

TABLE OF CONTENTS

<u>Section</u>	
I.	Purpose
II.	Effective Date
III.	Scope
IV.	Definitions and Abbreviations
V.	a) Policy b) Canada Legislation c) United States Legislation d) United Kingdom Legislation e) What is permitted? f) “Red Flags” (Violations) g) More “Red Flags” – Recognizing Common Excuses
VI.	Policy Compliance
VII.	Records
Appendix A	Reference (including legal and regulatory requirements);
Appendix B	Revisions
Appendix C	Due Diligence Procedures and verification process
Appendix D	Summary relating to: Jurisdiction and Sanctions
Appendix E	Certification form (Applicable to clients and partners)
Appendix F	Anti-Bribery Questionnaire

I. PURPOSE

The purpose of this policy is to complement the Code of Business Conduct and to ensure that all VELAN entities globally are aware of, and abide by, anti-corruption legislation. All directors, officers, employees, contractors, business partners and channel partners acting on behalf of VELAN must comply with all applicable laws prohibiting improper transactions with domestic and foreign officials and persons.

In the context of this policy, “transaction” shall have the definition set in Section III below.

II. EFFECTIVE DATE

Immediately upon issuance

III. SCOPE

VELAN is subject to the Foreign Corruption laws in each jurisdiction it operates. The OECD Convention on combating bribery of foreign public officials in international business transactions has been adopted by several countries. Canada, the United States and the United Kingdom have adopted statutes that aim to adhere to the OECD convention. However there are some differences between these statutes.

As a guideline, the international business transactions of all VELAN entities are most likely subject to Canadian and US laws and are therefore required to comply with these. In addition and in all circumstances VELAN entities have to comply with any applicable local laws and regulation. Velan UK has to comply with UK laws and regulations.

This document will therefore summarize these 3 laws. A table outlining the principal criteria that would give application to each of these laws is attached at the end of this policy.

Generally, the following “transactions” are prohibited:

- an offer, payment, agreement to pay or authorization of payment of any money or anything of value to a foreign public official, foreign political party, official of a foreign political party or candidate for political office of influence any act or decision of such person or party for the purpose of obtaining or retaining business or directing business to any person;
- a payment to any person with the intention that all or a portion of that payment will be offered or given, directly or indirectly, to any such foreign public official for any such purpose.

DATE:**BY:****REV.:****PAGE No:**

December 13th, 2018

Corporate

Rev. 4 (2018)

2 of 24

This policy applies to:

- the directors, officers, employees, contractors, business partners and channel partners of all VELAN entities, while acting for or on behalf of VELAN.

IV. DEFINITIONS AND ABBREVIATIONS

Corruption of Foreign Officials Act: CFOA (Canada)

Foreign Corrupt Practices Act: FCPA (United States)

Bribery Act 2010: BA 2010 (United Kingdom)

Organization for Economic Co-Operation and Development: OECD (Global)

Channel Partner: Approved Velan Representatives; Approved Consultants or Service Providers

V. POLICY

a) POLICY STATEMENT

VELAN policy is in strict compliance with applicable anti-corruption and anti-bribery legislation. It is imperative that any person or entity acting for or on behalf of VELAN read the policy, recognize what constitutes a violation, avoid breaches and report possible violations.

Accordingly, this policy sets out the various applicable legislation as well as common “Red Flags”.

b) CANADIAN LEGISLATION

THE CORRUPTION OF FOREIGN OFFICIALS ACT (CFOA) PROHIBITS:

- in order to obtain or retain an advantage in the course of business, directly or indirectly giving, offering or agreeing to give or offer a loan, reward, advantage or benefit of any kind to a public official or to any person for the benefit of a foreign public official: (a) as consideration for an act or omission by the official in connection with the performance of the official’s duties or functions; or (b) to induce the official to use his or her position to influence any acts or decisions of the foreign state or public international organization for which the official performs duties or functions;
- the laundering of property or proceeds of any property obtained or derived from bribery of a foreign public official, in Canada or offshore; possession in Canada

DATE:

BY:

REV.:

PAGE No:

December 13th, 2018

Corporate

Rev. 4 (2018)

3 of 24

of property or proceeds, whether from bribery or laundering, is an offense;

- a conspiracy or an attempt, aiding or abetting, an intention in common, or counseling others to commit bribery of a foreign public official, laundering property and proceeds, or possession of property and proceeds.

THE CFOA SANCTIONS:

- for bribery, up to five (5) years imprisonment;
- possession or laundering of the proceeds of bribery is either an indictable offence with a maximum penalty of ten (10) years imprisonment and/or a fine of as much as \$50,000.00.

THE CRIMINAL CODE PROHIBITS:

- bribery, frauds on the government and influence peddling, fraud or a breach of trust in connection with duties of office, municipal corruption, selling or purchasing office, influencing or negotiating appointments or dealing in offices, possession of property or proceeds obtained by crime, fraud, laundering proceeds of crime and secret commissions;
- a conspiracy or an attempt to commit the offences; aiding and abetting in committing these offences; an intention in common to commit these offences; and counseling others to commit the offences.

THE CRIMINAL CODE SANCTIONS:

The Crown can seize corporate property or income obtained through bribery, or levy fines in an amount equal to the value of the property or income. There is no upper limit on the amount that can be seized or fined.

c) UNITED STATES OF AMERICA LEGISLATION**THE FOREIGN CORRUPT PRACTICES ACT (FCPA) PROHIBITS:**

- making a corrupt payment to a foreign official for the purpose of obtaining or

DATE:

BY:

REV.:

PAGE No:

December 13th, 2018

Corporate

Rev. 4 (2018)

4 of 24

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY**VEL--HR-021**

retaining business for or with, or directing business to, any person. This also applies to non US entities or individuals who take any act in furtherance of such a corrupt payment while in the United States. This includes paying, offering, promising to pay (or authorizing to pay or offer) money or anything of value (refer to section (e) below for further details);

- ordering, authorizing or assisting someone else to violate the anti-bribery provisions or conspiring to violate those provisions; offering, or promising a corrupt payment;
- any corrupt payment intended to influence any act or decision of a foreign official in his or her official capacity, to induce the officials to do or omit to do any act in violation of his or her lawful duty, to obtain any improper advantage, or to induce a foreign official to use his or her influence improperly to affect or influence any act or decision;
- making a payment to a third party while knowing or consciously disregarding or deliberately ignoring that all or a portion of the payment will go directly or indirectly to a foreign official.

The person making or authorizing the payment must have a corrupt intent, and the payment must be intended to induce the recipient to misuse his official position to direct business wrongfully to the payer or to any other person. The FCPA does not require that a corrupt act succeed in its purpose.

THE FCPA SANCTIONS:

- corporations or other business entities are subject to a criminal fine of up to \$2,000,000.00;
- officers, directors, stockholders, employees and agents are subject to a criminal fine of up to \$100,000.00 and imprisonment for up to five (5) years;
- fines imposed on individuals may not be paid by their employer or principal.;
- under the *Alternative Fines Act*, these fines actually may be higher- up to twice the benefit the defendant sought to obtain by making the corrupt payment;

DATE:

BY:

REV.:

PAGE No:

December 13th, 2018

Corporate

Rev. 4 (2018)

5 of 24

- under several circumstances these fines can be increased through the Attorney General, the Security Exchange Commission or the Court;
- the Attorney General or SEC, as appropriate, may also bring a civil action to enjoin any act or practice of an entity;
- in addition to civil penalties, a person or firm found in violation may be, without limitations:
 - barred from doing business with the Federal government. Indictment alone can lead to suspension of the right to do business with the government;
 - ineligible to receive export licenses;
 - suspended or barred from the securities business;
 - be imposed treble damages under the *Racketeer Influenced and Corrupt Organizations Act* (RICO),
- Several other rules and legislation may apply to such conduct such as tax laws; the mail and wire fraud statutes, the Travel Act which provides for various sanctions.

d) UNITED KINGDOM LEGISLATION

BRIBERY ACT 2010 PROHIBITS:

- Active Bribery- the offering, promising or giving of an advantage.
- Passive Bribery- requesting, agreeing to receive or accepting an advantage.

The following functions and activities are within the scope of the act:

- (a) any function of a public nature;
- (b) any activity connected with business;
- (c) any activity performed in the course of a person's employment;
- (d) any activity performed by or on behalf of a body of persons (whether corporate or un-incorporate).

Note that these functions and activities are relevant even if they do not occur in, or have any connection with, the United Kingdom.

- bribing a foreign public official with the intent to influence the foreign public official in their capacity in order to retain or obtain business or an advantage in the

DATE:**BY:****REV.:****PAGE No:**

December 13th, 2018

Corporate

Rev. 4 (2018)

6 of 24

conduct of business;

- the failure of a commercial organization to prevent persons performing services on its behalf from committing bribery.

Note that

- 1) in the case of commercial organizations under the *Bribery Act 2010*: it does not matter if the alleged offence takes place in the United Kingdom or elsewhere. As long as the commercial organization is incorporated or formed in the UK, the UK courts claim jurisdictions; and
- 2) it is a defense for a commercial organization if it can prove that it had “adequate procedures” in place to prevent persons from committing bribery.

BRIBERY ACT 2010 SANCTIONS

- for bribery (summary conviction), up to twelve (12) months imprisonment, or to a fine not exceeding the statutory maximum or both;
- for bribery (indictment), up to ten (10) years imprisonment, or to a fine or both;
- for commercial organizations, a fine not exceeding the statutory maximum.

e) WHAT IS PERMITTED?

Reasonable hospitality and *bona fide* expenditures are permitted, commensurate with norms for the particular industry and if such expenditures are related to promoting or demonstrating products or services or for the performance or execution of a contract.

Examples of acceptable expenditures are:

- airport to hotel transfer;
- services to facilitate an on-site visit by foreign officials to view products;
- business meals in an amount per person permitted by the Travel Policy; and
- accommodation expenses.

Generally, the more lavish (i.e. the provision of a vacation at a five (5) star resort) the greater the perception that the advantage was intended to influence the foreign official. All hospitality

DATE:

BY:

REV.:

PAGE No:

December 13th, 2018

Corporate

Rev. 4 (2018)

7 of 24

which because of their nature or amount gives the perception that the advantage is intended to influence a foreign official must be approved by the President of VELAN prior to offering or providing such hospitality.

Facilitation payments are small payments to facilitate routine Government action. Unlike the CFOA and the FCPA, the Bribery Act 2010 does not allow facilitation payments,

f) RED FLAGS

Potential “red flags” (violations) include the following but are not limited to:

- **Company’s name is same as or similar to foreign public official;**
- **Company is closely related to a foreign public official;**
- **Company lacks necessary qualifications (e.g., does not have engineering degree) or “track record”;**
- **Consulting contract for which the services are poorly defined;**
- **Payments through third countries;**
- **Payments through third parties;**
- **Payments through tax havens;**
- **Excessive or unusually high compensation;**
- **Unusual payment patterns or financial arrangements;**
- **Payments to numbered bank accounts with no detail;**
- **Company/designated Official contact details are difficult to validate or cannot be validated.**
- **Cash exchanges (“brown envelope”)**
- **Wired sums of money**
- **Concealed payments through false / non-detailed invoices or “consulting fees”**
- **Lavish entertainment and/or gifts**
- **Excessive hospitality or travel expenses**
- **Vacations disguised as business trips**
- **Benefits, perks, education, training and/or employment for relatives**
- **Political and charitable donations**
- **Special favours, etc.**

g) More RED FLAGS -- Recognizing Common Excuses

COMPLACENCY:

“We’ve always done it...”

OUTSOURCING BRIBERY:

“We had no clue our agent was paying...”

SIEGE MENTALITY:

“We can only compete if...”**“If we don’t do it someone else will...”**

CITING CUSTOM:

“That’s the way things work here – it’s different...”

INADEQUACY:

“We thought our anti-bribery systems were up to the job...”**“We don’t obtain receipts for...”**

IGNORANCE:

“If only we’d known that is would be regarded as a bribe / corrupt act...”

PRETENDING IT’S NOT A BRIBE:

“It was only a helicopter ride and a five-course banquet for him and his partner...”**“No one gets hurt, it’s actually a win-win...”****VII. POLICY COMPLIANCE**

Any employee or business partners and channel partners acting on behalf of VELAN who becomes aware of a “Red Flag” and/or a violation of this policy or any other corporate policy has a duty to promptly report such violations to the President.

Any suspected violation shall be investigated.

Remediation, corrective and disciplinary actions in the case of an employee will be taken as required. If an investigation reveals potential criminal activity, this will be reported to the proper authorities. Pending the outcome of any investigation or hearing, whether internal or external, if it is determined that this policy has been violated, an employee may be subject to disciplinary action up to and including termination of employment and or other corrective action. In the case of business partners and channel partners acting on behalf of VELAN, this will be considered as force majeure and termination of the contract.

DATE:

BY:

REV.:

PAGE No:

December 13th, 2018

Corporate

Rev. 4 (2018)

9 of 24

VIII. RECORDS

Any records that are created as a consequence of this policy and that must be maintained will be stored with Sales Management and/or subsidiary management.

Please cut the section below and return to Velan's Human Resources Department.



This is to certify that I have received, read and understood Velan's Anti-bribery and Anti-Corruption Policy.

Employee signature

Date

Please print name

DATE:

December 13th, 2018

BY:

Corporate

REV.:

Rev. 4 (2018)

PAGE No:

10 of 24

Appendix A – References (including legal and regulatory requirements)

Corruption of foreign Public Officials Act S.C 1988, c.34

Bribery Act 2010 (c.23)

Foreign Corrupt practices Act of 1977 (15 U.S.C. §§ 78dd-1, et seq.)

Appendix B- Revisions

Issue	Changes Made	Originator	Date
Rev 1	Original Issue	President Office	June 1 st 2012
Rev 2	Change process	Compliance Manager	March 2, 2015
Rev 3	Update	Legal Assistant	April 26 th , 2016
Rev 4	Section IV: Added Organization for Economic Co-Operation and Development: OECD Section VI: f) Added more "red flags" (violations) g) Added More RED FLAGS -- Recognizing Common Excuses	Coordinator, Document Management, HSE & Compliance	December 13 th , 2018

DATE:**BY:****REV.:****PAGE No:**

December 13th, 2018

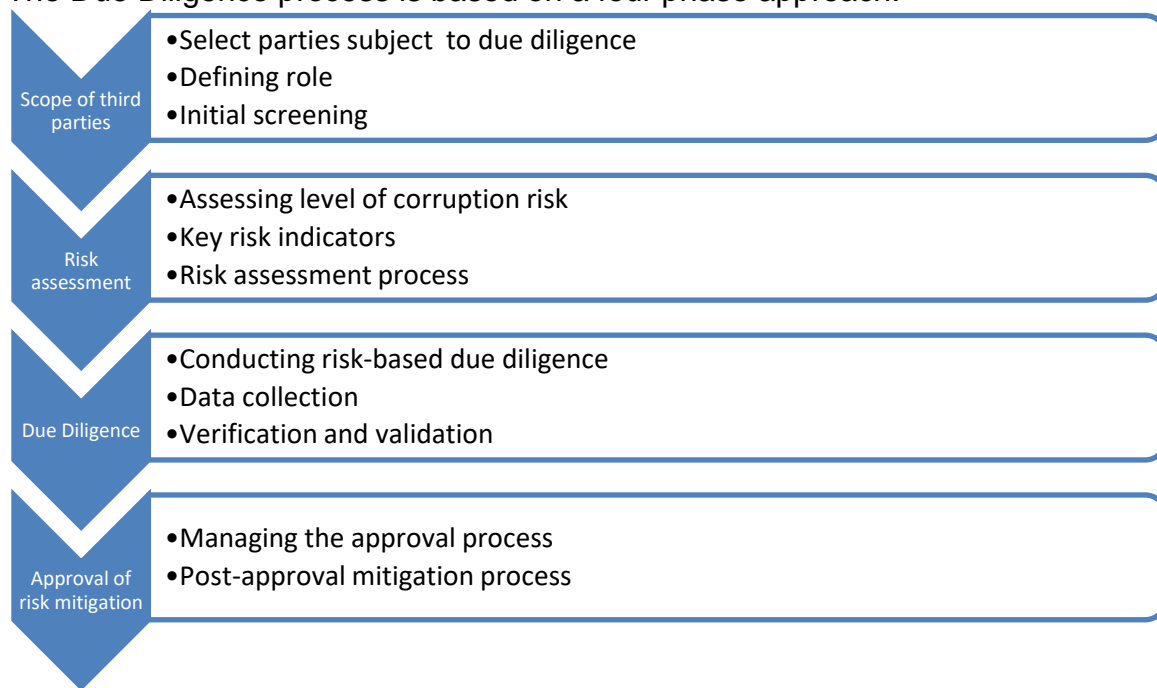
Corporate

Rev. 4 (2018)

12 of 24

Appendix C-Due Diligence Procedures

The Due Diligence process is based on a four phase approach.



The owner of this process is Sales Management and/or subsidiary management. They are responsible to gather the information, obtain analysis from other departments such as Finance for credit validation (Dun & Bradstreet) and Compliance for export restrictions and denial lists screening, and keep the results in files for Internal Audit.

Scope of Third Parties

The first step is to determined which third parties are considered “in scope” and therefore subject to risk-based due diligence.

It is important to determine if the Anti-bribery laws and regulations apply or not. For example, a distributor, not representing Velan and selling only on their domestic market would not be subject to due diligence.

Also, consideration of the jurisdiction is also important. Considering that the UK Bribery Act has jurisdiction in both domestic and foreign sales it is therefore required to determine if the Third Parties have a direct link with UK which can occur by either having a British subsidiary or intermediates involved with the transactions. More details can be found in Appendix D.

DATE:	BY:	REV.:	PAGE No:
December 13th, 2018	Corporate	Rev. 4 (2018)	13 of 24

An organization or person should be considered for due diligence procedures if one or more of the following conditions are met:

Yes	No	
<input type="checkbox"/>	<input type="checkbox"/>	Will the Third Party transactions be international?
<input type="checkbox"/>	<input type="checkbox"/>	Will the Third Party be exposed and/or have interactions with a public official on behalf of Velan?
<input type="checkbox"/>	<input type="checkbox"/>	Will the Third Party be dealing with customers, suppliers and/or agents on behalf of Velan?

Risk assessment of Third Parties

The second step after determining that the Third Party is in scope is to determine if the level of risk justifies performing additional procedures. If any of the following conditions are met, then the next steps are required:

Yes	No	
<input type="checkbox"/>	<input type="checkbox"/>	Is the Third Party or where the transaction is taking place from a country with a Transparency International Global Corruptions Perceptions Index of 50 or below?
<input type="checkbox"/>	<input type="checkbox"/>	Are one or more potential “red flags” present?
<input type="checkbox"/>	<input type="checkbox"/>	Are the countries involved and/or the Third Party listed on any denial or embargo lists?

Conducting due diligence process

If the Third Party is in scope but don't present a risk, then the due diligence will be limited by obtaining a signed Third Party Anti-Bribery and Anti-Corruption Certification Form which can be found in Appendix E.

However, if the Third Party represents a risk in addition of being in scope then the Anti-bribery questionnaire must be fill-in and signed by the Third Party. The questionnaire can be found in Appendix F.

Approval of risk mitigation

Only after the complete process of due diligence is completed and results analyzed that the Third Party can be approved by a member of the Executive.

DATE:	BY:	REV.:	PAGE No:
December 13th, 2018	Corporate	Rev. 4 (2018)	14 of 24

Appendix D-Summary Jurisdiction – Defenses – Sanctions

Jurisdiction: for information, the following criteria are used to determine if a given law is applicable to a given situation:

	Canada	USA	UK
Citizens		√	√
Residents		√	√
Legal Persons incorporated in the jurisdiction		√	√
Issuers		√	
“real and substantial link”	√	√	√
Any act in furtherance of a payment (use of US\$)		√	

Sanctions that are provided for by the respective laws

	Canada	USA	UK
Prison	√	√	√
Fine	√	√	√
Probation	√	√	√
Civil action by Gvt		√	
No tax deductibility	√	√	√
Administrative sanctions	√	√	√
Confiscation of bribe	√	√	√

Appendix E – Certification form (All clients & Partners)

CERTIFICATION
ANTI-BRIBERY AND ANTI-CORRUPTION

1. I, (insert name of signatory – principal of company) _____, personally and on behalf of (insert name of company) _____, represent, certify and warrant that I have complied with and will comply with all applicable laws ⁽¹⁾ and regulations relating to anti-bribery and anti-corruption and will not make, permit to be made or knowingly allow a third party to make any improper payment or to perform any unlawful act.
2. I represent, certify and warrant that I have not paid, offered or agreed to pay, caused to be paid or offered or agreed to be paid, directly or indirectly, any amount in contravention of the Velan anti-bribery and anti-corruption policy.
3. I represent, certify and warrant that neither I nor any of the officers, directors, employees, representative or agents of my company is acting in an official capacity on behalf of any government, government agency, local political party, candidate for political office, public body or public international organization.
4. I further agree that if subsequent developments cause the certifications and information reported herein no longer to be accurate or complete, I will immediately provide Velan with a supplementary report detailing such change in circumstances.
5. I hereby agree to indemnify Velan and all of its officers, directors and other agents, subcontractors, assigns and successors for any loss that it or any of such entities may suffer as a result of my failure to make full and accurate reports of my activities on behalf of Velan.
6. The undersigned hereby represents, certifies and warrants that the information provided herein is complete and accurate to the best of my knowledge, information and belief and that I am legally empowered to make such representations, certifications and warranties on behalf of myself and my company.

Signature: _____

DATE:	BY:	REV.:	PAGE No:
December 13th, 2018	Corporate	Rev. 4 (2018)	16 of 24

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY**VEL--HR-021**

Name: _____

Title: _____

Company: _____

Date: _____

Note:

- (1) Depending upon the specific circumstances this may include Canadian, US, or / and UK laws as well as the laws and regulations applicable in the territory in which performance is to take place.

DATE:

December 13th, 2018

BY:

Corporate

REV.:

Rev. 4 (2018)

PAGE No:

17 of 24

Appendix F – Anti-Bribery Questionnaire**Business Information**

Company Legal

Name : _____

Street Address : _____

City : _____

State/Province: _____

Postal Code : _____

Country : _____

Telephone : _____

Facsimile : _____

Web Site Address : _____

Contact Person : _____

Email : _____

Which of the following best describes your company?

- Sole proprietorship
- Limited liability partnership
- Corporation

Primary
industry: _____

Date establish: _____

In what country/countries does your company provide services?

DATE:

December 13th, 2018

BY:

Corporate

REV.:

Rev. 4 (2018)

PAGE No:

18 of 24

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY**VEL--HR-021**

Are their mandatory business registrations required for your company?

Yes

No

Registration number: _____ Registration date: _____
Expiration date: _____
Government office where registered: _____
City: _____ State/Province: _____
Postal Code: _____ Country: _____

Is your company required by law to be registered with any Government Agencies?

Yes

No

Registration number: _____ Registration date: _____
Expiration date: _____ Registered with: _____

Has your company registered with any other organizations (i.e. Chamber of Commerce)?

Yes

No

If yes,

describe: _____

DATE:

December 13th, 2018

BY:

Corporate

REV.:

Rev. 4 (2018)

PAGE No:

19 of 24

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY**VEL--HR-021**

Does your company have any subsidiary or sister organizations?

Yes

No

If yes,
describe:

Does your company have any parent organizations?

Yes

No

If yes,
describe:

Does your company have any branch offices?

Yes

No

If yes,
describe:

Provide background information on your company's experience and expertise. Include a brochure or recent annual report, if available.

DATE:

December 13th, 2018

BY:

Corporate

REV.:

Rev. 4 (2018)

PAGE No:

20 of 24

Reference Information

Provide two external and unrelated business references

Company Name : _____
Street Address : _____
City : _____ State/Province: _____
Postal Code : _____ Country : _____
Telephone : _____ Facsimile : _____
Contact Person : _____
Job Title : _____
Email : _____

Company Name : _____
Street Address : _____
City : _____ State/Province: _____
Postal Code : _____ Country : _____
Telephone : _____ Facsimile : _____
Contact Person : _____
Job Title : _____
Email : _____

Provide one financial reference (i.e. bank or supplier)

Company Name : _____
Street Address : _____
City : _____ State/Province: _____
Postal Code : _____ Country : _____

DATE:

December 13th, 2018

BY:

Corporate

REV.:

Rev. 4 (2018)

PAGE No:

21 of 24

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY**VEL--HR-021**

Telephone : _____ Facsimile : _____
Contact Person : _____
Job Title : _____
Email : _____

Personnel Information

List all owners, partners and/or shareholders of your company (attach more sheets if necessary):

Name: _____
Title: _____
Citizenship: _____
Ownership percentage: _____

Name: _____
Title: _____
Citizenship: _____
Ownership percentage: _____

Name: _____
Title: _____
Citizenship: _____
Ownership percentage: _____

DATE:

December 13th, 2018

BY:

Corporate

REV.:

Rev. 4 (2018)

PAGE No:

22 of 24

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY**VEL--HR-021**

Does your company have a Board of Directors?

Yes

No

If yes, list
members:

Conflicts Information

Does your company have any contracts directly with government-controlled entity?

Yes

No

Type of service:

Govt. Controlled

Entity:

Compliance Information

Does your company currently have a written policy addressing bribery?

Yes

No

Please indicate the method by which your company wants to receive payment and the country the funds will transit?

DATE:**BY:****REV.:****PAGE No:**

December 13th, 2018

Corporate

Rev. 4 (2018)

23 of 24

I certify that the information provided in this questionnaire is true to the best of my knowledge.

Signature

Printed name

Date

DATE:

December 13th, 2018

BY:

Corporate

REV.:

Rev. 4 (2018)

PAGE No:

24 of 24