



# **HENGYUAN REFINING COMPANY BERHAD (HRC)**

## **ANTI-BRIBERY AND CORRUPTION AND ANTI-MONEY LAUNDERING MANUAL (ABC & AML Manual)**

## INTRODUCING THE ANTI-BRIBERY AND CORRUPTION AND ANTI-MONEY LAUNDERING MANUAL

This Manual defines the HRC requirements for Staff and Business Partners to comply with laws that prohibit bribery, corruption and money laundering. It provides contact details and references for further information.

This Manual has been classified as Restricted. Full or partial re-production of this document outside HRC requires prior consent of the owner (Risk & Integrity Officer).

This Manual builds on the Hengyuan General Business Principles (HGBP) and the Code of Conduct that set out HRC's commitment to compliance with anti-bribery and corruption and anti-money laundering laws.

Compliance is ultimately the accountability of the Head of Department who must ensure that individuals understand their responsibility to comply with the requirements of this Manual.

Reference to "HRC Legal" in this Manual means the usual HRC lawyer or Legal Department, unless this Manual specifies that advice or approval is to be obtained from Risk and Integrity Officer (RIO).

If there are any outstanding questions, Risk and Integrity Officer (RIO) must be consulted.

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\*Sections 2.1.2 to 2.1.5 cover additional topics for AML purposes

## 1. Introduction

### What is this about and Why?

Bribery and corruption and money-laundering are two different but related Ethics and Compliance subjects. Individually, they are subject to different laws and regulations but share many common risk areas which need to be managed consistently. This Manual describes the requirements to address both risk areas.

HRC is subject to national laws prohibiting bribery and corruption and money laundering. Bribery occurs when a payment, gift, favour or advantage is offered, made, sought or accepted to influence a business outcome. Serious penalties, including prison sentences, may be imposed upon those guilty of bribery. Bribery and corruption may involve Government Officials (GO), companies or private individuals, and may occur directly or indirectly through third parties (including joint ventures or their participants). HRC prohibits the payment of all bribes including Facilitation Payments.

Money laundering is a term used to describe the process of hiding the criminal origins of money or property which are the proceeds of crime within legitimate business activities. It also describes the use of money of a legitimate origin that supports terrorism. Money laundering could be a consequence of almost any profit-generating crime.

HRC Management must ensure that:

- Staff understand their responsibilities to comply with applicable ABC and AML laws by following the requirements of this Manual;
- Staff know how to report any suspicion, allegation or breach of this Manual's requirements (by HRC or any individual acting on behalf of HRC)
- Staff understand that turning a blind eye to suspicions of bribery, corruption or money laundering can result in liability for HRC and for individuals; and
- If there is any reason to believe that any activity is being engaged in with a corrupt purpose, even if it is technically permitted under this Manual, it must be reported and a Risk and Integrity Officer or HRC Legal must be consulted before proceeding.

HRC must follow the AML requirements set out in this Manual and all additional AML policies and procedures to meet all regulatory requirements and guidance applying to the entity and its business activities.

Failure to act in accordance with applicable laws, the HGBP, the Code of Conduct or this Manual may result in disciplinary action up to and including dismissal or contract termination. Failure to report such suspicions could result in criminal liability for both the individual and the Company. Under no circumstances should an individual notify the subject of any suspicions or perform their own investigations.

## 2. Mandatory Requirements

### 2.1 CONTRACTING

When entering into a contract the integrity and identity of a Counterparty must be assessed through Integrity Due Diligence and any related issues, concerns or Red Flags addressed.

Integrity Due Diligence does not replace the need for conducting broader, more comprehensive assessments where required or deemed appropriate depending on the nature of the anticipated relationship (e.g., HSSE, Financial, Legal, Operational, Technical and Commercial assessments).

1. Where ABC Red Flags or other non AML integrity issues are identified either pre-contract or at any time during the life of the contract, a Risk & Integrity Officer must be consulted and supported by CEO or DCEO and CFO.

All contracts where HRC is receiving goods or services must include the appropriate ABC Clauses.

2. All Integrity Due Diligence documentation and any follow-up actions must be kept as a Record.

The following sections describe the risk-based requirements for the different Counterparty types.

#### 2.1.1 Contracting with Government Intermediaries (GIs), Contractors or Suppliers

The Integrity Due Diligence requirements when contracting with Government Intermediaries (GIs), Contractors or Suppliers are risk-based. They are determined by the higher risk of the base country of the Counterparty or the country/countries where the contract is being performed, the type of Counterparty and the annual value of the contract.

1. Integrity Screening must be:
  - a. Contracts Integrity Screening must be carried out.
  - b. repeated on renegotiation of the contract or at three-year intervals.
2. If the Counterparty is a GI, it is mandatory to obtain advance

support from RIO and CEO/ DCEO via an engagement memorandum.

3. If the Counterparty is a GI in a High or Medium Risk country, an interview must be conducted with, or questionnaires completed by, the counterparty.
4. If the Counterparty is a Government Official (GO) or is owned or part-owned, directly or indirectly, by a GO, advance support of RIO and CEO / DCEO must be obtained.
5. If the Counterparty is a GI, or Contractor/Supplier, they must undertake their own due diligence on their subcontractors. HRC's consent to subcontracting must not be given unless due diligence has been performed by the first contractor. Such due diligence must be undertaken prior to seeking HRC's consent. In exceptional circumstances, Integrity Due Diligence on the proposed subcontractor may be executed by HRC.

A. GI is any person or organisation that is engaged by HRC and has any direct or indirect dealings with a Government Official in connection with HRC's business, such as:

- Freight forwarders, customs agents, visa processors, and consultants or business agents engaged to assist in obtaining Government contracts, permits or clearances.
- Commercial agents who assist in obtaining Government contracts, concessions, permits or other Government-issued rights.
- Professional agents: attorneys, accountants, lobbyists or other persons engaged on a professional basis to represent HRC in Government business or to lobby for a change in law.

Note that certain contracts may de facto include the appointment of a GI such as turnkey contracts for the construction of facilities, EPC contracts and contracts for the supply of goods or materials delivered duty paid (DDP). When in doubt, seek legal advice to determine whether your contract appoints a GI.

### 2.1.2. Contracting with Customers for Sales of Products and Services

For the sale of Products or Services to a customer where annual gross proceeds exceed RM 5million, Integrity Screening must be carried out;

- a. prior to setting up a new customer account and
- b. repeated on renegotiation of the contract or every three years (for contracts of longer duration).

### 2.1.3. Contracting for Sales of Surplus Materials

For the sale of Surplus Materials where the annual gross proceeds will exceed RM 5million, Integrity Screening, using alternative tools, must be carried out for each contract.

### 2.1.4. Contracting as Landlords or Tenants

For each lease where HRC is the Landlord and where the lease value is greater than RM 1million annually, Integrity Screening must be:

- a. repeated on renegotiation, including contracting for extra space, or at three year intervals (for contracts of longer duration).

Where HRC is the Tenant the requirements in section 2.1.1 Contracting with Government Intermediaries or Contractors or Suppliers, as relevant, must be followed.

### 2.1.5. Contracting with Financial Institutions

When a new banking arrangement or a Financial Advisory Service is being agreed with a Financial Institution, Integrity Screening must, unless advised otherwise by RIO, be:

- a. repeated on renegotiation of the contract or at five year intervals (for contracts of longer duration).

## 2.2 OFFERING OR RECEIVING GIFTS AND HOSPITALITY (G&H)

Only G&H that are reasonable, proportionate, do not influence business decisions and are not otherwise prohibited may be offered or accepted. All G&H meeting Code of Conduct Register (Register) thresholds must follow required approval processes and be recorded in the Register.

As a general rule, HRC discourages Staff from accepting G&H from a business partner. Notwithstanding this, HRC recognises that the occasional acceptance or offer of modest G&H may be a legitimate contribution to good business relationships.

However, all G&H must comply with the requirements of this section and G&H to a Government Official (GO) is subject to additional scrutiny as described below.

### Prohibited G&H

No G&H may be offered or accepted that are:

- Illegal under the law
- Inappropriate
- Cash or cash equivalents (cash vouchers)
- Loans
- Personal services
- Events/meals where the business partner is absent
- G&H that is or can be linked to important business decisions during sensitive decision periods
- Per diem payments offered as an alternative to gifts, meals, lodging, entertainment or travel-related expenses (unless required by contract or local government regulation and/or supported by CEO and DCEO)

In addition to the above prohibitions, when offering G&H to a GO, the following must never be offered or paid for:

- additional days of travel to tourist destinations or private visits; or
- immediate family members/guests (unless supported by CEO and DCEO who agrees such is acceptable).

### Code of Conduct Register Thresholds

All Staff must record in the Register and get line manager approval in advance of accepting or offering G&H:

- from any third party valued at RM150 or greater; or to a private individual valued at RM150 or greater; or to a GO valued at RM100 or greater; or
- that could be perceived as influencing or creating a COI.

Note: any additional costs for immediate family members of a GO that have been supported by CEO and DCEO must be attributed in the Register to the principal recipient as a single sum.

### G&H to a GO

In advance of offering any G&H to a GO where the cumulative value is RM 2000 or greater, the G&H must be entered into the Register and a memorandum or Umbrella Memorandum completed (in the Register) to obtain Risk & Integrity Officer support and CEO / DCEO approval. The memorandum must include:

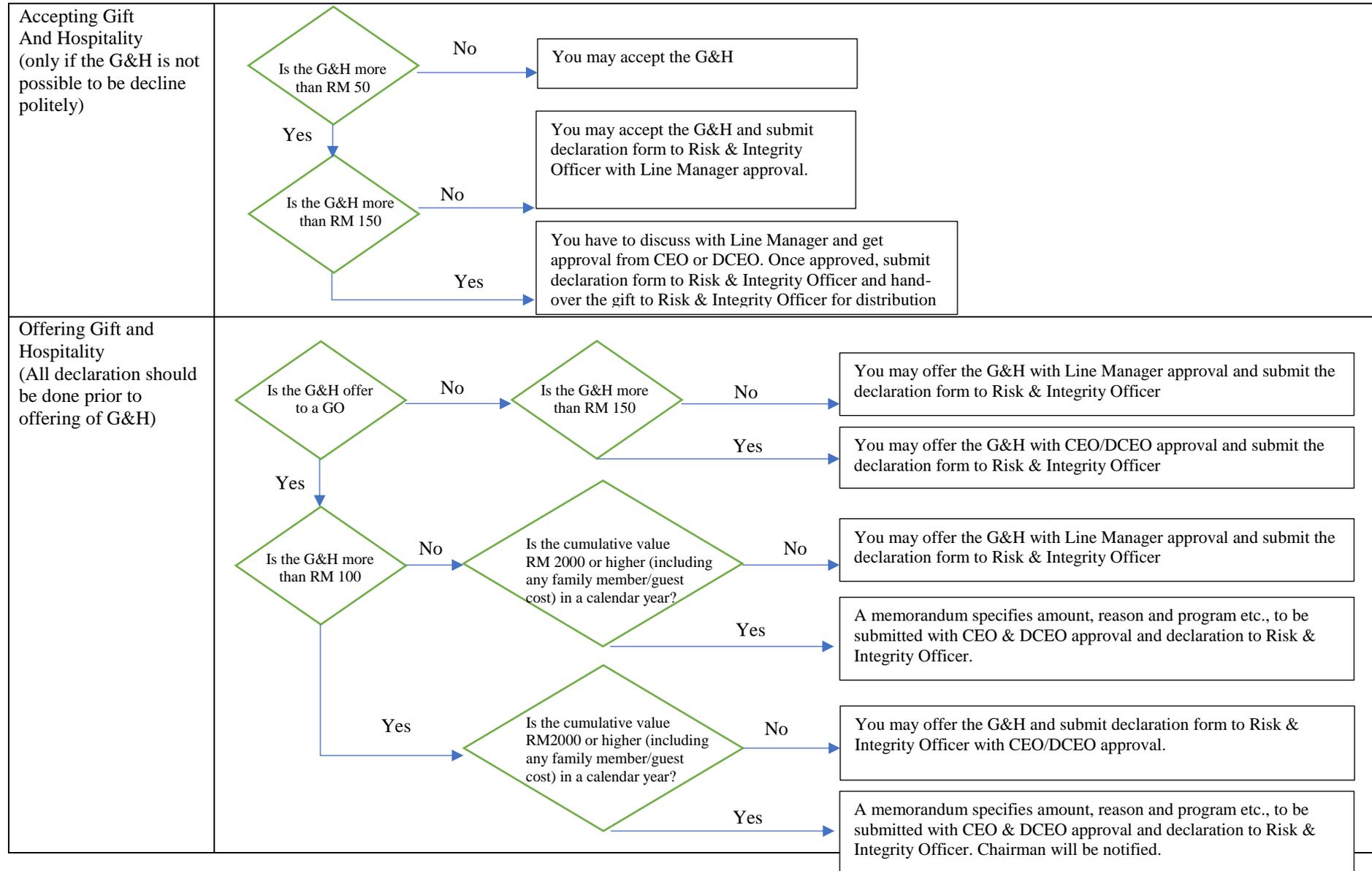
1. a description of the proposed expenditure;
2. a detailed budget;
3. the programme details or agenda;
4. the name of the GO and, if applicable, the name of any GO immediate family member(s) or guest(s) who are also proposed recipients that have been approved by an CEO / DCEO;
5. a description of any interaction the GO has had or is expected to have with HRC, particularly if the GO is expected to be involved in any decision affecting HRC;
6. any facts or Red Flags that could cause an impartial observer to perceive the expenditure could obtain an improper business advantage; and
7. the business reasons for the expenditure.

The HRC Risk and Integrity Officer will monitor all G&H to GOs per calendar year. Where cumulative amounts to a specific GO appear likely to exceed RM 2000, the Management will be informed and, if any additional G&H is to be offered to that GO, the procedures for G&H valued at RM 2000 or greater must be followed.

### Records

All documentation relating to the approval of the G&H and which is external to the Register must be kept as a Record.

## Summary Chart



## 2.3 CONFLICTS OF INTEREST (COI)

COIs must be avoided and, where an actual, perceived or potential COI occurs, it must be recorded in the Code of Conduct Register (Register) for line management action.

COIs happen in situations where two or more competing interests' conflict and impair an individual's ability to make objective decisions. Generally, a COI arises when personal interests in any way interfere with HRC's interests. COIs do not necessarily have to result in unethical or illegal acts. COIs can arise when Staff take actions or have interests that may make it difficult to perform their HRC role objectively. It is important for Staff to avoid COIs, including potential COIs that could create the perception that they may be improperly influenced in their decision-making.

It is not possible to list all situations or relationships which may create a COI or the appearance of one, so each situation must be evaluated. COIs can be damaging to Staff or to HRC. In some situations, a COI that has been fully disclosed to HRC may be acceptable, assuming appropriate mitigations have been agreed and implemented.

Each Department must ensure that:

1. Staff are aware of the need to declare any actual, perceived or potential COI in the Register;
2. Line managers agree and record any actions required to mitigate the COI in the Register; and
3. Any actual, perceived or potential COI that cannot be resolved in that manner is escalated to the Compliance and Integrity Officer for advice.

## 2.4 FACILITATION PAYMENTS

Facilitation Payments are bribes and must not be made. Where a Facilitation Payment has been requested, the Risk and Integrity Officer or HRC Legal must be immediately informed of the request and actions taken.

A payment made in the good faith belief that life, health or safety may be in imminent danger is not a Facilitation Payment but must be reported as noted above and recorded in accounts. Fees that are required by written law are not Facilitation Payments.

A "Facilitation Payment" is a minor payment to induce a Government Official to expedite or secure performance of a routine duty which that person is already obliged to perform and where such payment would exceed what is properly due. Payment of fees to avoid hefty penalties or fines which an official receipt not given is a Facilitation Payment.

The urgent processing of a regular government-provided service, against rates published by the government, for which payment is made into a government administered account and for which an official receipt is given, is not a Facilitation Payment.

## 2.5 FUNDING SOCIAL INVESTMENT

Funding of Social Investments, Donations and Sponsorships must never improperly influence a business outcome.

Social Investments, Donations and Sponsorships carry certain bribery and corruption risks, particularly in relation to the interaction with external parties. These risks must be identified through appropriate due diligence and mitigated when considering requests from third parties to ensure that funding never improperly influences a business outcome. Any approved Social Investments, Donations or Sponsorships must be contributed to an organisation and not to any individual. Funding where a Government Official (GO) is involved (and that is not exempted below) must follow required approval and Record retention processes.

Before offering or committing any funds, Initiator Department must:

1. ensure that the proposed recipient is a legitimate organisation;
2. identify whether a GO is involved (e.g., a GO has requested the Donation or Sponsorship; a GO is affiliated with the recipient of the Donation or Sponsorship); if no GO is involved, the due diligence confirming this must be kept as a Record.
3. ensure that any Red Flags raised in due diligence are resolved; and

Where a GO is involved, and the value is greater than RM 2000, the following additional steps must be taken:

A memorandum or Umbrella Memorandum is completed to obtain RIO support which includes:

- a. a description of the proposed expenditure;
  - b. an itemised budget;
  - c. the name of the organisation for which the expenditure is intended;
  - d. the name of the GO and, if applicable, the name of any GO immediate family member(s);
  - e. a description of any interaction the GO has had or is expected to have with HRC, particularly if the GO is expected to be involved in any decision affecting HRC;
  - f. any facts that could cause an impartial observer to perceive the expenditure could obtain an improper business advantage; and
  - g. the business reasons for the expenditure.
5. Approval to release funds is given by a manager with the appropriate level of authority as defined in the Manual of Authorities; in this case all social investment funding must be approved by CEO, supported by DCEO and initiated by Corporate Affair Department.

6. ABC Clauses are included where a contract is in place or Corporate Undertakings are signed where a contract is not in place; and
7. All documentation relating to the funding must be kept as a Record.

## 2.6 POLITICAL PAYMENTS & ACTIVITIES

As stated in the HGBP, Political Payments or “in-kind contributions” must never be made by HRC with HRC funds. HRC must not take part in party politics.

Political payments that are classed as “In-kind contributions” such as the use of company facilities, resources, funds or premises for the purpose of political activities such as rallies, campaigns, elections or political speeches are not permitted. If such requests from governments, political parties, organizations or their representatives are made, the Chairman must be consulted.

HRC do not prohibit staff from participate in political activity outside of office hour. Staff is freely to contribute fund to any political party on their own goodwill and the amount contribute to political party is not allowed to be reimbursed by HRC. Staff participating in any political activities outside of office hour are prohibited from wearing HRC uniform or related HRC identity. Staff that associate HRC to any political movement or activities without prior written approval from Chairman shall be consider a breach to code of conduct and dealt with under Consequences Management Framework.

Vendor and business associate are also reminded not to associate HRC to any of the political contribution or activities without prior written approval from Chairman or HRC CEO and DCEO.

## 2.7 RECRUITMENT

The recruitment of a Government Official (GO), former GO, or immediate family member of a GO could be viewed as a favour or advantage, potentially constituting bribery, and/or may create a perceived or actual Conflict of Interest (COI). Such a COI may impair an individual's decision-making or jeopardise the reputation of the individual and that of HRC.

At an early stage in the process of recruiting any potential Employee (including interns) or Seconded into HRC, the Recruiter must determine whether that individual candidate is a GO, former GO, or related to a GO. If a candidate has been initially identified as such then Recruitment interviews must be conducted by interviewers who are not aware of whether the individual candidate is a GO, former GO, or immediate family member to a GO, or are impartial, in order to avoid the candidate's position influencing or appearing to influence the recruitment outcome.

Where the candidate is identified as a GO, former GO or immediate family member of a GO during the recruitment process, the Recruiter and the Hiring Manager must inform CEO and DCEO. If the position is JG3 (or senior management) and above, Chairman of HRC will be consulted. If support is not obtained, an offer of employment, secondment or internship must not be extended.

Recruitment of Directors will fall under the power of Board Nominating and Remunerating Committee.

If they are ultimately hired, then the Recruiter must bring this to the immediate attention of the Hiring Manager. If any successful applicant has a COI, they must make a declaration in the Code of Conduct Register once they start in the role.

### 3. Managing Incidents and Reporting a Concern

HRC has a duty to investigate all good faith allegations that a violation of the HRC Code of Conduct or the law has occurred. All allegations will be addressed confidentially, impartially and in a timely manner by the Risk and Integrity Department and/or HR. HRC are required to protect from retaliation anyone who makes any good faith allegation of a breach of the Code of Conduct.

If it is known or suspected that an engaged third party has made or will make a corrupt payment in connection with a HRC contract or if there is a suspicion of money laundering or a breach of this Manual's requirements (by HRC or any individual acting for HRC or a third party), it must be immediately reported to a Risk and Integrity Officer. Alternatively, report can be lodge via Whistle Blowing channel available by HRC.

In either instance failure to report could result in criminal liability for both the individual and the Company. Under no circumstances should an individual notify the subject of any suspicions or perform their own investigations as this may prejudice an investigation and could itself be a violation of AML laws.

#### 3.1 Whistleblower Policy

Any party who have concern with regards to any malpractices or breach of ABC Manual or Code of Conduct can lodge their concern via a dedicated whistleblowing channel which will be evaluated and investigated independently. The whistleblowing channel include a dedicated email [whistleblower@hrc.com.my](mailto:whistleblower@hrc.com.my) or in writing to Chairman of Board Audit Committee or Chief Internal Auditor.

Protection to whistleblower as well as the procedure and investigation can be found in HRC Whistleblower Policy. A copy of the policy can be obtained from HRC internet.

## 4. Training

Staff in roles exposed to bribery and corruption and/or money laundering risk must complete appropriate HRC ABC and/or AML training. The type of ABC and/or AML Training that Staff must take will depend on the level of risk associated with their role. Based on the level of risk, Staff may be nominated by their Department to complete on-line or face-to-face training. The ABC face-to-face training may be delivered in person. Further tailored ABC Training is provided for Staff in leadership positions.

Head of Department must:

- identify those roles determined to be “at risk” and nominate Staff for ABC and/or AML training;
- ensure that Staff who have been nominated complete the training by the training due date; and
- take appropriate action with those Staff who have not completed the required training, including taking consequence management actions as agreed with HR.

## 5. Key roles and responsibilities

The Head of Department:

- determine the key legal and ethical compliance risks in their respective Department;
- assess and monitor the risks; communicate and report change; and ensure relevant business plans, discussion and operations are considered;
- implement controls and communicate the requirements of the ABC and AML programmes;
- ensure compliance by their Staff with the requirements of this Manual.

The Departments staff:

- support and monitor ABC and AML activities within their respective departments
- work with the department to identify and assess the overall level of ABC and AML risk;
- work with their respective department to identify Staff exposed to ABC and AML risk and assist in nominating identified staff for ABC and AML training.

The Risk and Integrity Officer and Legal Department:

- define the risks and legal and ethical requirements to mitigate ABC and AML risks and ensure they are incorporated into this Manual as appropriate;
- support memoranda as required by this Manual;

- provide content material for ABC and AML training and ensure changes in relevant legislation are assessed and materials and training are updated; and
- provide advice to the departments and to the legal community at a country level, on legal issues relating to ABC and AML.

## 6. Related Rules and Regulations applicable to HRC

HRC operation are govern by the following regulation:

- Malaysia Anti-Corruption Commission (MACC) Act 2009
- Malaysia Anti-Corruption Commission (Amendment) Act 2018

HRC Anti-Bribery & Corruption Manual make references to the following regulation which HRC might be bound to comply:

- UK Bribery Act 2010
- US Corrupt Foreign Practices Act 1977

## GLOSSARY

ABC	Anti-Bribery & Corruption
CEO	Chief Executive Officer
COC	Code of Conduct
COI	Conflict of Interest
DCEO	Deputy Chief Executive Officer
G&H	Gift & Hospitality
GI	Government Intermediary(ies)
GO	Government Official(s)
HRC	Hengyuan Refining Company Berhad
GGBP	Hengyuan General Business Principle
HOD	Head of Department
MACC	Malaysia Anti-Corruption Commission
RIO	Risk & Integrity Officer

All denomination referred in this Manual are in Ringgit Malaysia (RM). Any value transacted in other denomination should be converted to Ringgit Malaysia while complying with the Manual.

Immediate family members refer to biological or adopted parents, siblings, children, spouses and in-laws.