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CARDEL LIMITED

PREVENTION OF THE CRIMINAL FACILITATION OF TAX EVASION POLICY

Cardel Group Limited and its subsidiaries (together, the "**Group**" or "**Cardel**", and individually each a "**Group Company**") are committed to the prevention, deterrence and detection of criminal tax evasion and the criminal facilitation of tax evasion. This document sets out the Group's policy for preventing the criminal facilitation of tax evasion (the "**Policy**") and the standards and procedures required to ensure compliance with the Policy.

1. INTRODUCTION

In April 2017, the UK government enacted the Criminal Finances Act 2017 (the "**Act**"), which is expected to come into force by September 2017, to demonstrate its commitment to preventing tax evasion in all its forms. The UK government believes that companies and partnerships should be criminally liable where they fail to prevent those who act for them, or on their behalf, from criminally facilitating tax evasion. As a result, it has created a new corporate criminal offence of failing to prevent the facilitation of tax evasion.

A Group Company could face prosecution under the Act if it fails to have in place reasonable procedures to prevent the facilitation of tax evasion. There are serious criminal penalties for committing an offence under the Act. Additionally, conviction could have serious consequences for the Group's reputation and business relationships.

The Group does not tolerate tax evasion or the criminal facilitation of tax evasion within its business and we expect our officers, employees and those providing services to, for or on behalf of the Group (our "**Associates**") to conduct themselves in accordance with this Policy. The Group will actively investigate all breaches or suspected breaches of this Policy and, if appropriate, invoke disciplinary measures against any employee found to be involved in the criminal facilitation of tax evasion and take prompt action to remedy and/or report the matters giving rise to the breach and prevent any repetition. In appropriate circumstances, the Group will also invoke contractual sanctions against any Associate who is found to have criminally facilitated tax evasion.

2. THE OFFENCE

In general terms, the criminal offence of tax evasion is committed where a person (A) knowingly takes steps to fraudulently reduce the amount of tax that they would otherwise have paid.

A person (B) commits the criminal offence of facilitation of fraudulent tax evasion if they are deliberately and dishonestly concerned in, or take steps with a view to, assisting (A) to fraudulently evade tax.

Both A and B will have committed a criminal offence under existing UK law. The new criminal offence means that *Cardel* will also have committed an offence if B criminally facilitated the tax evasion while acting in their capacity as an associate of *Cardel*.

Remember:

- the person who knowingly facilitates tax evasion is as guilty as the person who evades the tax;

- *Cardel* may still be guilty of an offence under UK law even if the facilitation activity is committed overseas and, if UK tax is evaded, irrespective of whether it would be illegal under local law;
- if the facilitation activity takes place in the UK or concerns a UK company, branch, person or other entity, the offence will in certain circumstances extend to cover the evasion of tax in jurisdictions other than the UK;
- fraudulent tax evasion and the deliberate and dishonest facilitation of fraudulent tax evasion are criminal offences and *Cardel* will, in appropriate circumstances, bring any such activity that it identifies to the attention of the relevant authorities.

Further information on the scope of the offence and the main areas of risk is available from the Finance Director¹

3. KEY PRINCIPLE

The Group is committed to the prevention of the criminal facilitation of tax evasion in the workplace and in all its business dealings. The Group will not tolerate any form of criminal facilitation of tax evasion by any director, employee or third party dealing with the Group, including contractors, consultants, agency workers, agents and service providers. [This Policy applies in relation to business dealings and transactions in all jurisdictions in which the Group operates.]²

No employee or Associate of the Group should feel pressured into offering or agreeing to provide assistance to enable another person to unlawfully evade tax in order to secure business on behalf of or with the Group and no employee or Associate will suffer adverse consequences in their dealings with the Group for refusing to agree to facilitate tax evasion or for taking steps to report any concerns that an offence has been committed.

All employees and Associates must ensure that they are familiar with the aims and objectives of this Policy and must act in accordance with it. Breaches of this Policy are regarded seriously by the Group and may result in disciplinary action or the Group seeking appropriate contractual or other remedies.

The directors of *Cardel* ("**the Board**") are fully committed to implementing the Policy and ensuring that the Group's business relationships are conducted in accordance with its terms. The Finance Director³ has been appointed to review and oversee the operation of the Policy and to report to the Board in relation to this in order to ensure that the Policy is effective in addressing the risk of criminal facilitation by employees and associates of the Group. In order to ensure day to day compliance with the Policy and ongoing monitoring and to allow for effective reporting of any concerns, the Finance Director has been appointed as the Group's Compliance Officer. Further details as to how you can report any concerns that you may have are set out in section 5 below.

The Board will regularly review the operation of the Policy to ensure that it is suitable, adequate and effective to address the risk of facilitation of tax evasion and may make changes to the Policy from time to time in order to address any risks identified or any concerns reported to it.

4. TRAINING AND INFORMATION

The Group will provide appropriate training to all employees and directors in relation to the scope of the new offence, any particular areas of risk and this Policy as soon as reasonably practicable and, if appropriate, from time to time in the future. New employees will be provided with training as soon as reasonably practicable after starting employment with the Group. You should attend this

¹ The Company may wish to publish training slides and other background material on its intranet site, or have hard copies available

² The Company should decide, following an appropriate risk assessment, whether, as a policy matter, it wishes to exclude any entities with no UK nexus from the scope of the Policy

³ Insert name of individual responsible for oversight and review of policy – ideally this should be a senior director of the Company

training when it is offered to you and familiarise yourself with the scope of the new offence and they ways in which the facilitation of tax evasion may occur in practice.

If you have questions at any time in relation to the new offence or this Policy, or you feel that you would benefit from additional training in relation to them, please contact your line manager or the Finance Director. Copies of the training materials will be posted to the Policies and Procedures folder on the Company server.

5. RAISING CONCERNS

If at any time you are concerned about whether a particular transaction or activity may amount to tax evasion, criminal facilitation of tax evasion or a breach of this Policy, you should raise any question or concern at the earliest possible opportunity with your line manager and with the Finance Director, or via the Group's usual whistleblowing procedure.

All matters raised will be dealt with in strict confidence and you will not suffer any adverse consequence for refusing to engage in the facilitation of tax evasion or for reporting instances in which you suspect that this Policy has been breached, even if this may result in the Group losing business.

6. SCOPE OF THE POLICY

The Policy applies to all directors and employees of the Group [and any company which it controls as part of a joint venture]. **Appendix I** to the Policy sets out how the Policy applies to directors and employees in these circumstances. Note that additional guidance for employees who deal with Associates can be found in the [Guide to Due Diligence on Third Party Associates]⁴ document, which can be found on the Company server. Compliance with this Policy is mandatory and it is vital that all staff know the rules and comply with them.

We will also encourage the application of this Policy amongst our business partners, including joint venture partners not within the scope set out above and consortium members.

The Group also requires third party Associates (such as agents, contractors, suppliers, distributors intermediaries) to be aware of this Policy and to act in a way that is consistent with this Policy or any equivalent policy that they themselves may have. **Appendix II** to the Policy sets out how the Policy applies in these circumstances.

7. ACKNOWLEDGEMENT

To confirm that you have read and understood this Policy, please sign and return the acknowledgement set out at the back of **Appendix I** (if you are an employee or director of the Group) or **Appendix II** (if you are an Associate other than an employee or director) to the Finance Director. If you do not fully understand any aspect of this Policy, please contact the Finance Director] for further assistance and guidance or seek further advice before you sign.

⁴ Given that the nature of a particular Group's relationship with associates will differ from case to case, we have assumed that the Group will prepare its own guidance document, based on its risk assessment, setting out the steps it will require its employees to take in relation to its own associates. These may include: a requirement to conduct due diligence in relation to high-risk associates or arrangements, obtaining confirmation that the associate has an equivalent policy in place or will comply with the Group's Policy or obtaining appropriate protection via contracts in relation to compliance with the law and the Policy. A table setting out some factors you may wish to consider when producing this document is included in the pack of documents provided along with this Policy.

Appendix 1

POLICY FOR EMPLOYEES AND DIRECTORS

POLICY FOR EMPLOYEES AND DIRECTORS

1. KEY PRINCIPLE

The Group is committed to the prevention of the criminal facilitation of tax evasion in the workplace and in all its business dealings. The Group will not tolerate any form of criminal facilitation of tax evasion by any director, employee or third party dealing with the Group, including contractors, consultants, agency workers, agents and service providers. [This Policy applies in relation to business dealings and transactions in all jurisdictions in which [Cardel] and the Group operates.]

No employee or other Associate of the Group should feel pressured into offering or agreeing to provide assistance to enable another person to unlawfully evade tax in order to secure business on behalf of or with the Group and no employee or other Associate will suffer adverse consequences in their dealings with the Group for refusing to agree to facilitate tax evasion or for taking steps to report any concerns that an offence has been committed.

All employees and other Associates must ensure that they are familiar with the aims and objectives of the Policy and must act in accordance with it. Breaches of this Policy are regarded seriously by the Group and may result in disciplinary action or the Group seeking appropriate contractual or other remedies.

2. APPLICATION OF POLICY TO EMPLOYEES

Cardel has conducted a thorough risk assessment of all aspects of its business and operations of the Group and has identified the following areas as vulnerable to allegations of the criminal facilitation of tax evasion:

- customer facing employees;
- employees responsible for signing contracts and producing invoices;
- employees in specific finance / accounting / legal / tax planning roles
- dealings with third party Associates (as defined below)

For more on each of these, see below. This list is not exhaustive and all staff should be mindful of the general anti-facilitation of tax evasion 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.

2.1 Customer Facing Employees

No employee or director should provide any service or take any action in relation to customers or other third parties which they believe will be used to facilitate a tax fraud. You should keep in mind the possibility that third parties will seek to use services provided by the Group or transact with the Group in a particular way for the purposes of the fraudulent evasion of taxes and you should take personal responsibility for ensuring that you do not knowingly facilitate this activity. Examples of such facilitation might include (but are not limited to):

- referring a client on to a third party with the express intention of assisting the client to evade tax; and
- agreeing to support a particular transaction or activity (e.g. accepting payments, entering into contractual arrangements or invoicing) in the knowledge that the client is using that support to facilitate their fraudulent evasion of tax.

You should be aware of particular risks when dealing with individuals from low tax transparency jurisdictions, or politically exposed persons (further details of which can be obtained from the Finance Director⁵) and should also consider requests carefully when they involve the unexplained use of intermediaries or entities other than the customer with which you are dealing or unusual requests for assistance that are not within your day-to-day remit or in accordance with normal practice for dealing with a customer of that type.

If you receive a request for assistance in circumstances where you know or suspect that the customer or third party intends to use that assistance to enable them to fraudulently evade tax you should:

- resist responding to the request immediately and state that you will need to consult with your Line Manager;
- report the request to your Line Manager and the Finance Director with as much detail as possible to explain why you suspect that the assistance requested might be used to enable fraudulent tax evasion;
- take no further action and do not agree to the request unless instructed to do so by your Line Manager in circumstances where they have satisfied themselves that providing the assistance requested will not be in breach of this Policy;
- if the client makes repeated requests for assistance despite your refusal to comply, refer them to speak directly with your Line Manager.

If you are unsure whether or not responding to a particular request from a client or other third party may put you at risk of breaching this Policy, you should speak to your *Line Manager* and the Finance Director before agreeing to action the request. No employee will suffer an adverse consequence if *Cardel* loses business as a result of their compliance with this Policy.

2.2 Employees responsible for negotiating and signing contracts and producing invoices

Cardel's risk assessment has identified that there are a number of ways in which employees involved in negotiating contracts and producing invoices for customers could be encouraged to become involved in the criminal facilitation of tax evasion, including, but not limited to, false invoicing schemes, fraudulent VAT transactions, employment, consultancy or agency arrangements designed to evade tax and artificial and contrived contracts and transactions.

Cardel prohibits the involvement of its employees and other Associates in all such criminal activity and encourages all employees to be aware of this risk and to report any concerns that they may have that this Policy is being breached.

You should be mindful of the following factors that might indicate that a contractual arrangement or transaction is being used for the fraudulent evasion of tax:

- overly complex supply chains or ownership structures;
- requests to make or receive payments in cash rather than through an account with a recognised bank;
- requests to make or receive payments in a jurisdiction with which the other contracting party does not obviously have a connection, particularly those with a low tax transparency rating;
- high value, multijurisdictional transactions;
- transactions or invoices sent to non-UK-resident customers, particularly to those resident in jurisdictions with a low tax transparency rating;

⁵ Refer to information on Company intranet or available in hard copy from a Company source

- non face-to-face business relationships/transactions and contractual arrangements involving multiple third parties or intermediaries where the reason for this is unclear.

You should refuse any request from third parties to enter into contractual or invoicing arrangements where you know or suspect that the arrangements will be used to enable the fraudulent evasion of tax. You should report the request to your *Line Manager* and the Finance Director as soon as practicable giving as much detail as possible to enable them to make a record of the request and decide whether any further preventative action should be taken.

If you know or suspect that other individuals are providing assistance in breach of this Policy or you identify suspicious transactions or invoices that may be in breach of this Policy, you should speak to your *Line Manager* and the Finance Director as soon as possible. No employee will suffer an adverse consequence if *Cardel* loses business as a result of their compliance with this Policy.

2.3 Employees in specific finance / accounting / legal / tax management roles

The Company has identified that there is a particularly high risk that employees involved in specific roles within *Cardel*, particularly in finance, accounting, legal and tax management, may have the opportunity to engage in the criminal facilitation of tax evasion. *Cardel* does not engage, and does not permit its employees to engage, in transactions that it knows or suspects will be used for the fraudulent evasion of tax.

Legitimate tax planning, per se, is not a criminal offence, where there is no dishonesty, fraud or intention to deliberately and unlawfully fail to pay tax when it is due. However, aggressive tax planning schemes may be considered to be tax evasion in circumstances where an honest person would not consider that the proposed activity is legitimate and in compliance with the law.

You should be mindful of the following factors that might indicate that a proposed transaction or activity is being used for the fraudulent evasion of tax:

- highly complex tax planning arrangements;
- any requests to maintain the secrecy of a transaction, beyond the usual confidentiality associated with business arrangements;
- anonymous transactions or transactions with or arranged by individuals with whom you have not had a face-to-face relationship.

If you know or suspect that other individuals are breaching this Policy or you identify suspicious transactions that may be in breach of this Policy, you should speak to your *Line Manager* and the Finance Director as soon as possible. No employee will suffer an adverse consequence if [*Cardel*] loses business as a result of their compliance with this Policy.

2.4 Dealings with Associates

Under the Act, the Group may be criminally liable where criminal facilitation of tax evasion has been committed by a person, firm or company who is associated with the Group (such as an agent or service provider). *Cardel's* only defence is to be able to demonstrate that it had "reasonable procedures" in place to prevent the criminal facilitation of tax evasion by someone associated with it.

If you are involved in engaging or otherwise dealing with Associates, then depending upon the nature of the Associate and its business relationship with the Group, you may be required to take additional steps to ensure that the Associate is obliged to act in way that is consistent with this Policy or to demonstrate that it has an equivalent policy of its own in place in accordance with which it does business. Further details of this are set out in the [

Guide to Due Diligence on Third Party Associates document, which can be found on the Company's server. As a minimum, however, Associates should be sent a copy of this Policy along with **Appendix II** and should be asked to sign and return the declaration at the back of **Appendix II** by way of confirmation that they have understood the content and will take whatever actions the Group considers necessary to ensure that risks are appropriately addressed.

You should note that your obligation to monitor and manage risk in relation to any Associates with whom you deal is an ongoing obligation and applies for the duration of the business relationship. You should therefore keep any arrangements under review and report any concerns at the earliest opportunity.

3. GENERAL

You will be provided with relevant training at the earliest opportunity to assist you to understand the law and to identify suspicious activities and transactions relevant to the business and the role in which you operate. Please see paragraphs 4 and 5 of the main Policy in relation to questions, further information and reporting any concerns that you may have.

This Policy (and the Appendices) does not form part of your employment contract and *Cardel* may amend or update any provision of either the Policy or the Appendices at any time.

ACKNOWLEDGEMENT

PLEASE DETACH THIS FORM AND RETURN TO THE FINANCE DIRECTOR

CARDEL GROUP LIMITED

PREVENTION OF THE CRIMINAL FACILITATION OF TAX EVASION POLICY

By signing this form I hereby declare that I have read and understood the Group's prevention of the criminal facilitation of tax evasion policy (the "**Policy**").

If you do not fully understand this Policy, please contact the Finance Director for further assistance and guidance before you sign.

NAME _____

SIGNATURE _____

DATE _____

Appendix 2

POLICY FOR THIRD PARTY ASSOCIATES

POLICY FOR THIRD PARTY ASSOCIATES

1. KEY PRINCIPLE

The Group is committed to the prevention of the criminal facilitation of tax evasion in the workplace and in all its business dealings. The Group will not tolerate any form of criminal facilitation of tax evasion by any director, employee or third party dealing with the Group, including contractors, consultants, agency workers, agents and service providers. [This Policy applies in relation to business dealings and transactions in all jurisdictions in which [Cardel] and the Group operates.]

No employee or other Associate of the Group should feel pressured into offering or agreeing to provide assistance to enable another person to unlawfully evade tax in order to secure business on behalf of or with the Group and no employee or other Associate will suffer adverse consequences in their dealings with the Group for refusing to agree to facilitate tax evasion or for taking steps to report any concerns that an offence has been committed.

All employees and other Associates must ensure that they are familiar with the aims and objectives of the Policy and must act in accordance with it. Breaches of this Policy are regarded seriously by the Group and may result in disciplinary action or the Group seeking appropriate contractual or other remedies.

2. APPLICATION OF POLICY TO THIRD PARTY ASSOCIATES

The Group recognises that it will have a wide range of different business relationships with associates who are not its own employees or directors. Whatever those relationships, however, the Group is committed to acting in accordance with the key principle outlined above and will therefore take appropriate steps in each case to ensure that it has assessed any risk inherent in the relationship and has addressed that risk.

Whilst this Policy cannot be prescriptive about how such risks will be addressed in any particular case, you will be asked to co-operate with the Group in putting in place appropriate measures to address risk. These may include:

- you confirming that you have received and read this Policy and this Appendix;
- you confirming that you have in place equivalent policies to prevent the facilitation of tax evasion by your Associates and will comply with these when acting for or on behalf of the Group;
- you providing information or assistance to enable the Group to assess any risk in relation to its business relationship with you or to carry out due diligence in relation to your business (to the extent that this is necessary in order to address any risk); and/or
- you entering into contractual provisions to provide assurance to the Group that you will act in accordance with the law or the terms of this Policy.

ACKNOWLEDGEMENT

PLEASE DETACH THIS FORM AND RETURN TO [COMPLIANCE OFFICER]

[CARDEL]

PREVENTION OF THE CRIMINAL FACILITATION OF TAX EVASION POLICY

By signing this form I hereby declare that I have read and understood the Group's prevention of the criminal facilitation of tax evasion policy (the "**Policy**") and I will provide such information and take such actions as the Group may request in order to enable it to comply with the Policy.

NAME _____

[(for and on behalf of [●])]

SIGNATURE _____

DATE _____