Introduction to Business Principles
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Introduction to Business Principles

1. Why have Business Principles?
2. What are the Business Principles?
3. Questions we (Site Managers, JV Reps and JV Participants) should be asking ourselves
4. Business Principles Documents
5. Business Principles Implementation Plan

APPENDIX 1 - Documents to Implement and Maintain the Business Principles
APPENDIX 2 – Counterparty Due Diligence
1. Why Have Business Principles?

- **Compliance with the law is of vital importance** to Joint Ventures (JVs), JV Participants, Users, JV Directors and Managers (‘Management’), Participant Representatives, JV employees, contractors and Third Parties.

- JIG has developed the ‘Business Principles’ documents to provide guidance to Management and their Board/Management Committee on **key business issues** that a JV is recommended to consider in order to clearly define how it intends to conduct its business ethically and in compliance with the law considering that non-compliance could lead to fines and possible criminal sanctions.
2. What are the Business Principles?

The Business Principles cover five main areas:

- **HSSE** – the JV’s commitment to continuously improving its HSSE performance and complying with the JV’s policies on HSSE, drugs and alcohol

- **JV Employees** – the JV’s commitment to how it treats its employees and how the JV expects them to act on behalf of the JV

- **Business Relationships** – the JV’s commitment to building trust with parties with whom the JV interacts and on whom the success of the JV business depends

- **Business Integrity** – the JV’s commitment to comply with the law and the JV’s own Business Principles

- **Property and Financial Integrity** – the JV’s commitment to report accurately and protect the Participants’ assets, intellectual property and IT systems against damage, theft or fraudulent use
3. Questions We (Site Managers, JV Reps & JV Participants) Should be Asking Ourselves

‘We conduct our business ethically and in compliance with the law’

• Easy to say?
• What questions should we be asking ourselves to get assurance?
• What processes do we need to be in place to be able to positively answer these questions?

CP 7.01C Business Principles Annual Compliance Audit provides a practical list of questions that should give assurance that we are conducting our business ethically and in compliance with the law.
3. Questions We (Site Managers, JV Reps & JV Participants) Should be Asking Ourselves

1.0 Assurance on Compliance with Business Principles

1.1 Does the JV / JV Operator provide assurance to the JV Manager, Directors/Participant Representatives and Participants that it complies with its Business Principles by:

(i) **Completing this annual Business Principles Annual Self-audit**

(ii) **Completing an annual risk assessment review** equivalent to the JIG Business Risk Assessment process (incl. legal compliance risks)

(iii) **Ensuring appropriate training** for JV personnel

When necessary, the JV also:-

(i) **Reports instances of Business Principles non-compliance** advising corrective measures taken to prevent reoccurrence

(ii) **Responds to Director and shareholders questions** concerning compliance with our Business Principles

(iii) **Allows JV Participants to audit** the JV’s processes and activities to confirm compliance with the JV's Business Principles
3. Questions We (Site Managers, JV Reps & JV Participants) Should be Asking Ourselves

2.0 HSSE

2.1 Does the JV / JV Operator have HSSE and a Drugs and Alcohol Policies which are regularly reviewed, clearly communicated, training provided and enforced

NB. The question just asks about policies since HSSE Management is already covered in detail by the JIG HSSE Management System along with its gap analysis, annual management review and 3 yearly external HSSE audit
3. Questions We (Site Managers, JV Reps & JV Participants) Should be Asking Ourselves

3.0 **JV Employees**

3.1 Where applicable, does the JV / JV Operator (or employer of the JV staff) have a **written disciplinary procedure for employees who breach their employment contract** (including JV Business Principles)? Where applicable and if known by the JV Manager, how many cases of disciplinary action have been taken since the last annual certification? Provide brief details.

3.2 Where applicable, does the JV / JV Operator (or employer of the JV staff) have a **written grievance procedure for employees to raise issues with JV management** (including Business Principles)? Where applicable and if known to the JV Manager; how many grievances or legal claims have been raised since the last annual certification? Provide brief details.
3. Questions We (Site Managers, JV Reps & JV Participants) Should be Asking Ourselves

4.0 **Business Relationships**

4.1 Where applicable, does the JV / JV Operator have an agreed **Initial Counterparty Due Diligence Screening Process** (see APPENDIX) to identify any counterparty where more detailed Counterparty Due Diligence is required? If Yes, who carries out this counterparty initial screening and do they receive appropriate training for **Anti Bribery and Corruption (ABC)**, **Anti Money Laundering (AML)** and **International Trade Sanctions (ITS)** (***)

(***) International Trade Sanctions (ITS) is an overarching term covering Trade Sanctions, Anti-boycott and Export Controls

4.2 Where applicable, does the JV / JV Operator have an agreed **Counterparty Due Diligence (CDD)** process following initial screening process for checking counterparties for risk of non compliance with ABC, AML and International Trade Sanctions laws. If Yes, who carries out this counterparty screening and do they receive appropriate training for ABC, AML and ITS
3. Questions We (Site Managers, JV Reps & JV Participants) Should be Asking Ourselves

4.3 Where applicable, the JV / JV Operator has a process for assessing counterparties that may be affected by ITS. Have there been any counterparties affected by ITS in the last year? If yes provide brief details and action taken

4.4 Only where applicable, the JV / JV Operator has a process for checking counterparties AML risk. Have any potential counterparties failed Anti-Money Laundering Counterparty Due Diligence checks? If Yes provide brief details

4.5 Where applicable, does the JV / JV Operator have a register for gifts and entertainment received or given by JV staff and is it regularly reviewed by JV Management? What is the JV threshold (US$) for recording gifts and entertainment in the register?
3. Questions We (Site Managers, JV Reps & JV Participants) Should be Asking Ourselves

4.6 Do the JV Board / Mancom meeting minutes record that the JV Directors/Mancom Representatives have no **conflict of interests**? Does the JV / JV Operator maintain a register of any JV staff conflicts of interest? If not why not?

4.7 Has the JV / JV Operator completed its **JV Core Principles** or **Core Principles for Throughput Locations** annual refresher training and self-audit and is in full compliance? If not why not? If the location is not in scope for Core Principles, does the JV have a process to ensure compliance with competition law?

4.8 Where applicable, are **3rd parties that carry out work on behalf of the JV** made aware of the Business Principles? If No why not
3. Questions We (Site Managers, JV Reps & JV Participants) Should be Asking Ourselves

5.0 **Business Integrity**

5.1 Where applicable, does the JV / JV Operator have a process for checking counterparts ABC risk? Confirm the JV / JV Operator has not nor have any JV / JV Operator staff given or received any bribes (since last annual compliance self-audit)?

5.2 Where applicable, does the JV / JV Operator have a clear policy for JV / JV Operator staff who have contact with government officials? If yes do JV / JV Operator staff who have contact with government officials receive appropriate ABC training?
3. Questions We (Site Managers, JV Reps & JV Participants) Should be Asking Ourselves

6.0 *Property and Financial integrity*

6.1 Does the JV / JV Operator comply with all applicable laws and regulations concerning the **way the JV / JV Operator records, retains and reports information**? Where applicable, these include International Financial Reporting Standards (IFRS) (for group reporting) and the relevant generally accepted accounting principles (GAAP) where the JV does business. If No, why not?

6.2 Answer 'Yes' if there have been no incidents in the last year that have caused **damage to or loss of JV or Participants' assets** in excess of [$5000]? Answer 'No' if there have been one or incidents in excess of $5000 and provide brief details of incident(s)

6.3 Answer 'Yes' if there have been no incidents in the last year that have caused **damage or loss valued in excess of $5000 (in aggregate)** to the **intellectual property**, assets and rights of the JV and/or its Participant? Answer 'No' if there have been one or more incidents valued in excess of $5000 (in aggregate) and provide brief details
4. Business Principles Documents

Having considered the Business Principles questions we should be asking ourselves; 5 documents have been developed to help JVs implement and maintain their Business Principles:

- **CP 7.01 JIG Standard JV Agreement Business Principles Clauses** – standard legal clauses to commit the Participants and the JV to complying with the law and providing Participants audit rights
- **CP 7.01A Business Principles Manual** – a manual for employees and counterparties explaining what is required by the JV in order to work ethically and in compliance with the law
- **CP 7.01B Business Principles Manual Management Guidance on Intent and Application** – this training pack provides guidance information for Management to assist them in understanding the intent of the Business Principles Manual so that they can be appropriately applied to their own JV’s specific circumstances
- **CP 7.01C Business Principles Annual Compliance Audit** – this document sets out a number of audit questions to help the JV Manager produce an annual compliance statement confirming that the JV is complying with its own Business Principles
- **CP 7.01D Business Principles Manual – Review Form** – this document can be used by JVs to complete a gap analysis against their existing business principles and policies
5. Business Principles Implementation Plan

Bulletin 69 Action Description

1. **By 30th June 2015** (***) the JV Board / Management Committee is to **adopt CP 7.01 JIG Standard JV Agreement Business Principles Clauses** so that they are additional JV agreement terms that supersede any existing terms where they are in conflict

2. **By 30th June 2015** (***) the JV Board / Management Committee is to **approve the process for the JV to have a satisfactory Counterparty Due Diligence process**

3. **By 30th June 2015** (***)

   either use the **CP 7.01D Business Principles Manual Review Form (included as Attachment 2)**
   to complete a **gap analysis** of existing JV agreement and policies against the CP 7.01 JIG Standard JV Agreement Business Principles Clauses and CP 7.01A JIG Business Principles Manual

   or adapt and adopt CP 7.01 JIG Standard JV Agreement Business Principles Clauses and CP 7.01A JIG Business Principles Manual as the JV’s own taking into account local legislative requirements and the JV’s own unique circumstances

4. After completing Action 3, **by 31st October each year**, commence Business Principles annual compliance audit programme by **completing CP 7.01C Business Principles Compliance Audit and confirming compliance online through www.jigonline.com

(***) Or other date if considered more appropriate by the JV Board /Management Committee
“Our Business Principles - are based on conducting business ethically and complying with the law. These principles apply to all our employees and are expected be followed by contractors that carry out work for or on behalf of the JV.

Our Business Principles can be described by:-

• **HSSE** – our commitment to continuously improving our HSSE performance and complying with our policies on HSSE, drugs and alcohol

• **JV Employees** – our commitment to how we treat our employees and how we expect them to act on behalf of the JV

• **Business Relationships** – our commitment to building trust with parties with whom we interact and on whom the success of our JV depends

• **Business Integrity** – our commitment to comply with the law and our own Business Principles

• **Property and Financial Integrity** – our commitment to report accurately and protect the Participants’ assets, intellectual property and IT systems against theft or fraudulent use.”
APPENDIX 1 – Documents to Implement and Maintain the Business Principles (1 of 4)

• CP 7.01 JIG Standard JV Agreement Business Principles Clauses – this document contains standard form legal clauses that JV Participants can adopt so that the JV has commitments by the Participants to comply with local and international legislation including Anti-Bribery and Corruption (ABC), Anti-Money Laundering (AML) and International Trade Sanctions (ITS) and also includes appropriate JV Participant audit rights.
APPENDIX 1 – Documents to Implement and Maintain the Business Principles (2 of 4)

- **CP 7.01A Business Principles Manual** – this document outlines recommended contents of a Business Principles Manual that should be suitable for typical storage, hydrant and into plane JVs. *Use in one of two ways:*
  - Where a JV (or JV operating company) has already developed its own set of business principles and policies, CP 7.01A Business Principles Manual can simply be used as a gap analysis against existing business principles and policies. CP 7.01D Business Principles Manual – Review Form is provided for this purpose.
  - Where a JV (or JV operating company) does not already have its own set of business principles and policies, it is recommended to use the CP 7.01A Business Principles Manual ‘Word’ document as a template. It is recognized that a JV will need to adapt some of the business principles to suit local legislative requirements and its own unique circumstances.
APPENDIX 1 – Documents to Implement and Maintain the Business Principles (3 of 4)

- **CP 7.01B Business Principles Manual Management Guidance on Intent and Application** – this presentation training pack provides guidance information for Management to assist them in understanding the intent of the Business Principles Manual so that they can be appropriately applied to their own JV’s specific circumstances. JVs should seek advice from Participants where it is not clear how to apply the Business Principles guidance to the JV’s specific circumstances.
APPENDIX 1 – Documents to Implement and Maintain the Business Principles (4 of 4)

- **CP 7.01C Business Principles Annual Compliance Audit** – this document sets out a number of audit questions to help the JV Manager produce an annual compliance statement confirming that the JV is complying with its own Business Principles. This compliance statement can then be approved by the JV Board / Management Committee and circulated to the JV Participants as one of the JV’s annual assurance processes. Having an industry agreed compliance audit should satisfy all JV Participants and avoid JVs having to complete unique individual compliance statements for each JV Participant.

- **CP 7.01D Business Principles Manual – Review Form** – this document can be used by JVs to complete a gap analysis against their existing business principles and policies.
Guidance notes on intent and application of the Business Principles

Why carry out Counterparty Due Diligence (CDD) ?

Counterparties are any Third Party the JV has a contractual relationship with. For operational JVs this would include: employees, the Participants, throughputters, resellers, the airport authority, suppliers of goods and services, banks and contractors. For marketing JVs this would also include: airline customers, fuel suppliers and distributors.

If you do not know your counterparty you will not be able to identify unusual or potentially suspicious activity or international trade restrictions. Counterparty Due Diligence (CDD) (also known as Anti-Corruption Due Diligence and Corruption Due Diligence) is the key to recognizing this potentially illegal activity.

CDD should be Proportionate and Risk Based

CDD on counterparties should be proportionate and risk-based and conducted prior to commencement of business. JV’s should assess the risk posed by its counterparties (in terms of money laundering, corruption, international trade restrictions or other compliance risks) based upon a combination of three key factors:-

• The perceived risk associated with that particular counterparty
• The jurisdiction where either the counterparty operates from, is incorporated in, or the business being conducted.
• The level and nature of the business proposed to be undertaken with the counterparty

Control processes for due diligence on counterparties shall have regard to compliance with data privacy laws, including data security, data sharing and any applicable external requirements or licenses.
APPENDIX 2 – Counterparty Due Diligence (2 of 4)

Guidance notes on intent and application of the Business Principles

What is CDD

• Identifying the counterparty and verifying their identity on the basis of documents, data or information obtained from a reliable independent source
• Identifying where there is a beneficial owner who is not the counterparty, the beneficial owner and taking adequate measures, on a risk-sensitive basis, to verify his identity so that the JV is satisfied that it knows who the beneficial owner is, including, in the case of a legal person, trust or similar arrangement, measures to understand the ownership and control structure of the person, trust or arrangement
• Obtaining information on the purpose and intended nature of the business relationship

CDD Minimum Steps

As a minimum, JV’s should ensure that its due diligence process covers the following steps:
• Screening of counterparties through a risk intelligence data provider for any adverse information including trade sanctions, identifying politically exposed persons or other potentially adverse information
• Review of the counterparties responses to any questions asked
• Risk ranking the counterparties as high, medium or low risk
• Escalation process for any Red Flags (see next sheet) identified or approvals for high risk counterparties
• Ongoing due diligence periodically (at intervals dependent upon the risk level) and refreshing the risk ranking based on updating the information gathered during the initial due diligence process.
Guidance notes on intent and application of the Business Principles

What is a CDD Red Flag?

Red flags may occur for any counterparty regardless of risk, and these flags will usually result in a counterparty being assessed in a higher risk category. A red flag may not necessarily mean that doing business is prohibited, but needs to be investigated further.

Red flag examples are:-
- International Trade Restrictions
- Business / family ties to “politically exposed persons” (PEP’s – individuals who are or have been entrusted with a prominent public function; examples include heads of state, senior politicians, government, judicial or military officials, senior executives of state owned corporations and political party officials.
- Unwillingness by counterparty to provide or demonstrate unwillingness to provide identity information
- Inability to verify a counterparty’s identity or ownership
- Publicly available reports suggesting improper conduct by the counterparty or its controllers
- Provision of fictitious or unduly scant information by the counterparty
Guidance notes on intent and application of the Business Principles

Who is best to do CDD for the JV?
Maintaining an effective Counterparty Due Diligence process is complex and requires specialist skills. For this reason JVs should consider whether its Counterparty Due Diligence is best carried out by one of the Participants or a competent independent party. This can be practically achieved as a two step process:

- **Step 1** – JV completes an Initial Counterparty Due Diligence Screening Process by assessing risk based on a threshold contract value e.g. a one off commitment of over [$100,000] or a multi-year contractual commitment with aggregated total exceeding [$250,000].

- **Step 2** - Any Counterparty that exceeds the JV’s agreed financial threshold or where the JV feels further due diligence is necessary is then referred to one of the Participants or a competent independent party to complete appropriate CDD on the Counterparty and advise the JV whether it can enter into an agreement with the Counterparty.

Does the JV have to do CDD on existing contractual arrangements?
No. CDD should be carried out at the normal contract renewal time.

How often should the JV recheck CDD with a Counterparty?
The Participant or competent independent party CDD process is likely to have recheck criteria based on perceived risk levels e.g. High risk check every year, Med risk check 3 yrly and Low risk no recheck required unless change in circumstance e.g. adverse news or change in ownership.

Should CDD be completed before tendering a contract?
Yes. CDD should be part of the prequalification process.