



CLS HOLDINGS PLC

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

CLS Holdings plc and its subsidiaries (together, the "Group" or "CLS") are committed to the prevention, deterrence and detection of bribery and corruption. The purpose of this document is to set out the Group's policy on bribery and other corrupt practices, including the standards and procedures required to ensure compliance with such policy and with all anti-bribery and corruption laws in the countries in which CLS conducts its business.

INTRODUCTION

The UK government legislation, the Bribery Act 2010, demonstrates its commitment to eradicate bribery and corruption in UK-based business organisations. CLS has a clearly-defined policy of non-tolerance of all forms of bribery and corruption within its business and we expect our employees to conduct themselves in accordance with this policy. CLS will actively investigate all breaches or suspected breaches of this policy and, if appropriate, invoke disciplinary measures and take prompt action to remedy the breach and prevent any repetition.

In general terms, bribery is committed where a person (A) offers or gives some benefit to another person (B) as an inducement for that person (B) or another person (C) to act dishonestly in relation to his principal's or employer's business. In such case, all those persons (A, B and C), as well as other persons who were complicit in the offence, may be guilty of bribery.

Remember:

- a bribe does not have to be cash, it can be a non-cash benefit;
- the person who receives the bribe is as guilty as the person who offers it even if it is unsolicited;
- the bribe will still be an offence under UK law if it is committed overseas, irrespective of whether it would be illegal under local law; and
- the penalties for committing a bribery offence under UK law include up to 10 years in prison or an unlimited fine for individuals. CLS may also have to pay an unlimited fine.

SCOPE

Who must follow this policy?

The policy applies to all directors and employees of the Group. Compliance with this policy is mandatory for those individuals and it is vital that all staff know the rules and comply with them. CLS will provide staff with appropriate training on the scope and application of the policy at appropriate intervals.

We will also encourage the application of this policy amongst our business partners including joint venture partners and consortium members, and in some cases, our contracts with them will require them to comply with it.

Employees who engage third parties such as agents, contractors or intermediaries to work on behalf of the Group must seek to ensure that these parties are aware of this policy. Such third parties may also be required to commit contractually to observe this policy when working on our behalf if they do not have an adequate policy of their own (see paragraph (ii) (c)(Prevention of bribery by Associates) below).

Raising concerns

Employees are encouraged to raise questions or concerns at the earliest possible stage about:

- the scope and application of the Bribery Act 2010 generally or of this policy;
- whether any particular payment or other act may be construed as a bribe or may be in breach of this policy; or
- any instance or suspicion of malpractice or any action which could be construed as a bribe or may be in breach of this policy.

Such concerns will be treated in the utmost confidence and should be raised with your Line Manager in the first instance. If your Line Manager is not available, please contact the Company Secretary of CLS Holdings plc (the "**Company Secretary**"), David Fuller (dfuller@clsholdings.com or tel: +44 (0)20 7840 7772).

No employee will suffer demotion, penalty or other adverse consequences for refusing to pay bribes or refusing to participate in other corrupt practices even if this may result in CLS losing business.

MONITORING AND REVIEW

CLS will periodically review the implementation of this policy in respect of its suitability, adequacy and effectiveness and is committed to making improvements as appropriate. The designated director with overall responsibility for this policy is the Group Chief Executive Officer, who will report the results of this process to the CLS Board of Directors. Employees and business partners who are obliged to comply with this policy will be notified of any change.

POLICY

(i) Key Principle

CLS prohibits bribery in any form whether direct or indirect through third parties. For the purposes of this policy, bribery shall mean the offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, or for a breach of trust.

(ii) Risk areas for CLS

CLS has conducted a thorough bribery risk assessment of all aspects of its business and operations and has identified the following areas as vulnerable to allegations of bribery:

- facilitation payments;
- kickbacks;
- dealings with Associates (as defined below);
- political donations;
- charitable contributions and sponsorships; and
- excessive corporate hospitality.

For more on each of these, see below. This list is not exhaustive and all staff should be mindful of the general anti-bribery principle underpinning this policy in all of their conduct and dealings on behalf of the Group. This risk assessment will be repeated periodically and this section of the policy will be updated accordingly in the light of any change of circumstances.

(a) Facilitation payments

CLS prohibits the making of facilitation or "grease" payments. Facilitation payments are often described as unofficial payments made to secure or speed up routine actions, often by public officials, such as issuing permits, licences or consents, immigration controls, scheduling inspections associated with contract performance, providing services or releasing goods held in customs. The payment offered or requested may be small but it will still be a bribe unless it is permitted or required by written local law.

Example: An "expediting" fee is required by a government official to issue a permit in

circumstances where the legitimacy of the fee is not clear, or a fee is demanded which the official claims is legitimate but is higher than the published fee or appears to be disproportionately high given the action required.

Suggested response: You should consider the following action:

- first, payment should be resisted, particularly any payment in cash and/or payment directly to the official, perhaps using illegality and the prospect of prosecution under the Bribery Act 2010 as a reason not to pay;
- if the official persists in the demand, ask for documentary proof that the fee is payable;
- if the official cannot supply evidence of the validity of the fee, you should again politely refuse to pay it or ask to see a more senior official;
- if this request is refused, or if the senior official is unhelpful, you should not make the payment and say to the official that you have noted their identity and that your employer will make a formal complaint to the official's employer and to the relevant authorities; and
- finally, you should report the incident to your Line Manager and the Company Secretary as soon as practicable giving as much detail as possible so that we can make a meaningful record of the situation and decide what action to take to ensure that it is not repeated.

If you have no option other than to pay, perhaps because you have good reason to believe that you cannot escape serious harm unless you meet a demand for payment, you may make such a payment in these exceptional circumstances. You should report the incident to your Line Manager and the Company Secretary without delay. The report must state:

- why the payment was unavoidable;
- the purpose of the payment;
- the amount of the payment;
- the date it was made; and
- the identity of the recipient of the payment, and of any superior official to whom reference was made, if known.

(b) Kickbacks

Contracting is one of the operational functions with the highest vulnerability to kickbacks. CLS has a zero tolerance of kickbacks. A kickback is the 'return' of an undue favour or service rendered or an illegal secret payment made as a return for a favour. A kickback is considered to be a bribe and the offer or receipt of any kickback is a criminal offence. However, a contractual rebate, discount or refund for bulk purchasing would not normally fall within the definition of a kickback.

CLS is committed to the highest standards of business integrity and will operate transparently and fairly in its business dealings. A payment should **never** be made to a commercial counterparty to win business or influence a business decision in the Group's favour. **Kickbacks, secret commissions and similar payments made in the course of the Group's business are strictly prohibited.**

(c) Prevention of bribery by Associates

Under the Bribery Act 2010, CLS may become criminally liable where an act of bribery has been committed by a person, firm or company who is associated with the Group (such as an agent or service provider). CLS's only defence is to be able to demonstrate that it had "adequate procedures" in place to prevent bribery being committed by someone associated with it.

Screening and due diligence procedures

CLS therefore requires certain screening and due diligence procedures to be carried out in respect of its agents, contractors, suppliers, intermediaries and other representatives ("**Associates**") to ensure that the highest ethical standards are maintained and to protect CLS from the risk of it being associated with illegal or corrupt payments or such payments being made on its behalf. If you are unsure whether someone is an "Associate" for these purposes, please consult the Company Secretary.

In order to determine which Associates may present a bribery risk for the Group, CLS will require its employees to undertake a risk based approach to assessing all Associates. Prior to commencing a business relationship you must consider whether the Associate presents a potential risk.

Companies listed on a recognised stock exchange and other Associates that CLS has done business with in the past are less likely to pose a bribery risk. Nevertheless, on every invoice that is received by the Company from an Associate, the procurer must sign in the appropriate box to authorise payment and confirm that they have considered the due diligence requirements of this Policy for each payment.

If the Associate is considered by the procurer to be of a higher risk profile (see "red flags" below), in addition, a formal checklist is required to be completed prior to their appointment (see the **Associate Checklist** attached as Appendix 3 to this policy). The Associate Checklist can also be found on the intranet. A copy of the completed Associate Checklist should be signed (as per the instructions on it) and kept on file. If you are not able to give the Certification in Section 4 of the Associate Checklist, you must not appoint or engage the Associate.

Monitoring procedures

Employees must keep compliance by Associates under review and report any suspected breaches of contractual obligations or unlawful conduct as set out below.

The Associate Checklist is designed to eliminate bribery and corruption risks posed by Associates at the pre-contract stage. However, it is also your responsibility to monitor the activities of those with whom you have direct contact.

In your dealings with Associates, the following non-exhaustive list of "red flags" should put you on notice of possible bribery risks and should be reported to your Line Manager and the Company Secretary:

- dealings in jurisdictions with a history of bribery and corruption (see the [Transparency International Corruption Perceptions Index](#));
- close ties with the UK or any overseas Government or any Government agency in the UK or overseas;
- poor or non-existent anti-bribery policy or a reluctance to co-operate with the Associate Checklist process (where applicable);
- poor or non-existent records of monitoring compliance with its own anti-bribery policy;
- extensive use of third party agents and intermediaries, particularly in jurisdictions with a history of bribery and corruption;
- odd payments or unexplained accounts in financial records;
- false or misleading documentation;
- adverse press comment on business dealings; and
- evidence of extravagant corporate hospitality, gifts or expenses.

(d) Political Donations

None of the Group or its employees shall make any form of political donation or contribution where that donation or contribution is made as a way of obtaining an advantage for the Group in any business transaction, for example, if it is linked in any way to a tender for a government contract, the obtaining of a permit or licence, or it is designed to influence the content or timing of legislation which could impact on the

business of the Group. A political contribution for these purposes would include any payment or donation to any political party or electoral organisation, either in the UK or overseas, or to any candidate for election to public office in the UK or overseas.

Where any political donations or contributions are to be made by or on behalf of any Group company, they should only be made with the prior approval of the Company Secretary and will be publicly disclosed.

(e) Charitable Contributions and Sponsorship

CLS recognises that it has a proper corporate and social responsibility as a business within the community. As a result, CLS considers it wholly acceptable to make charitable contributions and to undertake sponsorship where appropriate. That said, CLS also understands that this should be proportionate, reasonable and not excessive.

Any charitable contribution or sponsorship by or on behalf of any Group company should be referred to the CSR Committee for prior approval.

(f) Gifts and hospitality

See Appendix 1.

Acknowledgement

To confirm that you have read and understood this policy, you will be sent a read receipt email via the HR Portal, Cascade, which you will be asked to accept.

In the event that you are unable to access Cascade, please sign and return Appendix 2 to the Company Secretary at 16 Tinworth Street, London, SE11 5AL.

If you do not fully understand any aspect of this policy, please contact the Company Secretary for further assistance and guidance before you sign.

APPENDIX 1

GIFTS AND HOSPITALITY POLICY

Introduction

CLS recognises that offering or accepting gifts and hospitality is usually a legitimate contribution to building good business relationships. However, gifts and corporate hospitality may cross the line and become an illegal bribe if they are disproportionate. Directors and employees must exercise care when offering or accepting gifts and hospitality in order to protect their reputation and the Group's reputation against allegations of improper behaviour and to ensure that bribery laws are not breached.

Gifts include money, goods, services or loans given ostensibly as a mark of friendship or appreciation.

Hospitality includes entertaining, meals, receptions, tickets to entertainment, social or sports events, participation in sporting events, such activities being given or received to initiate or develop relationships with business people or other third parties.

Gifts and hospitality that are usually acceptable (subject to the self-approval test)

Where gifts and hospitality are sufficiently modest, they should not require prior approval (subject to the self-approval test).

Self-approval test

You should ask yourself the following questions to determine whether a gift or hospitality is appropriate:

- what is the context or purpose of the gift or hospitality?
- is the gift or hospitality proportionate? Would the guest or the recipient (as appropriate) be able or likely to personally purchase or host something of comparable value reasonably routinely?
- would a person of a similar position to yourself regard the gift or hospitality as unduly extravagant in the circumstances?
- would you be embarrassed if your manager, colleagues or anyone outside CLS became aware of the gift or hospitality?

The following will usually be acceptable without prior approval:

- Infrequent meals with someone with whom we do business
- Gifts and hospitality under £200

Gifts and hospitality that may be acceptable with prior approval

For anything that does not fit into the above category, the gift or hospitality may or may not be acceptable. You must get approval from your Line Manager or if your Line Manager is not available, the Company Secretary for the following:

- Hospitality that involves overseas travel
- Gifts and hospitality from government officials
- An offer of gift vouchers or other equivalent products to suppliers
- Offering a gift, entertainment or anything of substance to any foreign public official or any member of their family

Excessive travel or accommodation to a hospitality event that could not be reciprocated by the employee is deemed not to be acceptable.

The provision or receipt of personal or business loans of any kind to or from an Associate are strictly forbidden (other than in the ordinary course of CLS's business).

Benefits Registers

All gifts must be recorded in the benefits register which you use. This does not apply to nominal value items, such as promotional material.

All Hospitality must also be recorded in the benefits register held by the Company Secretarial Department.

The benefits registers will be subject to management review.