

# **Anti-bribery and Corruption Policy**



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## **1. Introduction**

- a)** This Anti-Bribery and Corruption Policy (ABC Policy) sets out for LB Finance PLC (LBF) and its subsidiaries to set out the principles for countering bribery and corruption and the management of bribery and corruption risk of the Company by preventing the company, employees of the company and third parties by requiring them to commit to countering bribery and corruption in all forms in relation to transactions routed through or involving the company. LBF has zero tolerance for any form of bribery and corruption and will consider potential instances of bribery or corrupt behavior as a threat to its integrity and reputation as a business. Further, this policy articulates the core values of integrity and standard of behavior expected from all Employees of LB Finance PLC.
- b)** Corruption increases the uncertainty in business and the costs of transactions. It restricts the growth of the business both within Sri Lanka and globally. The Bribery and Corruption are risks that LBF takes seriously and wishes to mitigate through this policy.
- c)** Sri Lanka has implemented following legislations with regard to Bribery and Corruption,
- Bribery Act No 11 of 1954
  - Bribery (Amendment) Act No. 20 of 1994
  - Anti-Corruption Act No. 9 of 2023
  - Commission to investigate Allegations of Bribery or Corruption (CIABOC) Act No. 19 of 1994
- d)** LB Finance PLC means, LB Finance PLC, its entire staff, its agents, its outsourced parties and its subsidiaries.
- e)** The Definitions of what is “Bribery”, “Corruption” and other related terms are mentioned in Annexure 1.

## **2. Scope**

- a) This Policy applies to all activities and functions of LBF and to its subsidiaries, irrespective of their jurisdiction, country or business.
- b) The Policy applies to all Directors, Employees and Third-party Service Providers such as Suppliers, Outsourced staff and Agents engaged by LB Finance PLC.

## **3. Situations of Potential Bribery and Corruption (BC) Risk**

Bribery risk is not limited to cash payments and may arise from an offer or transfer of anything of value.

A few examples of such relationships and events that could lead to a higher risk of Bribery and Corruption are stated below. All such circumstances must be immediately reported to the HR / Compliance Officer of the company for immediate action.

### **a. Facilitation Payments**

- i.** Facilitation payments are typically small unofficial payments paid to speed up an administrative process or secure a routine government action by an official. Examples of Facilitation payments include but are not limited to:
  - obtaining or expediting a permit, license or other official document or approval
  - securing police protection for a site against risk of theft
  - facilitating the collection and/or delivery of mail
  - the provision of utilities to a site, such as connection of water, electricity, or telephone services
- ii.** Facilitation payments should be contrasted with official, lawful, receipted payments (typically to an entity rather than an individual) to expedite certain functions, e.g. where there is a choice of fast track services.

- iii. ABC Policy strictly prohibits any kind of Facilitation Payments made by Directors, Employees or third parties acting on its behalf.

**b. Fee payments**

- i. Where an agent or intermediary is used to liaise with officials of public or government bodies and agencies, steps must be taken to ensure that any fee paid by LBF to such agent or intermediary is proportionate to the activity being performed and in accordance with laws and regulations.
- ii. No such fee payments can be made without the express approval of business line management who may obtain advice from Legal Department and/or Compliance Department of the company (as may be appropriate).

**c. Charitable Donations**

- i. When funds are donated for Charitable purposes appropriate due diligence must be conducted
- ii. Any Charitable donation must always be routed through the delegated authority of LBF and made directly to a recognized Charitable organization and not through another party or individual. Legal Department and/or Compliance Department shall be referred in case of doubts.

**d. Sponsorship**

- i. Special requirements may arise on company's Sponsorship activities. Any sponsorship activities should be in line with the Delegated Authority approved by Board of Directors of the LBF from time to time.

**e. Public Officials**

- i. Appropriate due diligence must be conducted when public officials, their relatives or their close associates are invited to any entertainment provided by company, or when

any payments are made to them by or on behalf of LBF.

- ii. Enhanced due diligence should be carried out where any payment is made to a Politically Exposed Person (PEP) as defined in company's Anti-Money Laundering Policy.

**f. Political Donations**

- i. No political contribution to a candidate for public office, an elected official, a political party or political action committee, can be made, on behalf of LB Finance PLC.

**g. Offers of Employment**

- i. Adequate attention must be given when providing employment to people that are connected to, or are relatives of, senior public officials. It is not prohibited to employ such individuals, but, any hiring for an improper purpose including the perception thereof must be avoided.

**h. Engaging Third party Services Providers**

- i. Third party services may be obtained in the form of suppliers, agents, and outsourced staff to carry out functions of the company within the prevailing regulations as per the Outsourcing policy of the company.
- ii. All arrangements entered into with third party services providers shall be prohibited from engaging in, conducting, omitting or contributing to anything that may constitute an act of bribery and corruption or pose bribery and corruption risks to the company.
- iii. Refer the Annexure 2 of this Policy which provides guidance on the red flags relating to bribery involving third party service providers.

**4. Minimum Standards**

- i. Zero tolerance has been set up by the company for bribery and corruption and is firmly committed to acting with integrity, professionalism and fairness in all its business dealings and relationships.

- ii.** All employees including directors of the company shall comply with the related policies/guidelines/circulars when undertaking any of the following activities on behalf of the Company,
  - a.** offering or accepting any benefits, including gifts, entertainment, meals, travel/accommodation, training or any other things of value;
  - b.** engaging and monitoring Third Parties;
  - c.** procuring goods and services;
  - d.** commencing activities in new countries or entering into new business ventures
  - e.** making charitable or community donations or sponsorships.
  
- iii.** All companies and Employees in the LBF Group and third-party service providers are strictly prohibited from:
  - a.** Pay, offer, promise or accept, directly or indirectly, any bribe, kickback, secret commission or other form of improper payment (however small) in order to obtain any improper business or other advantage for the Company, for themselves, or for others;
  - b.** Make facilitation payments. Facilitation payments are payments (typically of low value) made to a public official with the purpose of expediting or facilitating the performance of a routine governmental action;
  - c.** Provide or accept benefits including gifts, hospitality, entertainment, meals, travel/accommodation, training or other things of value which are contrary to the general standards.
  - d.** Provide or offer any gifts or benefits in circumstances where it is known or suspected that the recipient cannot accept the gift or benefit pursuant to law or to any duties/obligations that they owe others;
  - e.** Make charitable or community donations or sponsorships which are contrary to the Company Policy.
  - f.** Enter into or continue a business relationship with a third party if they cannot be

- satisfied that such third party will behave in a manner consistent with this Policy;
- g.** Engage or make a payment to a business partner, or any other third party, knowing or suspecting the business partner or third party may use or offer all or a portion of the payment directly or indirectly as a bribe, kickback, secret commission or other form of improper payment;
  - h.** Falsify or mis-describe any book, record or account relating to business of the Company. All receipts and expenditures must be supported by documents that describe them accurately and properly;
  - i.** Engage in a corrupt practice which is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another person.
  - j.** Engage in a fraudulent practice by acting or omitting to act which includes misrepresenting or misleading a person to obtain a financial or other benefit or to avoid an obligation.
  - k.** Engage in a collusive practice which is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.
  - l.** Engage in an obstructive practice which is deliberately destroying, falsifying, altering or concealing of evidence material to an investigation or making of false statements to investigators.
  - m.** Engage in a coercive practice which would impair, harm or threaten to impair or harm directly or indirectly any person or the property of any person to influence improperly the actions of that person
  - n.** Prevent/ abate/ refrain another staff member from performing official duties due to being influenced by any corrupt conduct.
  - o.** Cause or authorize any of the above conduct or any other conduct which is inconsistent with this Policy.



- iv. LBF Group prohibits Bribery and Corruption in all forms with respect to all its business dealings. The company shall have proper policies and procedures, keep accurate books and records, establish effective internal accounting controls over all of its business transactions and maintain a system of internal accounting controls and retain such documents as per the data retention policy of the company.
- v. LBF will be required to carry out appropriate due diligence on its customers, agents, intermediaries and service providers to minimize the risk of being associated with acts of Bribery or Corruption.

## **5. Other Policies that covers the Principles of Anti-Bribery and Corruption**

Principles of Anti-bribery and Corruption are addressed in all most all the Company policy and procedures including the below.

- a) HR Policy
- b) Code of Conduct
- c) Manual of procedure -Procurement
- d) Whistleblowing policy
- e) Information Protection Procedure
- f) Remuneration Policy. (Section under 'Key Guiding Principles 'of the Remuneration Policy)
- g) Procedure Manual on Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT)
- h) Policy on Managing Conflicts of interests

## **6. Training and Awareness**

At recruitment all employees shall sign a declaration that they read and understand obligations arising from the ABC Policy. Further at the induction and at refresher programs all staff are trained on obligations arising from the ABC Policy. E-learning awareness will also be provided to employees of the Company.

## 7. Assessing Bribery and Corruption Risk (BC Risk)

Bribery and Corruption risks to business operations of the company where applicable shall be identified, periodically assessed, monitored and managed effectively by the respective process owners in order to maintain a strong control system.

- a) **Role of the Risk Department:** Each business unit should assess the BC risk when carrying out their respective Risk Assessment which is rolled out and reviewed by the Risk Department.
- b) **Role of Compliance Department:** Compliance being an independent function will monitor non-compliance of this policy with relevant reporting by the respective business unit or the Human Resource Department or as detected by the Internal Audit Department in addition to independent monitoring by adopting an appropriate mechanism. The Risk assessment as deduced by the Risk Department would also be considered by the Compliance Department to take appropriate action to address policy violations.
- c) **Head of Compliance** being the subject policy owner will report any Non-compliance of this policy to the Board Audit Committee (BAC) on a Quarterly basis as specified in Annexure 3 attached herewith consequent to the above process monitored by Compliance department to escalate actual or potential Bribery and Corruption risks identified during the quarter under review. This is to ensure continuous compliance monitoring and reporting.
- d) **Role of Internal Audit:** Internal Audit being an independent function from the business operations, will carry out the audit function in line with the Board approved Audit methodology for providing the assurance. As per board approved annual plan required verifications/tests will be included to assess the adequacy of the controls established within the entity in addressing the risks which include BC risks where applicable.

## **8. Advice, Reporting and Investigation of Alleged Misconduct**

- a) Advice can be obtained from business line management as the first line of defense, who can seek further guidance from the Legal Department or the Compliance Department of the company to the extent required.
- b) In instances where a Director or an Employee knows of an actual incident or breach of this Policy or any attempt to bribe or otherwise engage in corruption, he/she must report immediately, in accordance with the respective Group's Whistleblowing Policy.
- c) In instances where there is suspicion or knowledge that funds held by company are intended to be used for, or are the proceeds of Bribery or Corruption, the responsibility is on the individual immediately to notify the Head of HR or Compliance Officer.
- d) The above-mentioned reporting channels enable employees with the opportunity to report potential/ actual bribery related incidents in a confidential manner and protect employees from retaliation for good faith reporting.
- e) All investigations relating to potential bribery and corruption incidents will be handled in a confidently manner from beginning to end.

## **9. Breach of this Policy**

Infringements of this Policy may result in disciplinary action taken by the company, including dismissal, and may involve criminal or regulatory proceedings for any individuals.

## **10. Policy Review**

The ABC policy shall be reviewed annually or when any change of relevant laws, regulatory guidance and industry standards whichever occurs early.

## **11. Policy Owner**

Head of Compliance will be the Policy owner and be responsible to realize objectives of the policy and to ensure continuous compliance monitoring and reporting.

## Annexure 1 Definitions of Terms

(a) **Bribery Act** means the Bribery Act No 11 of 1954 (as amended) of Sri Lanka

(b) **Bribe or Bribery** is offering, giving, receiving, or soliciting of any item of value to influence the actions of an official or other person in charge of a public or legal duty.

The Bribery Act further defines Bribe or Bribery to mean the offer, solicitation or acceptance of any

\*Gratification in contravention of any provision of this Policy.

\*Gratification includes

1. money or any gift, loan, fee, reward, commission, valuable security or other property or interest in property of any description, whether movable or immovable,
2. any office, employment or contract,
3. any payment, release, discharge or liquidation of any loan, obligation or other liability whatsoever, whether in whole or in part,
4. any other service, favour or advantage of any description whatsoever, including protection from any penalty or disability incurred or apprehended or from any action or proceedings of a disciplinary or penal nature, whether or not already instituted, and including the exercise or the forbearance from the exercise of any right or any official power or duty, and
5. any offer, undertaking or promise of any of the above.

(c) **Corruption** is defined as “the act of doing something with an intent to give some advantage inconsistent with official duty and the rights of others, a fiduciary or official use of a station or office to procure some benefit either personally or for someone else, contrary to the rights of others, an impairment

of integrity, virtue or moral principles; especially impairment of a public official’s duty by bribery.”

(d) **Third party Service Providers** shall mean persons and entities appointed by the Financial Institution as Suppliers, Agents and Outsourced staff service providers.

(e) **Politically Exposed Person (PEP)** means an individual who is entrusted with prominent public functions either domestically or by a foreign country, or in an international organization and includes a head of a State or a Government, a politician, a senior government officer, judicial officer or military officer, a senior executive of a State Owned Corporation/Government or Autonomous body but does

not include middle ranking or junior ranking individuals. The CDD Rule is also applicable to family members and close associates of a PEP as well.

## **Annexure 2 Red Flags relating to Third Party Service Providers**

Third party service providers pose heightened risk of bribery and these red flags provide examples of identifying such scenarios. However, it is not an exhaustive list:

- a.** Little or no relevant experience regarding the services to be provided
- b.** Flawed background or reputation (including, for example, prior corruption or a negative reputation for integrity)
- c.** Recent senior Public Official of the same government department or business responsible for the award of the contract or matter at issue or who worked in a procurement or decision-making position
- d.** Transaction or Intermediary suggested by a Public Official, particularly one connected to the business or matter at issue
- e.** Close business, personal or family relationship with a Public Official who has discretionary authority over the business or transaction at issue
- f.** Party to a transaction or contract makes unreasonable/unsupported objections to ABC due diligence or representations or warranties being included in the agreement
- g.** Party does not reside or have a significant business presence in the country where the service is to be provided
- h.** Use of a shell company or some other non-transparent corporate structure
- i.** Requires payment of a commission, or a significant portion thereof, before or immediately upon award of the contract
- j.** Requests for unusual contract terms
- k.** Requests for payment in cash, advance payments, payment to an individual or entity that is not the contracting individual/entity, or payment into a country that is not the contracting individual/entity's principal place of business or the country where the services are performed
- l.** Anticipates payments that cannot plausibly be commercially justified vis-à-vis the role

undertaken

- m.** Adjustment of remuneration demand during the course of the engagement, particularly in close proximity to the award of business
- n.** Vague or unsupported book keeping
- o.** Heavy reliance on cash

**Annexure 3**

**LB FINANCE PLC**

**Quarterly Report Bribery  
and Corruption Risk**

**Period .....**

**Purpose of the Report**

To update to the Board Audit Committee on the potential and actual Bribery and Corruption risk concerns that have been reported during the Quarter ending ..... of the Financial Year 20.....

| No. | Department / Branch | Nature of Bribery and Corruption Risk | Status | Action Taken |
|-----|---------------------|---------------------------------------|--------|--------------|
| 01  |                     |                                       |        |              |

**Head of Compliance**

Date -