Integrity Compliance Instruction

1. Effective Date

The President has approved this Instruction. It takes effect on October 8, 2014.

2. Executive Sponsor

VP, Legal Services, General Counsel & Corporate Secretary (VP Legal).

3. Definition

N/A

4. Application

This instruction applies to the International Commercial Business ("ICB"), Global Defence and Security ("GDS"), US DOD Defense Production Sharing Agreement ("DPSA"), Sourcing and Cuba business lines and their successors.

5. Compliance and Monitoring

All CCC employees are to comply with the content of this instruction, related policies and instructions and all subordinate unit specific procedures as it pertains to the conduct of all CCC operations. It is incumbent upon each employee to know and abide by the content of this instruction. Further, it is the responsibility of their respective Managers and Executive to ensure that:

- All employees are made aware of the policies, instructions or procedures that govern daily work activities, especially during the orientation phase of a new employee or an employee transferred from another business unit within CCC;
- All employees are continuously monitored in the application of all relevant policies, instructions and procedures during the conduct of daily business operations; and,
- Cyclical review of policies, instructions and procedures take place as defined in the 'Policy Governance Framework'; and that any resultant amendments or amendments otherwise derived from lessons learned be forwarded to VP Corporate Services & Chief Financial Officer (CS&CFO) for overall policy suite reconciliation.

6. Context

6.1 Forming part of the larger Responsible Business Conduct (RBC) Framework and in particular as an Instruction referenced in the Code of Conduct and Business Ethics (Code), this document defines the project documentation and business processes to be followed in the Corporation's fight to prevent and detect bribery and unethical business practices and to maintain integrity and respond appropriately when illegal activities are suspected.

6.2 The Criminal Code of Canada is the legislation in place combatting bribery and unethical business practices within Canada. In addition to this legislation, the Government of Canada has enacted the *Corruption of Foreign Public Officials Act (CFPOA)* making it a criminal offence in Canada for persons or companies to bribe foreign public officials to obtain or retain an advantage in the course of international business.

6.3 This instruction is designed to ensure that CCC establishes and ensures the effectiveness of internal controls, ethics and compliance measures for preventing and detecting the bribery of foreign public officials in CCC transactions.

7. Instruction Requirements

7.1 CCC Integrity Risk Assessment

The VP Legal is responsible for ensuring that:

7.1.1 An assessment of the corruption risks related to the Corporation's various business lines is carried out on an annual basis as part of the corporate-wide fraud risk assessment.

7.2 Due Diligence Reviews

The VP Business Development and Marketing (BD&M) and VP Contract Management and Operations (CM&O) are responsible for ensuring that until the Integrity Compliance Committee (ICC) has undertaken its due diligence of the supplier and/or the project, as appropriate, and provided its recommendations to the appropriate business officer:

- In the case of the ICB and GDS business lines, a Services Agreement is not entered into;
- In the case of the DPSA and Cuba business line, certification is not requested or issued;

- In the case of the Sourcing business line, certification is not requested or issued in respect of suppliers having potential contracts in excess CAD$250,000.

The integrity due diligence process includes the following steps:

7.2.1 The Supplier is provided with a Due Diligence Questionnaire that includes questions regarding integrity and business ethics aimed at assessing the supplier's compliance profile and procedures.

7.2.2 The Supplier has provided complete information related to the following sections of the Due Diligence Questionnaire:

- General Information
- Ownership
- Legal
- Integrity and Business Ethics
- Supply Chain Risk Management
- Government of Canada's Integrity Regime
- Agents, Representatives and Business Partners
- Foreign Public Officials

The Due Diligence Questionnaire contains a "Certificate of Compliance" which must be signed by a senior officer of the Supplier. The Certificate of Compliance contains a declaration / certification in regards to the accuracy of the responses, as well as the Supplier's consent to CCC disclosing information related to sales transactions.

7.2.3 The information provided in 7.2.2 above, is provided in a timely fashion to CCC's ICC. The recommendations of the ICC are valid for one (1) calendar year, except in the case of DPSA and Cuba wherein the ICC recommendation to support the Supplier in those business lines is valid for three (3) calendar years, unless the ICC or a CCC officer becomes aware of incidents or information that would necessitate an update of the decision.

7.2.4 The project certification form contains the ICC's recommendation and conditions that are current within the calendar year.

The VP Legal is responsible for:

7.2.5 Ensuring that the form and content of the Due Diligence Questionnaire is relevant and up-to-date and includes input from the VP, BD&M, VP, CM&O and VP CS&CFO. With the recommendation of the IC Committee, the VP Legal may make changes to the Due Diligence Questionnaire as required without seeking the President's approval.

7.2.6 The ICC is composed of representatives of Risk and Finance, Legal Services, Business Development and Marketing, and Contract Management and Operations. The ICC undertakes in a timely fashion a) routine business integrity due diligence relating to all ICB and GDS Suppliers/project opportunities and Sourcing opportunities in excess of CAD$250,000; b) every three (3) years, business integrity due diligence relating to Suppliers in the DPSA business line and the Cuba business line and c) Enhanced Managerial Due Diligence where a Supplier's business integrity has been brought into question. Having completed its due diligence, the ICC may:

a) Determine the business integrity risk is acceptable and recommend to the project officer that CCC could support the pursuit and the Supplier;
b) Refer additional questions back to the supplier for further clarification or responses;
c) Determine that additional due diligence is required that may include further internet-based searches, including media searches and denied parties lists or other relevant database screenings, and consultation with relevant stakeholders including Global Affairs Canada, where appropriate;
d) Determine that the pursuit and Supplier can be supported subject to specific conditions to mitigate identified risks.
e) Advise the project officer that additional due diligence is required in the form of an Enhanced Managerial Review (EMR);
f) Determine that there is a need to consult with a third party on residual risks and/or due diligence methods and sources;
g) Determine that the risk is unacceptable and recommend to the project officer that CCC should decline to support the project or Supplier in question; and/or
h) Advise the Risk and Opportunities Committee (ROC) of high risk integrity compliance projects and/or Suppliers and the recommendations to reduce the risks and to support or not to support the projects and/or Supplier.

7.2.7 Recommendations of the ICC can be reviewed and revised by ROC.

7.3 Enhanced Managerial Review

The VP Legal is responsible for ensuring that:

7.3.1 In addition to the recommendation for an EMR in 7.2.6 above, where CCC is aware that the Supplier or any of its principals or related companies is under investigation or has been convicted of, or is currently charged with an offence under the *Corruption of Foreign Public Officials Act*, or any other legislation which involves illegal business practices, whether in Canada or elsewhere, CCC will not sign any agreement or contract with the Supplier until CCC has completed an EMR of the Supplier and its related companies as appropriate and considers that such Supplier

and its related companies as appropriate have taken appropriate measures to prevent further offences from being committed.

7.3.2 In conducting the EMR, the ICC may consult with internal or external resources required to address the outstanding areas of risk. This may include engaging with third-party due-diligence firms specializing in anti-corruption investigations and reviews. The Supplier shall have the opportunity to respond to the EMR questions.

7.3.3 Assessing whether a Supplier has taken appropriate measures to prevent bribery and corruption requires a focus upon the Supplier and, as appropriate, its related companies' programs, processes and systems designed to reduce the likelihood of illegal or unethical acts from occurring. From research on best practices that could guide such an assessment, the following elements have been identified as clear indicators of the commitment to ethical business practices:

a. Leadership or "Tone from the Top" – The approach taken by a Supplier's executive cadre to emphasize the critical importance of ethical business conduct and practices in all activities of the Supplier and its related companies and behavior of its employees.

b. Policies – These are the corporate policies that promote ethical business conduct and practices such as a Code of Ethics, a Code of Business Conduct, a policy for the protection of whistleblowers, etc.

c. Internal controls – These are the ensemble of corporate systems that ensure there are sufficient controls pertaining to high-risk areas of the Supplier, such as the financial system controls, the relationship with and system of payment of agents, and the Supplier's management system.

d. Training Programs – These are typically comprehensive programs of training and awareness in terms of business conduct and ethics for management and employees.

e. Past Performance - The Supplier's and, as appropriate, its related companies' history of responses and corrective measures implemented in cases of known breaches of ethical standards.

7.3.4 Upon completion of the EMR the ICC will assess the residual business integrity risks of the Supplier and the project and make one of the following recommendations to the ROC:

a) The Corporation should pursue the project and/or working with the Supplier.
b) The Corporation should not proceed with the project and/or should not work

with the Supplier.

c) The Corporation may proceed with the project and/or the Supplier subject to specific conditions.

7.4 Services Agreement and Domestic Contract Provisions

The VP Legal is responsible for ensuring that:

The Services Agreement and Domestic Contract shall contain contractual commitments from the Supplier regarding anti-bribery and unethical business practices.

7.5 Certification of the Project

The VP Legal is responsible for ensuring that:

If an EMR process has been implemented, a project will not receive certification until the EMR has been completed in a satisfactory manner, updated as appropriate, reported to ROC and approved by ROC. Current and expired due diligence documentation associated with a project file will be retained by the ICC.

7.6 Business Development & Contract Management - Monitoring of the Project:

The VP BD&M and VP CM&O are responsible for ensuring that:

7.6.1 Once the project is underway, unethical business practice risk mitigation remains active and vigilant. The VP BD&M is responsible for ensuring the monitoring of the project during the pursuit phase, while the VP CM&O is responsible for ensuring the monitoring of the project during the delivery of the contract. Where monitoring reveals issues of concern, those issues will be addressed promptly. CCC will not hesitate to exercise the right to negotiate in the Domestic Contract to respond to corrupt practices or suspicions of corrupt practices by the Supplier or its intermediaries, including the referral of suspicious activities to law enforcement.

7.6.2 The manner and extent of monitoring will depend on the nature, extent (both duration and value) and location of the business covered by the Prime and Domestic Contracts. In some instances, it may be appropriate to require periodic compliance reports by the Supplier and, possibly, verification by CCC compliance personnel or a third party (counsel, accountant, or consultant) of the source information that the reports are based on. In high-risk situations, it may be preferable for CCC to invoke its right of access to Supplier information and to conduct its own compliance audit, directly or using a third party.

7.7 Training:

The VP BD&M and VP CM&O are responsible for ensuring that:

7.7.1 All business development and contract management officers are to be provided a training session on this instruction and the subject of bribery in general when assuming a position for the first time and on a recurring annual basis.

7.8 Reporting

The VP Legal is responsible for ensuring that:

7.8.1 CCC employees ensure the integrity of CCC operations, and are diligent in identifying any signs of unethical business practices, including bribery. In the event that a suspicion leads to the belief that bribery has, or is likely to occur during any phase of contract activity, or when there is doubt on how to handle activities relating to this policy, employees must bring the related details to the attention of their immediate supervisor who may also obtain clarification or assistance from senior management including, as required, VP Legal.

7.8.2 On the recommendation of the VP Legal, qualified third party assistance may be sought to assist staff in assessing whether bribery has actually taken place. When there exists credible suspicion of:

(a) a violation of the CFPOA; or
(b) an unlawful business practice
the VP Legal is to be informed promptly who will, in-turn, convene an *ad hoc* ROC and, after due discussion, notify the RCMP or the appropriate law enforcement agency.

7.8.3 The utmost confidentiality must be exercised with regard to allegations or information, as public disclosure would be damaging to the party that is the subject of the allegations and could expose CCC to reputational damage and possible legal action. All information should be shared with other officials on a need-to-know basis only and classified at a Secret level.

7.8.4 When it comes to law enforcement, CCC may enter into an information sharing agreement with the appropriate law enforcement agency to ensure that the information can be used to further investigations.

7.8.5 This agreement could specify the manner in which information is to be shared with the law enforcement agency and the law enforcement agency's undertaking as to how the information will be protected.

7.8.6 In the event that a complaint arises and there is a conflict between the provisions of this instruction and the Disclosure of Wrongdoing Policy, then the provisions of the Disclosure of Wrongdoing Policy may supersede the provisions of this instruction.

8. References

8.1 External

8.1.1 *Corruption of Foreign Public Officials Act*
8.1.2 *Criminal Code of Canada*
8.1.3 http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=25049Values and Ethics Code for the Public Sector
8.1.4 GAC Guidelines to TC's on reporting criminal activities
8.1.5 World Bank Group Integrity Compliance Guidelines
8.1.6 Transparency International Canada "Anti-Corruption Compliance Checklist" Third Edition 2014
8.1.7 OECD "Good Practice Guidance on Internal Controls, Ethics, and Compliance" Feb 2010

8.2 Internal

8.2.1 Responsible Business Conduct Framework
8.2.2 CCC Code of Conduct and Business Ethics for employees
8.2.3 Disclosure of Wrongdoing Policy

9. Exceptions

The President must approve any exception to this policy with original, written evidence placed on the project file or with the Sponsor as applicable; and, a copy of such approval forwarded to Quality Management & Process Analyst CS & CFO / QM & P.

10. Enquiries

Enquiries regarding the content of this instruction may be forwarded to the VP Legal.