



Worldwide Anti-Corruption Policy

I. PURPOSE

The laws of most countries make the payment or offer of payment or even receipt of a bribe, kickback or other corrupt payment a crime, subjecting both SKILT and individual employees to fines and/or imprisonment. These anti-corruption laws, make it a crime to pay, offer, or give anything of value to foreign governmental officials, a foreign political party (or official thereof) or candidate for foreign office, for the purpose of influencing the acts or decisions of those officials, parties or candidates. This is true even if such payments are common within the country in question.

The purpose of this Policy is to ensure compliance by all employees, officers and directors of SKILT, and its subsidiaries and affiliates. This Policy covers the following:

- Bribes, Kickbacks or Other Corrupt Payments.
- Facilitation Payments.
- Relationships with Third Parties

II. SCOPE

This Policy applies to all employees, officers and directors of SKILT and its subsidiaries and affiliates worldwide. This policy should be read in conjunction with SKILT's Code of Ethics and Worldwide Gift and Entertainment Policy.

III. POLICY

Bribes, Kickbacks or Other Corrupt Payments

It is the policy of SKILT that, in doing business anywhere in the world, SKILT, all affiliates, employees, officers and directors of SKILT or any of its affiliates, and all persons that act as a representative, agent, or advisor to SKILT or any of its affiliates, must comply fully with applicable anti-corruption laws. SKILT employees are prohibited from directly or indirectly offering, giving, soliciting or receiving any form of bribe, kickback or other corrupt payment, or anything of value, to or from any person or organization, including government agencies, individual government officials, private companies and employees of those private companies under any circumstances.

This prohibition applies:

- World-wide, without exception.
- Without regard to regional customs, local practices or competitive conditions.
- To the indirect payment of any such bribe, kickback or other corrupt payment that may be carried out through third parties, such as representatives, consultants, brokers, contractors, suppliers, joint ventures or affiliates, or any other intermediary or agent acting on behalf of SKILT.

No employee will be penalized for any delay or loss of business resulting from his or her refusal to pay a bribe.



Third Parties

This policy prohibits corrupt offers, promises and payments made through partners, intermediary agents, joint ventures, or third parties. Therefore, it is important to conduct due diligence on such partners or agents, and not disregard or ignore facts which indicate a probability that a corrupt payment may occur. The purpose of due diligence is to ensure, to the extent possible, that SKILT retains only reputable and honest agents, representatives and partners. In addition, contracts with agents or third-party representatives and joint venture partners should, to the extent possible, include provisions to mitigate against the risk of potential illicit payments.

Facilitation Payments

SKILT prohibits the payment of facilitation payments except under the following two conditions and only with prior approval by SKILT's Law Department (or, if prior approval is not reasonably possible given the circumstances, as soon as possible following such payment):

- The failure to make the payment would create a risk to an employee's (or his or her traveling companions') personal health or safety or physical or mental well-being.
- The failure to make the payment would result in imminent and substantial economic loss or cost to SKILT as a result of a government official's failure to perform a non-discretionary service SKILT is otherwise legally entitled to obtain, such as where the opening of a production facility is delayed because of a refusal to turn on basic water, electric or phone service the operation is otherwise entitled to have. Books and Records.

APPENDIX TO WORLDWIDE ANTI-CORRUPTION POLICY

Examples

Scenario: A government inspector has discovered a number of small safety violations at our facility. He threatens to shut down our facility unless you pay him a fine on the spot.

Analysis: In this instance, contact the Law Department immediately. While we certainly wish to avoid unnecessary bureaucratic difficulties, paying money to a government inspector is both improper and likely illegal.

Scenario: A purchasing manager states she will enter into a long-term supply agreement with SKILT, but only if SKILT agrees to "rebate" a portion of the purchase price to the purchasing company. What do you do?

Analysis: If you agree to rebate a portion of the purchase price (assuming the net price still makes good business sense) to obtain the business, make sure the rebate is being paid to an account owned by the purchasing company, and not to the private account of the purchasing manager or other third party. When presented with "out of the ordinary" requests pertaining to payments, routings of goods, etc., use reasonable care to be sure such requests are legitimate, and are not in furtherance of any improper scheme or arrangement.

Scenario: SKILT is seeking to purchase land for a new facility. The land is owned by the local government. A real estate broker informs you that for a commission equal to 25% of the transaction value, he will arrange for the sale of the land through his "connections" with the local government. Do you pay the commission?

Analysis: No. Because of the large amount of the commission, and our knowledge that the broker has close government connections, there are sufficient "red flags" to suggest that this transaction is improper.



Scenario: In attempting to depart a country undergoing civil unrest, you are detained by a local customs official. The official demands the payment of a “processing fee” of USD 20 to permit you to clear customs.

Analysis: In this case, you may pay the fee, provided you immediately report the payment to the Law Department, and properly record the payment.

Scenario: A customer asks you to issue two invoices for products sold – one invoice reflecting the actual price, and another invoice reflecting a higher price. The customer will pay the first invoice, and will use the second invoice to justify charging a higher price from its end user. Is this acceptable?

Analysis: No. By issuing a second invoice at a higher price, SKILT may be helping a customer engage in misrepresentation or fraud. This could expose SKILT to liability, even if it was the customer who used the invoice improperly. (The same holds true if a customer requests SKILT to issue a duplicate invoice reflecting a lower price. If the customer used the duplicate invoice to lower its customs duties, SKILT may be legally liable for helping that customer evade those duties.)

Scenario: A large shipment of SKILT’s product is on its way to an important customer. The shipment is held up in customs because the containers aren’t marked as hazardous as noted on the shipping papers. Because of the delay we risk missing our delivery date. Our third party transporter tells you he can convince customs officials to overlook the inconsistency for a small fee. Is this a good idea?

Analysis: No. As a SKILT employee you are prohibited from making this type of payment, and using the transporter to make the payment is the same as making it yourself. We do not ask another party to do something on our behalf that we are prohibited from doing ourselves.

Scenario: You want to hire a consultant to assist in soliciting business from customers, including government-owned entities. The consultant requests a \$100,000 up-front “logistics” fee and a 25% commission on any contracts. The consultant has no particular business experience with SKILT’s products but is well known as someone “who gets things done.” Should you enter into this business arrangement?

Analysis: Not without additional due diligence and significant contractual protections. Be sensitive to unusual up-front payments and/or commissions for third parties, particularly those who will be dealing directly with government entities and who are really selling “access.” Contact the Law Department for help in conducting due diligence on agents as well as providing appropriate contractual language.

Scenario: You intend to enter into a Joint Venture (“JV”) with a company to bid on a government contract. During contract negotiations the JV partner discloses that it has numerous existing contracts with third parties in countries where there is significant corruption. Some of those contracts are used to “provide introductions” to government officials and the partner claims they are necessary to doing business in a particular country. Can you do business?

Analysis: Not without additional information. Even though the proposed JV partner entered into these contracts prior to SKILT’s involvement, it can still be a problem going forward from a legal and a business perspective. These “paid introductions” could be viewed as corrupt transactions. From a business perspective, the ongoing operations and value of the business may be adversely impacted if the JV partner or its agent acted corruptly in the past to obtain government business or favourable government decisions. Before entering into the joint venture agreement, contact the Law Department to assist you in conducting due diligence. Through this process you may review contracts and other relevant documents, interview key people and develop representations and warranties about the business. This process will help ensure that the third party contracts are not based on a corrupt relationship.

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FREQUENTLY ASKED QUESTIONS

What exactly is a bribe or a kickback?

Bribery can generally be described as the offer or receipt of any payment, gift, loan, fee, reward or other advantage or consideration to or from any person as an inducement to do something, to refrain from doing something, or to influence a decision. For example, a payment of money in order to: (a) obtain, retain or direct business; (b) gain any undue or improper advantage in the conduct of business (such as favourable tax treatment); or (c) influence the judgment or conduct of a third party or to cause a desired outcome or action is a bribe. A kickback is a particular kind of bribe. It is the unethical or illegal return of part of a payment already made as part of a legitimate business transaction. For example, an unethical supplier might agree to pay a purchasing manager some amount of money in exchange for the award of a supply contract by that manager.

Is it acceptable to provide a favour or gifts to someone instead of cash in exchange for getting them to agree to do something for SKILT?

No. Bribery, kickbacks and other forms of corrupt payments can take many forms and are not just the payment of money. This can include things like:

- Providing a job to a relative of the beneficiary of the bribe
- Promising a job after retirement from a government position
- Excessive and lavish gifts or gifts of sexual favours.

Make sure that gifts, entertainment and travel provided to government officials, as well as employees of private companies, cannot be considered as bribes or other corrupt payments. Refer to Worldwide Gift and Entertainment Policy for guidance on the offer or acceptance of appropriate gifts, entertainment and travel involving others.

What about charitable contributions? How can these be considered improper?

Employees must avoid charitable contributions or sponsorships that might be disguised vehicles for obtaining bribes or other corrupt payments. For example, a corrupt official may suggest that before we can be considered for awards of business we must agree to contribute to a charity of the official's choosing. Obtain approval from the Law Department before making any such contribution. We need to insure that the: (a) charity is a legitimate charity; (b) payment will not be diverted to or otherwise benefit the official or his family; (c) contribution is transparent and will be properly recorded in our financial records; (d) arrangement complies with all applicable laws; and e) contribution is not given in exchange for a favourable decision by the requestor.

Is it acceptable to provide a customer with an invoice that shows an amount higher or lower than the amount actually charged?

No. All invoices we issue customers must reflect the actual price at which the invoiced products are sold. This is true regardless of the reason given by the customer regarding the purpose of the invoice.

What is a government official? If a customer is owned by a local governmental authority, is the purchasing manager a government official?

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The term “government official” is a broad one. It includes all employees, at any level, of a government department or agency, whether executive, legislative or judicial. Officers and employees of companies under government ownership or control are also considered “government officials.” Thus, the term includes not only individuals such as elected officials, customs and tax inspectors and government procurement officials, but also the employees of state-owned enterprises. It also includes: (a) any person acting in an official capacity for a government organization, department, or agency; (b) officers or employees of any public international organization, such as the International Monetary Fund, the European Union and the World Bank; and (c) foreign political parties, party officials, or candidates for office.

Remember, this Policy prohibits the offer, acceptance or payment of bribes, kickbacks and other corrupt payments to anyone, whether they are a government official or not.

In some businesses it is common to retain a third party agent to assist in developing and maintaining business. What red flags should employees consider to ensure that the agent does not make improper payments?

- Due Diligence of potential business partners is important because payments made by a third party on behalf of SKILT may subject SKILT to the same liability as if SKILT had made the payment itself. Make sure a prospective business partner is a legitimate organization, with the skills, talent, resources and competencies to perform its obligations and that neither the business partner, nor any of its employees or affiliates, has made or is likely to make improper payments. Asking yourself these questions should help alert you to possible corrupt payment issues involving third parties:
- What is the reputation of the third party, particularly in regards to corruption?
- Does the third party have family or business ties with a government official?
- If an entity, is the third party owned by a government official?
- If a person, is the third party currently, or have they ever been, a government official?
- Was the third party recommended by a government official?
- Does the third party have adequate staff, expertise, facilities and other resources to perform the required service?
- Is the third party’s fee, commission or other compensation reasonable and consistent with the market rate for similar services or arrangements in that location?
- Does the third party request cash payments, unusual bonuses, substantial upfront payments, or any unusual payment process, such as off shore payments or off the books accounts?
- Does the third party understand and agree to comply with SKILT’s policy prohibiting corrupt payments?
- Has the third party been subject to any government investigation, informal inquiry, or enforcement action related to corruption?
- Finally, it is important that due diligence be exercised in the supervision and review of a business partner’s actions and performance of its obligations throughout the term of the engagement so that any concerns can be quickly identified and addressed.

The Law Department can assist in guiding you through your due diligence efforts and assessing the results of your due diligence.



I am comfortable with my due diligence on a prospective business partner, but what type of contract provisions should I include in our agreement with the partner?

The Law Department can assist you in this regard, but generally, these provisions will include: (a) anti-corruption representations, warranties and covenants relating to compliance with anti-corruption laws (b) rights to conduct audits of books and records of the business partner to ensure compliance with these representations, warranties and covenants; and (c) rights to terminate a business partner as a result of any violation of anti-corruption laws or the representations, warranties and covenants of the agreement related to such matters.

How should I respond to demands for a corrupt payment or an offer of one?

Despite SKILT's reputation, our Code of Ethics and our best intentions, some of us may experience situations in the performance of our jobs where we realize a prospective customer or official is expecting a bribe or other corrupt payment, or is offering us a kickback. Beyond the initial step of refusing the demand or offer, always seek help internally. Your supervisor or other SKILT manager can reach out to the organization from where improper demands are originating and raise this conduct at the highest levels. In addition, consider the following in your business interactions:

- Build Relationships – Emphasize the win-win.
- Emphasize how hard you are willing to work with the customer, vendor or official to achieve a win-win consistent with our high principles and values.
- Discuss the importance of SKILT values, integrity and doing business right.
- Discuss what SKILT brings to the table: Technology, Investment, Skills, Training, Jobs, and Growth.
- In discussing our values, communicate our expectations that we expect our employees, business partners, vendors, contractors and officials to act consistently with these values.
- Emphasize to local officials that we are investing in their community because of our confidence in their ability to protect us from expectations of bribery or corruption.
- Explain that the law imposes very serious fines and penalties for the payment of bribes involving government officials and improper recording of improper payments.
- Consistently send the same message: “This is who we are”; “This is how we do business”.
- Work to insure your and SKILT's reputation precede you. Eliminate the expectation that it is even worth asking. Lastly, walk away if you have to, knowing that you made the right choice. SKILT neither wants nor needs any business that it cannot obtain ethically and legally.

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