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# Integrity referential

**Integrity is one of the 4 fundamental principles on which ENGIE has based its ethics and compliance policy.**

The integrity referential serves as a framework for implementing the principle of “behaving honestly and promoting a culture of integrity”. It gathers together the policies and procedures dedicated to the prevention of fraud, corruption and influence peddling.

The highest international standards (UK Bribery Act, US Foreign Corrupt Practices Act (FCPA), French Sapin 2 law), served as a basis for the establishment of the ENGIE anti-corruption program.

## 1. Definitions and regulatory panorama

### 1.1. Definition of fraud

Is considered as a fraud any action or any behavior, of any nature or purpose, of an employee, of a service provider acting for the Group or for a Group entity, aiming at misleading or at taking advantage of someone, by violating any applicable law or breaching any mandatory standard stipulated by the Group.

Fraud can take multiple forms, such as:

- theft: of money, goods or data
- deliberate falsification, concealment or destruction of data and/or documents
- false entries or declarations
- manipulation of accounts
- counterfeiting
- money-laundering
- swindling
- intrusion into computer systems
- corruption (see 1.2. below)

Fraud is characterized by:

- an act or omission
- violation of a reference framework: applicable laws, the company's rules
- sometimes by concealment, in order for the perpetrator of the fraud to escape the application of the law, to earn money, to obtain undue advantages, to preserve his/her reputation, etc.

## 1.2. Definition of corruption

Corruption is a specific form of fraud, committed by any person or entity working for or on behalf of ENGIE: top executive, employee, partner, business consultant...

Whether public or private, corruption can be:

- **Active:** giving, offering or promising any undue advantage (pecuniary or other) in return for an advantage that a person is likely or assumed to be likely to procure, either directly or indirectly.
- **Passive:** soliciting, approving, accepting or receiving any undue advantage for oneself or others, in return for an advantage likely or assumed to be likely to be procured, either directly or indirectly.

Corruption can take multiple forms, such as:

- **cash benefits:** bribes, credits, kickbacks, false invoice, sponsorship in order to obtain an undue advantage, facilitation payments (amounts intended to accelerate the completion of a formality to which the beneficiary is entitled (for instance: visa, clearance, etc.).
- **benefits in kind:** provision of services, invitations, gifts, internship or hiring, etc. The corruption is then often accompanied by a fraud intended to conceal it.
- **extortion**, which in French law is defined as when a person attempts to obtain advantage through violence, threats of violence or coercion.
- **influence peddling**, which is a separate offence under French law and occurs when the corrupt individual abuses their actual or presumed influence to procure a decision favorable to a third party from an authority or public body.
- **extortion by a public official**, which French law defines as when a public official or person entrusted with a public mission receives or demands duties, contributions, taxes or other levies that they know are not due, or when such person grants in any form and for any reason any exemption from any public duties, levies, taxes or charges in violation of laws or regulations.

### 1.3. Regulatory panorama

Most states have instituted norms that punish bribery and the acceptance or solicitation of bribes by public and private agents, coupled with civil and criminal sanctions, which may be significant, and which are in some cases not time-barred.

These legal norms enable countries to carry out economic policies. Certain of these, in particular the U.K. Bribery Act (UKBA), the U.S. Foreign Corrupt Practices Act (FCPA) and the French Sapin II law, have an extraterritorial reach that enables countries to exercise jurisdiction against offenders in their courts, wherever the offense was committed and whatever the nationality of the offender.

Moreover, a single act of corruption may be sanctioned in several jurisdictions, as the French and European principle of double jeopardy (*non bis in idem*<sup>1</sup>) does not systematically apply in international litigation.

The ENGIE anti-corruption policies are part of the Group's corruption prevention actions. They apply to employees from all Group entities, business consultants, industrial and financial partners, subcontractors and suppliers, and to partners in patronage and sponsorship projects. The effective implementation of these policies is a potential mitigating factor that may lighten sanctions incurred.

More generally, ENGIE's anti-corruption policies and procedures reflect the Group's ambition to follow for its actions the highest international standards of ethics and compliance, such as the UN convention against corruption and the OECD Guidelines for Multinational Enterprises.

The Group, which is in particular subject to the UKBA, the US FCPA, and the French Sapin 2 law, has shaped its policies with respect to the prevention of corruption to the rules promulgated (see the ENGIE Ethics compliance referential) under the guidelines pertaining to the UKBA, the US FCPA, and the French SCPC<sup>2</sup>:

- **The U.S. Federal Sentencing Guidelines** provide for leniency for a business that cooperates with the U.S. government where it has set up an effective corruption-prevention program in accordance with the 7 steps defined in the Guidelines. This leniency may lead to a 3-point deduction for an effective ethics and compliance program<sup>3</sup> and a 5-point deduction for a system of self-disclosure of misconduct<sup>4</sup>, reduced to 2 points where the organization does not have a self-disclosure system but cooperates fully with the judicial authorities<sup>5</sup> and to one point where the organization does not fully cooperate with the authorities but fully acknowledges its liability<sup>6</sup> (as the U.S. system permits an increase or decrease in the severity of sentences<sup>7</sup>). This allows for a substantial decrease in the amount of the fine, through the entry into a Cooperation Agreement, a Non-Prosecution Agreement, or a Deferred Prosecution Agreement.
- The **UK Bribery Act Guidelines** describe the 6 principles to implement in order to rely on an affirmative defense and to be permitted to enter into a "Deferred Prosecution Agreement."

1. *Non bis in idem*: French and European law principle that the same offense may not result in more than one prosecution. It is found in Article 368 of the French Code of Criminal Procedure.

2. Under the Sapin II law, the SCPC is replaced by the French Anti-Corruption Agency.

3. USSG §8B2.1 and USSG §8C2.5(f)(1).

4. USSG §8C2.5(g)(1).

5. USSG §8C2.5(g)(2);

6. USSG §8C2.5(g)(3);

7. "Each organization starts with a score of five that is adjusted downward for mitigating factors and upward for aggravating factors. For our purposes, the most relevant adjustment is a three-point reduction if the offense occurred despite an effective program to prevent and detect violations of law." [http://www.usssc.gov/Guidelines/2011\\_Guidelines/index.cfm](http://www.usssc.gov/Guidelines/2011_Guidelines/index.cfm).

- The **French SCPC's guidelines** describe 6 similar principles, the application of which may lead, in the event of misconduct, to leniency in sentencing and the use of a plea agreement under the **Sapin 2 law**, which provides for 8 obligations to implement. Conversely, the failure to implement a compliance program may have significant financial consequences or constitute an aggravating factor in sentencing.

**Summary table**

Topic	USA Federal Sentencing Guidelines 7 steps (2004)	UK Bribery Act Guidance 6 principles (2010)	FRANCE SCPC Guidelines (2015)	FRANCE Sapin II law (2016, entered into force on 01/06/2017)
<b>Information</b>	2. Commitment of Top Management	2. Commitment of Top Management	1. Commitment of Top Management	1. Code of conduct (as part of the company's internal rules)
<b>Training</b>	4. Anti-corruption training	5. Communication and anti-corruption training	5. Communication and training	6. Training
<b>Tools (adapted to risks and business)</b>	1. Implementation of an anti-corruption program  3. Due diligence  6. Promotion and update of anti-corruption program	1. Appropriate procedures  3. Risk assessment  4. Due diligence	2. Risk assessment  3. Compliance program	3. Risk assessment  4. Due diligence business associates
<b>Controls</b>	5. Evaluation of program + whistleblowing  7. Appropriate responses to illegal activities	6. Monitoring and evaluation	4. Control  5. Program monitoring  6. Sanctions	2. Whistleblowing  5. Financial control  8. Program monitoring  7. Sanctions

Source: *Ethics Intelligence*, in ENGIE's training "Understanding and preventing the risk of fraud and corruption" (2017)

On the other hand, as part of its commitment to fight against corruption, the Group has also taken a voluntary commitment beyond the regulatory framework, by joining the United Nations Global Compact – the 10<sup>th</sup> principle of which relates to combating corruption – and the French section of the Transparency International NGO, organization of civil society dedicated to the fight against corruption.

## 2. Impacts for the company and for employees

### 2.1. Potential impacts of fraud and corruption risks for the company

Fraud and corruption generate financial costs that can be high and hard to recover, but, more broadly, they represent major risks of various kinds for companies:

#### **Strategic risk**

A case of corruption can be a handicap to external growth and can destabilize a merger or an acquisition price. A company found guilty of corruption can, in extreme cases, be forced to close sites, pull out of a country, or, more commonly, can find itself on a blacklist excluding it from certain contracts and forcing it to rethink its development strategy.

Moreover, many company stakeholders (rating agencies, industrial customers, partners, etc.) will require it to provide ethical and transparency guarantees before entering into a relationship with it.

#### **Image and reputation risk**

When a case of corruption is made public, the resulting impacts can be more and more severe. Indeed media coverage of a corruption case undermines the trust of the public and of customers. Any conviction or suspicion of fraud invalidates the efforts that the company has made to pursue operational excellence and comply with the ethical and societal norms of public opinion, and causes lasting damage to its credibility and to its legitimacy to operate, and also causes the financial markets to question and potentially to penalize the company.

#### **Budget and financial risk**

There is obviously a direct budget risk, in terms of the fines imposed on the company, the repayment of undue profits (past and future), and the loss of turnover caused by project closures. There are also indirect consequences such as site closures, exclusion from contracts (especially public ones) or from funding (by blacklisting by the World Bank in particular), etc.

All of these consequences translate into a reduction in earnings, in distributed profit and in prospects of growth. This is likely to undermine the confidence of financial markets in the long term and therefore lower the company's share price.

Within the company, corruption masks the actual competitiveness of products and services and hinders their continual adaptation to market requirements. In economic terms, corruption skews the principle of transparent and fair competition. At national level, especially in the poorest countries, it diverts public resources away from actions to promote social progress and runs counter to the principles of democratic transparency and accountability. For all these reasons, corruption is subject to heavy penalties including fines, imprisonment and, for the individuals convicted, deprivation of civic rights.

### Internal cohesion risk

Fraud and corruption are unethical processes, in profound contradiction with the Group's values and commitments, that can do lasting damage to the internal climate: they impact the staff motivation, the sense of belonging and the loyalty of current employees, and also undermine the Group's ability to attract the best talented people.

#### 2.2. Potential impacts of fraud and corruption risks for employees

Fraud and corruption, be they active or passive, also put guilty employees at personal risks: they expose themselves to civil and criminal prosecution (legal costs, fines of up to several million euros, imprisonment, residence restrictions in some countries, etc.), as well as negative individual impacts on their working life (job loss, difficulty finding a new job) and their social life (family breakdown, social isolation, etc.).

More and more, the judicial authorities tend to also prosecute the managers of the entities whose employees have committed acts of corruption, for lack of effective implementation of the appropriate compliance program, for failure to fulfill the duty of prevention and control, etc.

## 3. ENGIE reference texts

ENGIE's ethics and compliance action is based on 3 levels of reference texts:

1. **The Group Ethics charter**, which sets out the general framework within which each employee's professional behavior must fit, presents the ENGIE four fundamental ethics principles and describes the Group's ethics and compliance organization, and the **Practical guide to ethics**, which supports the implementation of ethics in everyday life by presenting concrete examples by theme. These two documents, available in 20 languages, are applicable to all Group employees and shared with external stakeholders.
2. **The referentials**, which unify the policies and procedures used by ENGIE for the concrete implementation and development of ethical culture within the Group: integrity referential, human rights referential and ethics compliance referential.
3. **The codes of conduct**, which set out the implications of the Group's ethical commitments for specific professional categories.

To date, the following policies and procedures (see [the architecture of ENGIE ethics and compliance reference documents](#), and summaries of the below policies and procedures on [ENGIE website](#) and [Ethics & Compliance pages on the Group intranet](#)) are gathered in the integrity referential:

- Business consultant policy
- Gift and hospitality policy
- Ethics, environmental and societal responsibility clause
- Policy on analysis of the ethical risk related to investment projects
- Patronage and partnerships policy
- Policy for the prevention of conflicts of interests
- Tax policy

The [code of conduct on lobbying](#) and the [code of conduct in supplier relations](#) also contribute to the Group culture of integrity.

For any information or details relating to these different themes, refer directly to the policies and procedures mentioned above, available via the [OneEthics SharePoint](#) and the [Ethics & Compliance pages](#) of the Group intranet.

## 4. Integrity and ethics compliance

Other elements contributing to the compliance program and to integrity are detailed in the Ethics Compliance Referential, in accordance with the correlation table below:

Topic	See Ethics compliance referential
Main parties involved in integrity	See 1. Main parties involved in ethics compliance
Mandatory analysis of corruption risks	See 2. Ethics risks analysis
Whistleblowing system / Protection of whistleblowers	See 4. The Group whistleblowing system and the protection of whistleblowers
Reporting (INFORM'ethics) and treatment of fraud and corruption incidents	See 5. Reporting (INFORM'ethics) and treatment of ethics incidents
Anti-corruption training	See 6. Training and awareness
Control system	See 7. Control system
External certification of the anti-corruption program	See 7.4. External certification

For these different themes, please refer to the Ethics compliance referential.

