosecution authorities.

If you or an associated person have any other concerns about the nature of a request for payment, you should report it to the CEO using the reporting procedure set out in this policy.

7. GOVERNMENT AND OTHER OFFICIALS

Care must be taken when dealing with public officials in relation to contracts that Lodge Service is negotiating with including any governmental or other official body, whether in the UK or overseas. Any expenses involving an official should be cleared both with your business area Director and with the body with which that official works – for example arranging travel and/or accommodation for an official to attend a meeting with Lodge Service needs to be arranged with the public body with whom that official works and not just with the individual. In such cases, Lodge Service's representative must confirm in writing that such hospitality does not constitute an act of bribery.

Personal Benefits: It is not acceptable for you to have any dealing with a third party with whom Lodge Service has a business connection whereby you, or a friend or relative, might gain an advantage in return for some business advantage for that third party. For example, you must not favour a potential building contractor because the contractor offers to do some work for you at a low price or in order to secure a job for your cousin with that contractor. Any offer of personal benefit must be reported. In addition, if you suspect that a personal benefit may result from the course of legitimate business; this must be reported to the Director of your business area, and for the avoidance of doubt, before that business takes place.

Records: You and, where applicable, associated persons, are required to take particular care to ensure that records are accurately maintained in relation to any contracts or business activities, including financial invoices and all payment transactions with clients, suppliers and public officials.

Due diligence should be undertaken by you and associated persons prior to entering into any contract, arrangement or relationship with a potential supplier of services, agent, consultant.

You and associated persons are required to keep accurate, detailed and up-to-date records of all corporate hospitality, entertainment or gifts accepted or offered. These will be recorded in the 'Corporate Entertainment Gifts and Hospitality' book retained by the Financial Director at Head Office.

Working Overseas:

Principle: You and associated persons conducting business on behalf of Lodge Service outside the UK may be at greater risk of being exposed to bribery or unethical business conduct than UK-based employees. You and associated persons owe a duty to Lodge Service to be extra vigilant when conducting international business.

Procedure: You and associated persons are required to cooperate with Lodge Service's risk management procedures and to report suspicions of bribery to the CEO. While any suspicious circumstances should be reported, you and associated persons are required particularly to report:

- close family, personal or business ties that a prospective agent, representative or joint-venture partner may have with government or corporate officials, directors or employees;
- a history of corruption in the country in which the business is being undertaken;
- requests for cash payments;
- requests for unusual payment arrangements, for example via a third party;
- requests for reimbursements of unsubstantiated or unusual expenses; or
- a lack of standard invoices and proper financial practices.

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If you or an associated person are in any doubt as to whether or not a potential act constitutes bribery, the matter should be referred to the CEO.

8. RISK MANAGEMENT AND ASSESSMENT

Principle: Lodge Service has established detailed risk management procedures to prevent, detect and prohibit bribery. Lodge Service will conduct risk assessments for each of its key business activities on a regular basis and, where relevant, will identify employees or officers of Lodge Service who are in positions where they may be exposed to bribery.

Procedure: Lodge Service will identify high-risk areas, for example projects undertaken in high-risk countries, tenders for work and those working on high-value projects when commencing a new project.

Lodge Service will:

- regularly monitor "at risk" employees and associated persons;
- regularly communicate with "at risk" employees and associated persons;
- undertake extensive due diligence of third parties and associated persons; and
- communicate its zero-tolerance approach to bribery to third parties, including actual and prospective customers, suppliers and joint-venture partners.

Whenever Lodge Service considers a new venture with another company or individual, a risk assessment must be undertaken as a first step, accompanied by due diligence on the prospective business partner. The Senior Leadership Team will then consider the results before sanctioning any formal relationship.

Risk assessment falls into four main categories:

Sector Risk Is the type of business that we carry on exposed to the risk of bribery and if so what are the main risk areas? How can these be minimised or eliminated?

Transaction Risk Is a potential business opportunity or contract one where there is a risk of bribery or corrupt activity on the part of the client, any member of our team or any competitor, and is the risk most likely to be found at pre-qualification, tender, pre-contract negotiation or contract performance?

Country Risk When considering doing business overseas, whether as exporter, importer, or setting up an office or manufacturing base, what are the risks to which we may be exposed due to the different culture in the new country and the need for dealing with unfamiliar systems and companies – from immigration officials to local sponsors? Here we should always seek assistance from outside specialists – e.g. GovRisk and/or banks, accountants, lawyers and Foreign Office officials who are based in or familiar with the territory.

Partner Risk When considering a joint venture, term contract with a supplier or customer, or the appointment of an external consultant, agent or distributor, are we exposed to any new risks due, for example, to the fact that we may not be in control of certain financial or contractual aspects of the new relationship? If yes, then how can we restructure the process so risk is minimised or eliminated?

Once risks have been identified and assessed, the Senior Leadership Team will decide on how best to proceed and protect our interests. The risk assessment will be used to determine appropriate controls, which are sensitive to the likelihood and severity of each risk.

Due Diligence: Before entering into negotiations with third parties and before any letter of intent, commitment or contract is made with a third party, appropriate due diligence on that third party and the foreseeable related transactions should be undertaken. The importance of extensive and robust due diligence cannot be overstated as this

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can save Lodge Service from future ramifications and or costly and possibly embarrassing complications further down the line.

Due diligence includes checking the following issues in relation to a third party:

- Creditworthiness
- Financial records
- Company structure – shareholders, directors etc.
- Bank references
- Trade references
- Personal references
- Trading reputation – with competitors, suppliers customers
- Resources – does it have appropriate staff, premises, equipment etc
- Any proceedings (civil or criminal) in which the third party has been involved
- Conflicts of interest – does it have dealings/close relationships with our competitors

When planning to sign up a long term deal with a third party - supplier, joint venture partner, manufacturer, agent, distributor etc. these checks are especially important. Visits to the other party's premises and investigation of their business are important as a preliminary to any contractual commitment.

As for the contract, the terms will always require Senior Leadership Team approval and no binding commitment can be made before this is given. The terms of all contracts should contain the usual protection for Lodge Service and must include a provision that obliges the other party to comply with this Code of Conduct and not to do or permit anything that might put Lodge Service in breach of the Bribery Act.

9. REPORTING SUSPECTED BRIBERY

Principle: Lodge Service depends on you and associated persons to ensure that the highest standards of ethical conduct are maintained in all its business dealings. You and associated persons are requested to assist Lodge Service and to remain vigilant in preventing, detecting and reporting bribery.

You and associated persons are encouraged to report any concerns that you may have to the CEO as soon as possible. Issues that should be reported include:

- any suspected or actual attempts at bribery;
- concerns that other employees or associated persons may be being bribed; or
- concerns that other employees or associated persons may be bribing third parties, such as clients or government officials.

Procedure: The Incident Report (QM 84) should be used to allow you to record any incidents of suspected bribery. Any such reports will be thoroughly and promptly investigated by the CEO. in the strictest confidence. You and associated persons will be required to assist in any investigation into possible or suspected bribery.

You or associated persons who report instances of bribery in good faith will be supported by Lodge Service. Lodge Service will ensure that you are not subjected to detrimental treatment as a consequence of your report. Any instances of detrimental treatment by a fellow employee because you have made a report will be treated as a disciplinary offence. An instruction to cover up wrongdoing is itself a disciplinary offence. If told not to raise or pursue any concern, even by a person in authority such as a manager, you and associated persons should not agree to remain silent. You should report the matter to the CEO.

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10. ACTION BY THE ORGANISATION

Lodge Service will fully investigate any instances of alleged or suspected bribery. Employees suspected of bribery may be suspended from their duties while the investigation is being carried out. Lodge Service will invoke its disciplinary procedures where any employee is suspected of bribery, and proven allegations may result in a finding of gross misconduct and immediate dismissal. Lodge Service may terminate the contracts of any associated persons, including consultants or other workers who act for, or on behalf of, Lodge Service who are found to have breached this policy. Lodge Service may also report any matter to the relevant authorities, including the Director of Public Prosecutions, Serious Fraud Office, Revenue and Customs Prosecutions Office and the police. Lodge Service will provide all necessary assistance to the relevant authorities in any subsequent prosecution.

Communication (Including Training): Within Lodge Service, all personnel must be made aware of the Code of Conduct and undergo training on our anti-bribery policies and procedures.

All new personnel will undergo anti-bribery training as part of their induction process and a similar programme will be established for our external agents and consultants.

Forms for approval of entertainment and promotional expenses and records of those expenses must be used on all occasions.

If you require advice on how to handle any particular situation, the Group People Director is the primary contact. If you have any genuine concerns, whether in relation to the activities of outside contacts or clients or any of your colleagues, those concerns should be conveyed either to your line manager or directly to the Group People Director. Any discussion of this type will be kept confidential.

Speaking up, whether on small or large issues is encouraged and will not have adverse implications for you. Indeed, since bribery is bad for our business, it could enhance your position. In such circumstances where an act of bribery is discovered or suspected, you will take the matter directly to the Group People Director and/or senior management and will not notify the parties involved unless specifically instructed to do so.

There may be circumstances when we find it necessary to contact the Serious Fraud Office (SFO) or other authorities, whether in this country or abroad, either for advice or to report a problem. Our Group People Director, probably with another senior member of the Board, will normally handle any such situation.

11. BREACH OF THE BRIBERY POLICY AND ENFORCEMENT

Any employee found to have violated the Bribery Policy and or breached this Code of Business Conduct will be regarded as breaches of discipline and will be dealt with in accordance with the disciplinary procedure. Serious breaches could result in summary dismissal including and up to termination of employment.

Any deviation and or infractions of this policy will not be tolerated and Lodge Service will act quickly in correcting the issue if the policy is broken.

Policy Monitoring & Review:

This policy will be revised annually and in order to keep abreast of changes in legislation and the needs of the business. The implementation of this Code will be monitored by the Senior Leadership Team.

All cases involving bribery or attempted bribery will be considered by Directors.

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All recommendations for changes to our procedures – including this Code of Conduct – will be considered by the Senior Leadership Team before being implemented.

Our external auditors will be asked to check our financial controls in the context of this Code at least once a year.

12. APPLICATION

The Bribery Act was passed in 2010 and came into force in July 2011. Anti-corruption legislation is common throughout the world and this legislation was enacted to bring the UK into line with its international treaty obligations, having signed the OECD Convention on Combating Bribery in 1997.

Key Offences: There are four key offences:

- bribery of another person
- accepting a bribe
- bribing a foreign official
- failing to prevent bribery

A person is guilty of bribery, to summarise the wording of the Act, if THEY offers or gives a financial or other incentive to someone with the intention of getting that person or a third party to perform a function or activity improperly or as a reward for an improper act.

They are also guilty if they knows or believes that the offer or payment itself constitutes an improper performance of a relevant function or activity.

Improper performance seems to occur when the person responsible for an activity is expected to act in good faith or impartially, or is in a position of trust, and fails to do so.

What Does This Mean in Practice?

For example, the new rules mean that paying someone to get you a new passport ahead of the queue is an offence, and so is paying a company director to award your company a contract.

The person being bribed is also guilty of an offence under the Act.

How a Company Can Commit an Offence?

Failure to prevent bribery is a crime and applies to commercial companies: Lodge Service can itself be guilty of an offence if it fails to have adequate procedures in place to prevent bribery and someone associated with Lodge Service bribes a third party with the aim of getting an advantage for the company.

If you or an outside agent pay a bribe with the aim of getting business for Lodge Service, Lodge Service as well as you or the individual agent could be prosecuted.

The only defence for Lodge Service is to show it has 'adequate procedures' in place to prevent this breach – i.e. a Code of Conduct is necessary and must be implemented. The Government has issued Guidance for commercial companies on this topic which sets out six main principles: Proportionate Procedures; Top Level Commitment; Risk Assessment; Due Diligence; Communication (including training); Monitoring & Review.

The Long Arm of the Law: Bribery Abroad Counts Too

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A person can be guilty of an offence under the Act even if they commit the offence abroad and are either a British subject, ordinarily resident in the UK or in some other way has a close connection with this country.

Bribery of a foreign public official occurs when a person gives or offers an incentive to such an official with the intention of getting business or an advantage in the conduct of business. The definition of foreign public official is wide enough to cover anyone from a customs officer to a government minister anywhere in the world outside the UK as well as officials of international organisations such as the United Nations.

Penalties: Penalties can be severe – up to 12 months or a fine on summary conviction and up to 10 years imprisonment on indictment.

Exemptions: The law applies to employees of the Government but there is a defence for the intelligence services (MI5 and MI6) and for the armed forces when engaged on active service, if they can show the bribery was necessary for the proper exercise of their functions.

More Information: The Act can be found at:
http://www.opsi.gov.uk/acts/acts2010/ukpga_20100023_en_1

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