

OVERVIEW

It is blu-3 Holdings and all subsidiary companies' policy to enter business arrangements only with individuals and entities that have a proven track record for legal conduct, excellent performance and who also are committed to operating with integrity.

This policy applies to all proposed blu-3 joint venture partners, as well as any proposed major subcontractor or other arrangement with a third party.

This policy works in collaboration with the blu-3 PQQ process and must be read in conjunction with it. Other policies to be considered in collaboration with this is the Anti-Fraud, Corruption and Bribery Policy, Gifts and Hospitality Policy and Conflict of Interest Policy.

PURPOSE

The purpose of this policy is two-fold:

- 1) to ensure that blu-3 engages in business with honest and reputable third parties, that is, entities and individuals not involved in or prone to corruption and
- 2) to document the due diligence process blu-3 follows prior to entering a third-party arrangement.

Due Diligence Information/Red Flags

Various international organizations are dedicated to stopping the spread of corruption/illegal activities have identified certain questions that should be asked before entering a third-party arrangement in order to ascertain whether the proposed business partner is likely to engage in corruption.

These questions, as well as certain "red flags," should be considered as part of blu-3's due diligence process before entering a business arrangement with a third party. These questions and risks are set forth below and shall be considered by blu-3's management prior to entering a joint venture, major subcontract, or any other arrangement with a third party.

Reputational Risk

- The transaction or the third party is in a country known for widespread corruption, as measured by the Transparency International Corruption Perceptions Index or other similar indices.
- The third party has a history of improper payment practices, such as prior or ongoing formal or informal investigations by law enforcement authorities or prior convictions.
- The third party has been subject to criminal enforcement actions or civil actions for acts suggesting illegal, improper, or unethical conduct.
- The third party has a poor business reputation. Allegations that the third party has made or has a propensity to make prohibited payments or facilitation payments to officials. Allegations related to integrity, such as a reputation for illegal, improper, or unethical conduct.
- The third party does not have in place an adequate compliance program or code of conduct or refuses to adopt one. Other companies have terminated the third party for improper conduct.
- Information provided about the third party, or its services is not verifiable by data, only anecdotally.

Government Relationships

- The third party has a family relationship with a foreign official or government agency.
- The third party has a business relationship or association with a foreign official or government agency.
- The third party previously worked in the government at a high level, or in an agency relevant to the work he/she will be performing.
- The third party is a company with an owner, major shareholder or executive manager who is an official. There is a rumour that the third party has an undisclosed beneficial owner.
- A government official requests, urges, insists, or demands that a particular party, company, or individual be selected or engaged, particularly if the official has discretionary authority over the business at issue.

- The third party makes large or frequent political contributions.
- The third party provides lavish gifts or hospitality to government officials.
- The third party insists on dealing with government officials without the participation of the company.

Insufficient Capabilities

- The third-party is in a different line of business than that for which it has been engaged.
- The third-party lacks experience or a "track record" with the product, service, field, or industry.
- The third party does not have offices or a staff, or lacks adequate facilities or staff, to perform the work.
- The third party has an unorthodox corporate structure. The address of the third party's business is a mail drop location, virtual office, or small private office that could not hold a business the size that is claimed.
- The third party is not expected to perform substantial work.
- The third party has not been in business for very long or was only recently incorporated.
- The third party has poor financial statements or credit.
- The third party's plan for performing the work is vague and/or suggests a reliance on contacts or relationships.

Type and Method of Compensation

- The third party requests an unusual advance payment. The fee or commission requested by the third party is unusually high compared to the market rate. The compensation arrangement is based on a success fee or bonus.
- The third party offers to submit or submits inflated, inaccurate, or suspicious invoices.
- The third party requests an invoice to reflect a higher amount than the actual price of goods provided.
- The third party's invoice vaguely describes the services provided.
- The third-party requests cash or cash equivalent payments.
- The third-party requests payment in a jurisdiction outside its home country that has no relationship to the transaction, or the entities involved in the transaction – especially if the country is an offshore financial centre.
- The third-party requests that payment be made to another third party or intermediary.
- The third party proposes the use of shell companies.
- The third-party requests that payments be made to two or more accounts.
- The third-party shares compensation with others whose identities are not disclosed.
- The third party requests an after-award services contract that it does not have the capacity to perform.
- The third-party requests that a donation be made to a charity.
- The third-party refuses to properly document expenses.
- The third-party pressures the company to make the payments urgently or ahead of schedule. The third party requests a large up-front payment.
- The third-party requests payment arrangements that raise local law issues, such as payment in another country's currency.

Unusual Circumstances

- The third-party refuses to agree to comply with anti-corruption legislation, anti-money laundering laws, or other similar laws and regulations.
- The third-party refuses to warrant past compliance with applicable anti-corruption legislation, anti-money laundering laws, or other similar laws and regulations.
- The third-party refuses to execute a written contract, or requests to perform services without a written contract where one is sought.
- The third party insists that its identity remain confidential or that the relationship remain secret.
- The third-party refuses to divulge the identity of its beneficial owners, directors, officers, or other principals.
- The third-party refuses to answer due diligence questions.

- The third-party refuses to allow audit clauses in contracts.
- There is a suggestion by the third party that anti-corruption compliance policies need not be followed, or that certain illegal conduct is acceptable because it is the norm or customs in a particular country.
- There have been suspicious statements by the third party such as needing payments to “take care of things” or “finalize the deal.” The representation is illegal under local law.
- A third party guarantees or promises unusually high rates of return on the promotional services provided.
- The third-party requests approval of a significantly excessive budget or unusual expenditures.

Documentation of the Due Diligence Process

In consultation with blu-3’s Legal team, blu-3’s Procurement Manager and senior management shall use these questions and red flags/risk areas as a guide in conducting due diligence and reviewing blu-3’s Pre-Qualification Questionnaire (PQQ) answers and shall document the information obtained from the third party or other sources during the due diligence process.

The Procurement Manager is responsible for obtaining responses to blu-3’s PQQ for all business relationships covered by this policy and shall maintain appropriate documentation including the due diligence procedures adopted by blu-3 and all approvals.

In potential high-risk situations, blu-3 may consider retaining the services of a professional third-party organization/ expert in conducting due diligence reviews on our behalf. The legal, compliance and procurement team shall periodically audit the third-party due diligence policy and PQQ to ensure compliance. Documentation for this audit shall be maintained by the compliance team.

Approvals

The decisions whether to enter a business arrangement with a third-party covered by this policy shall be made by the approval of the relevant heads of departments that are reviewing the PQQ’s.

On the rare occasion there are third parties that don’t meet the PQQ requirements or those of this policy and they are still required for specialist roles, the blu-3 board members will conduct a review to identify the level of risk associated and make a final decision if the third party can be utilised.

DEFINITIONS

N/A

PROCEDURE/PROCESSES

Supporting procedures/processes are available on SharePoint; contained within the Procedure & Process section of the IMS.

Danny Chaney

Chairman

Gerry Curran

Chief Operations Officer

Ramnik Kapur

Chief Financial Officer

Paul Zeevaart



Chief Commercial Officer

Richard Hope



Chief Delivery Officer