

## PROCEDURE P3

# Impartiality Procedure

## 1. Objective of the Impartiality Procedure

The objective of the Impartiality Procedure is to ensure that certification decisions are not tainted by perceived or actual conflicts of interest in any form.

## 2. Principles of the Impartiality Procedure

ETHIC Intelligence's top management attaches the utmost importance to the policy safeguarding impartiality as it constitutes a key element to maintaining the confidence of stakeholders.

The policy governing impartiality is founded on three principles:

- 1 The commitment of top management to ensure impartiality
- 2 A Partiality Risk Management Process
- 3 A strict process to prevent individual forms of conflict of interest.

## 3. Top Management's commitment to ensure impartiality

Scott Lane, CEO of The Red Flag Group, parent company of ETHIC Intelligence, states:

*“ETHIC Intelligence has been committed, since its inception in 2006, to guaranteeing the highest professionalism and total impartiality in its certification activities.*

*ETHIC Intelligence, a standalone company of The Red Flag Group, attests to its respect for all of the ISO/IEC 17021-1 & ISO/IEC 17021-9 standard's guidelines, particularly those relating to the obligation of impartiality.*

*To ensure that ETHIC Intelligence decisions related to the certification activity are taken objectively with no undue influence or stake, I have entrusted Philippe Montigny, founder of ETHIC Intelligence, to chair, as an external expert, both the Certification Committee granting certifications and the Impartiality Committee.*

*ETHIC Intelligence ensures that its employees and auditors will not yield to any commercial, financial or other form of pressure regardless of the nature, from clients who might try to influence ETHIC Intelligence decisions.*

*The management of ETHIC Intelligence is committed to preventing any form of conflict of interest which could affect the impartiality of its decisions. The top management has implemented a management system to evaluate, monitor and document any risk of conflict of interest related to its certification activity.*

*Paris, September 30, 2018*

*Scott Lane, CEO of The Red Flag Group*

This statement is publicly available on the ETHIC Intelligence website.

## 4. Modalities of the Partiality Risk Management Process

### 4.1 Partiality risk identification

Partiality risk may arise in three areas:

- a) Within ETHIC Intelligence activities
- b) With the clients or prospects of The Red Flag Group
- c) With ETHIC Intelligence service providers

#### a) ETHIC Intelligence activities

ETHIC Intelligence has listed the following activities and classified them according to two factors: the possibility of conflict of interest in their execution and ETHIC Intelligence's financial dependence on them (see risk assessment table below).

1. ETHIC Intelligence certifications
2. ISO 37001 certifications
3. ISO 19600 training
4. ISO 37001 training
5. Training on anti-corruption issues
6. ISO 19600 audits
7. Self-evaluation seminars: corruption risks and compliance benchmarking
8. Gap Analysis ISO 19600
9. Gap Analysis ISO 37001
10. On-line corruption risk assessment
11. Organisation of conferences

#### *Risk factors*

ETHIC Intelligence does not provide any consultancy services. Risks are therefore evaluated according to three criteria:

- a) Conflict of interest which is related to ETHIC Intelligence employees
- b) Conflict of interest which relates to the fact that ETHIC Intelligence relies on external auditors that might have been involved in consultancy with a client or a client's entity or parent company
- c) Financial dependence which relates to the financial value of the contract

#### *Risk mitigation principles*

- ETHIC Intelligence is committed to avoiding any form of conflict of interest.
- ETHIC Intelligence is committed to ensuring it is independent from financial pressures.

#### b) The Red Flag Group Activities

The Red Flag Group, which is the parent company of ETHIC Intelligence, is a business intelligence organisation providing due diligence and compliance solutions. The Red Flag Group had management consulting activities in the past, however, following the acquisition of ETHIC Intelligence, decided to discontinue this activity. As part of its due diligence and compliance activity, The Red Flag Group may provide IT consulting services for the implementation of its digital solutions.

### ***Risk factors***

Partiality risks may arise in four situations:

12. A client using a Red Flag Group compliance solution might be tempted to believe that it would benefit from an easier certification process.
13. A Red Flag Group or an ETHIC Intelligence employee selling a certification process might be tempted to inform a Red Flag Group client that an ETHIC Intelligence certification would be simpler, easier, faster or less expensive.
14. A Red Flag Group employee that has had a direct professional relationship with a client on an unrelated certification issue, would be in a conflict of interest situation if he/she was to be involved in a certification audit. A direct professional relationship is here defined as a personal relationship with a Client and does not encompass activities related, for instance, to database management.
15. A Red Flag Group client who has benefited in the past from consulting activities regarding its Anti-Corruption Compliance Management System would present a major conflict of interest for an ETHIC Intelligence Certification.

### ***Risk mitigation principles***

- ETHIC Intelligence is committed to ensuring that any Red Flag Group client wishing to be ISO 37001 certified will not benefit, nor believe it would benefit, from a simpler, easier, faster or less expensive certification process.
- ETHIC Intelligence is committed to ensuring that any Red Flag Group or ETHIC Intelligence employee selling a certification process would not be tempted to inform a Red Flag Group client that an ETHIC Intelligence certification would be simpler, easier, faster or less expensive.
- ETHIC Intelligence is committed to ensuring that a Red Flag Group employee that has had a professional relationship with a client on an unrelated certification issue will not be involved in the certification process.
- ETHIC Intelligence is committed to ensuring that a prospect which has benefited from anti-corruption management consulting from The Red Flag Group will not enter into a certification process with ETHIC Intelligence for a period of two years from the last involvement.

### **c) ETHIC Intelligence-related organisations**

ETHIC Intelligence operates:

- i. within The Red Flag Group and

- ii. in a business environment in which it pays for services to operate (IT services, office rental...)

ETHIC Intelligence-related organisations are:

- The Red Flag Group and its subsidiaries
- Owners, service providers, committee members etc...

**Risk Factors**

The certification of a related organisation by ETHIC Intelligence would be tainted by a major conflict of interest.

**Risk Mitigation principles**

ETHIC Intelligence is committed to avoiding the certification of any of the related organisations which which can be grouped into two categories (see full list in Annex 5):

- 16. The Red Flag Group subsidiaries, joint ventures or any related entity
- 17. ETHIC Intelligence related organisations:

**4.2 Partiality risk assessment**

**Risk assessment table:**

*Numbers indicated in the table relate to the situation listed above.*

	<b>Financial Independence</b>				
<b>Important</b>				<b>15, 16</b>	
<b>Medium</b>				<b>17</b>	
<b>Low</b>			<b>1, 2, 8</b>		
<b>Very Low</b>	<b>5, 6, 11</b>	<b>3, 4, 9</b>	<b>10, 12, 13</b>	<b>14</b>	<b>Conflict of Interest</b>
	<b>Improbable</b>	<b>possible</b>	<b>probable</b>	<b>significant</b>	

**4.3 Partiality Risk Mitigation**

- **For any situation classified RED**, ETHIC Intelligence will refrain from carrying out an ISO 37001 certification audit either absolutely (16) or within a period of two years following the last day of the contract (15 and 17)

- ***For any situation classified GREEN***, ETHIC Intelligence follows the usual procedures designed to avoid conflicts of interest: declaration of conflict of interest (or lack thereof) in the assignment sheets, etc... (see below)
- ***For any situation classified ORANGE***, ETHIC Intelligence has implemented several procedures for control and these are under the responsibility of the Chairman of the Impartiality Committee.

***Risk identification procedures***

- A general commitment to avoiding conflicts of interest on the part of auditors carrying out the certification audit
- A specific, signed declaration of absence of conflict of interest prior to a given audit recorded in the assignment sheet (annex 2 of the assignment sheet). This includes a specific disclaimer related to clients who would have used ETHIC Intelligence online risk assessment
- Introduction of the audit team to the organisation prior to the audit to eliminate any unforeseen conflicts
- The preliminary questionnaire, which an organisation must complete prior to the establishment of the audit program and financial quote, contains i) an ETHIC Intelligence commitment to prevent conflicts of interest ii) a request for the client to describe any previous relationship with ETHIC Intelligence or The Red Flag Group iii) a statement, signed by The Red Flag Group CEO, that any previous professional relationship with ETHIC Intelligence or The Red Flag Group does not lead to a simpler, faster or less expensive certification process.
- It is stated in the audit report's introduction whether the to-be-certified organisation has been involved in any way with either ETHIC Intelligence or The Red Flag Group. This allows the Certification Committee to be more vigilant when evaluating the certification file.
- For each prospect, a check will be executed by ETHIC Intelligence using The Red Flag Group Customer Relations Management (CRM) database after the reception of the Application Form.

***Mitigation actions***

- Any auditor that has been involved in either an ETHIC Intelligence certification or an ISO 19600 audit, or that has had any professional relationship with a client over the previous 2 years cannot be involved in an ISO 37001 audit for the same organisation
- Any Red Flag Group professional or related organisation that has been involved with a Red Flag Group client over the previous 2 years cannot be involved in an ISO 37001 audit or certification process for the same organisation.
- A Red Flag Group client or related organisation cannot be audited by a Red Flag Group employee, only by an independent ETHIC Intelligence certified auditor.
- A clear message indicating that a Red Flag Group client or prospect will not benefit from a simpler, faster or less expensive certification is displayed on both the ETHIC

Intelligence and The Red Flag Group website. For any certification project involving a Red Flag Group client or prospect:

- the Audit Program and Financial Quote should receive the greenlight of the Impartiality Committee Chairman before becoming part of the final contract
- The situation of the client re. The Red Flag Group should be mentioned to the Certification Committee Chairman before any decision (awarding, suspending etc...)
- in the event a certification contract with one client exceeds 100,000 €/year:
  - the Audit Program and Financial Quote should receive the green light of the Impartiality Committee Chairman before becoming part of the final contract
  - The situation of the client re. The Red Flag Group should be mentioned to the Certification Committee Chairman before any decision (awarding, suspending etc...)

#### 4.4 Residual Risk Documentation and Mitigation

ETHIC Intelligence considers that the processes implemented to mitigate the risk that are classified “Orange” either eliminate the risks or allow ETHIC Intelligence to rank them as low.

As a result there is no residual risk that ETHIC Intelligence should document and address.

#### 4.5 Interested parties and partiality risk management

ETHIC Intelligence has identified the interested parties that could affect or be affected by a partiality risk.

- The Red Flag Group
- ETHIC Intelligence
- Auditors involved in certification activities
- Organisations that are certified or concerned by certification
- Any stakeholder that relies on the assurance given by an ISO 37001 certification.

To manage partiality risk and respond to the legitimate concerns of interested parties, ETHIC Intelligence has set up the following Impartiality Committee which is chaired by:

- Philippe Montigny, founder of ETHIC Intelligence, and External Consultant to The Red Flag Group, Chairman of the Impartiality Committee.

The Chairman of the Impartiality Committee has appointed the following members:

- College A
  - The Red Flag Group Director of Products, Andrew Henderson
  - The ETHIC Intelligence Compliance Analyst: Dorothy Gaulin
  - An independent ETHIC Intelligence Certified Auditor: Hilaire Noubissi, PhD, Lawyer,
- College B
  - Two representatives of certified companies:
    - Annick Janssens, Deputy Director Ethics, Compliance & Privacy, Director Governance & Analysis, ENGIE
    - Mirella Hermant, Ethics Officer, GTT

- An external compliance expert: Blandine Cordier Palasse, Managing Partner of BCP Executive Search and co-founder of « Le Cercle de la Compliance », an NGO promoting compliance and ethics in business practices

All Impartiality Committee members act on a pro-bono basis.

Before their appointment each Impartiality Committee member signs:

- the current version of the Impartiality Procedure (P3), as way to demonstrate that they know what is expected from them
- a confidentiality and impartiality agreement (Procedure T26.2).

The Impartiality Committee meets with the following objectives:

- a) Once a year, at the initiative of the Committee's president, to:
  - i) review the impartiality risk
  - ii) assess if the mitigation processes need to be updated
  - iii) evaluate if other interested parties should be involved in the partiality risk management. A report of the meeting is drafted by the Chairman of the Committee.
- b) On an ad-hoc basis
  - i) If and when an actual or apparent conflict of interest, that was not identified via the usual procedures, is disclosed to the Chairman, the elements of the actual or apparent conflict of interest are brought to the attention of the Committee members who might require the Chairman to provide additional information. The Committee indicates how the conflict of interest should be dealt with. The Chairman verifies that ETHIC Intelligence follows the Committee's recommendation including information on the person or entity who disclosed the conflict of interest in question.
  - ii) If a major change occurs in the business model and/or organisation of either The Red Flag Group or ETHIC Intelligence, the Chairman will provide the Committee members with relevant information and will call for a meeting to consider how these changes affect the impartiality risk assessment and identify what actions are needed to mitigate these risks appropriately

The Impartiality Committee abides by the following rules:

- a) Committee members are invited to meet at the initiative of the Chairman via an e-mail. If required Committee members can participate in the meeting remotely, via webex. The Chairman can also decide to consult Committee members via e-mail.
- b) Impartiality Committee meetings require a quorum of 5/7, including the Committee Chairman; moreover each college shall be represented by at least 2 persons.
- c) If unanimity in the decision is not reached, a secret vote is organized among Impartiality Committee members and a decision is based on a qualified majority. The Chairman doesn't vote. If there is no majority, a second vote is organized where the Chairman votes.
- d) All decisions of the Impartiality Committee are recorded and filed.
- e) Their execution is supervised by the Chairman

- f) If the impartiality issue concerns one member of the Committee directly or a certified company, said member does not participate in either the discussion or the vote. However, he/she can be interviewed if the Committee deems it necessary
- g) If the impartiality issue concerns the Chairman, the Chairman does not participate in either the discussion or the vote. However, he can be interviewed if the Committee deems it necessary. In this case, the CEO of The Red Flag Group will act as Chairman of the Committee.
- h) All actions regarding impartiality are reviewed once a year during the Annual Strategy Meeting and are part of the management review detailed in the ETHIC Intelligence Management review policy: “EI P16 Top Management Review Procedures.”

## 5. Process to prevent individual forms of conflict of interest

ETHIC Intelligence employees or auditors shall not present any form of conflict of interest when involved in a certification process.

The following process has been designed to prevent and mitigate conflict of interest risks.

### 5.1 ETHIC Intelligence employees

Every ETHIC Intelligence employee is made aware of the importance that Top Management attaches to the prevention of conflicts of interest and has to sign the “ETHIC Intelligence Conflict of Awareness document”. (see Annex 1)

If an employee is in a situation of conflict of interest, he or she will have to declare it to the Chairman of the Impartiality Committee who will take a decision to secure the impartiality of the certification process.

The employee will use the form in Annex 2.

The resolution of the Committee will be recorded appropriately (see Annex 3).

### 5.2 ETHIC Intelligence auditors

Auditors that have been certified by ETHIC Intelligence to carry out certification audits sign a contract with ETHIC Intelligence.

This contract emphasizes the importance that Top Management attaches to the prevention of conflict of Interest.

The contract indicates that prior to any audit the auditor must sign a declaration of absence of conflict of interest stating that his/her relationship with the client on Anti-Corruption Management Systems or any linked issues has been non-existent for the preceding 2 years, or is limited to trainings, gap analysis or mock audits. If uncertain, he/she should raise concerns with ETHIC Intelligence who, ultimately, will decide if these relations could impact the auditor’s impartiality. Failure to respect the absence of conflicts of interest in one way or another, may lead – upon a decision by the CEO of ETHIC Intelligence –, to the immediate termination of the agreement.

This declaration of absence of conflict of interest is part of the “Assignment sheet.”

### 5.3 ETHIC Intelligence clients

The audit program and financial quote communicated to the client includes the names of ETHIC Intelligence employees and auditors.

The kick-off letter sent by the CEO of ETHIC Intelligence gives the name and responsibility of each employee and auditor involved in the certification process.

This allows the client to verify that no one from ETHIC Intelligence is in a situation of conflict of interest.

The kick-off letter sent to the client mentions the existence of an alert line to raise any concerns or complaints including those of conflict of interest.

### 5.4 ETHIC Intelligence's alert line

ETHIC Intelligence makes a whistleblowing system available to anyone involved in a certification audit through which it is possible to declare any situation believed to represent a conflict of interest on [alert@ethic-intelligence.com](mailto:alert@ethic-intelligence.com).

After the alert is raised it is dealt with within the framework of the Alert procedure described in the document: "EI P4 Alert Procedure."

## Annex 1: Conflict of Interest Awareness

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I, undersigned, **First name, last name**, attest that I understand what a conflict of interest is, for instance if myself, my relatives or my friends have any direct or indirect interest or relationship with an organisation involved in any way with an ETHIC Intelligence certification process.

If such a situation were to arise with respect to a client, I agree to disclose it to the Chairman of the Impartiality Committee who will decide whether the situation affects the impartiality of a given certification process.

In this instance, I will complete the “Conflict of Interest Management sheet.”

I am committed to abide by the decision of the Chairman.

I understand that I can disclose a conflict of interest without explanation and have the right to ask to be discharged of a task related to a certification process.

**Date**, at **Place**

**First name, Last name**

Signature: **(...)**

## Annex 2: Conflict of Interest Management Sheet

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<b>Situation</b>	
<b>Date :</b>	
<b>Involving Mr. or Mrs :</b>	

<b>Context</b>
<b>Note: the individual is entitled to refrain from disclosing why he/she considers him/herself to be in a conflict of interest.</b>

<b>Decision of the Impartiality Committee</b>

<b>Response</b>	
<b>Date:</b>	
<b>Transmitted to:</b>	
<b>By:</b>	

### **Annex 3: Impartiality Committee Record on Resolution of Conflicts of Interest**

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With respect to the declaration made by **First name, last name** on **Date**, the ETHiC Intelligence Impartiality Committee has passed the following resolution.

- (name of the person making the declaration) should refrain from performing or getting involved in performing the work/duty, as described in Part I, which may give rise to a conflict.
- (name of the person making the declaration) may continue to handle the work/duty as described in Part I, provided that there is no change in the information declared above.
- Others (please specify) : ...

**Date of Meeting:**

**Chairman:**

**Members of the Committee:**

#### Annex 4: Auditor's Declaration of Absence of Conflict of interest

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*Note: this Declaration of Absence of Conflict of Interest is part of the Assignment sheet signed by the auditor before any certification audit*

I, undersigned, **first name, last name**, certified ETHIC Intelligence auditor, attest that I have no conflict of interest with **Company name**. I declare that I have no professional, financial or familial link and have never worked for **Company name**.

The present document guarantees the total absence of any conflict or link, direct or indirect, that could influence my work for **Company name** as of **date** at **Company address**. I guarantee the transparency of any links to **Company name**.

I declare that my decision to audit **Company name** has been taken in the spirit of impartiality and in the absence of any pressure or threat which could influence my work and/or decision.

**Date**, at **Place**

**First name, Last name**

Signature: (...)

## Annex 5: Related Organisations

*This Annex describes the risk associated to ETHIC Intelligence-related organisations and the measures taken to mitigate them according to the requirements of the French Accreditation Body (COFRAC) as presented in the Methodology Handbook, Note 3 (Recueil de Notes de Doctrine – CERT REF 04 – Révision 5 – Note de doctrine n°3)*

Related Organisations can present two main risks for ETHIC Intelligence certification activities:

- i) Conflict of interest that would threaten impartiality of the certification decision
- j) Disclosure of confidential information that would threaten the professionalism of the audit

The following table lists the related organisations as per Note 3 of the abovementioned Methodology Handbook, and describes the identified risks and the way ETHIC Intelligence mitigates them.

Related Organisations	Conflict of Interest Risk	Confidentiality Risk
External auditors	Possible: <ul style="list-style-type: none"> <li>▪ Declaration of absence of conflict of interest in the contract (cf EI T20 contract) and prior to any assignment sheet (cf EI T6 Assignment sheet)</li> </ul>	Possible <ul style="list-style-type: none"> <li>▪ General Confidentiality Agreement in the contract (cf EI T20 contract) and specific Confidentiality Agreement in the assignment sheet prior to any audit. (cf EI T6 Assignment sheet)</li> </ul>
External audit organisations	n.a.	n.a.
Shareholder and its subsidiaries: <ul style="list-style-type: none"> <li>▪ The Red Flag Group</li> </ul>	Major: <ul style="list-style-type: none"> <li>▪ no certification possible</li> </ul>	Possible <ul style="list-style-type: none"> <li>▪ The Red Flag Group is ISO27001 certified</li> </ul>
Certification and/or Impartiality Committee Members <ul style="list-style-type: none"> <li>▪ Philippe Montigny <i>CIRCE Finance</i></li> <li>▪ Andrew Henderson <i>The Red Flag Group</i></li> <li>▪ Dorothy Gaulin <i>ETHIC Intelligence</i></li> <li>▪ Hilaire Noubissi <i>PAIVA Partners</i></li> <li>▪ Blandine Cordier Palasse <i>BCP Search</i></li> </ul>	Possible: <ul style="list-style-type: none"> <li>▪ However certification is possible for organisations represented by impartiality committee members. Should a specific case be discussed in the impartiality committee concerning an organization represented by a member, this member will be excluded</li> </ul>	Possible: <ul style="list-style-type: none"> <li>▪ Certification and/or Impartiality Committee Members sign a Confidentiality Agreement (T 26.2 Confidentiality – Committee Members)</li> </ul>

<ul style="list-style-type: none"> <li>▪ Mirella Hermant, <i>GTT</i></li> <li>▪ Annick Janssens, <i>ENGIE</i></li> </ul>	from this specific discussion	
IT Services Provider <ul style="list-style-type: none"> <li>▪ EasyServiceInformatique</li> </ul>	Major: <ul style="list-style-type: none"> <li>▪ no certification possible</li> </ul>	Possible <ul style="list-style-type: none"> <li>▪ Service providers sign a Confidentiality Agreement (T 26.3 Confidentiality - Service Providers)</li> </ul>
Security Provider <ul style="list-style-type: none"> <li>▪ TFP</li> </ul>	Major: <ul style="list-style-type: none"> <li>▪ no certification possible</li> </ul>	No access to data
Law firms <ul style="list-style-type: none"> <li>▪ Claire Ardanouy Marcuria</li> <li>▪ Anne-Laurence Hubau</li> </ul>	Major: <ul style="list-style-type: none"> <li>▪ no certification possible</li> </ul>	Possible <ul style="list-style-type: none"> <li>▪ Confidentiality obligation French law: <ul style="list-style-type: none"> <li>- 31 December 1971</li> <li>- 12 July 2005</li> </ul> </li> </ul>
Accounting firm <ul style="list-style-type: none"> <li>▪ GestionPhi</li> </ul>	Major: <ul style="list-style-type: none"> <li>▪ no certification possible</li> </ul>	Possible <ul style="list-style-type: none"> <li>▪ Confidentiality obligation French law: <ul style="list-style-type: none"> <li>- 19 September 1945</li> </ul> </li> </ul>
Webmaster	n.a. Done within the company	n.a. Done within the company
Committee members		
Business agents	No business agents. If an auditor brings a certification opportunity, his/her declaration of conflict of interest will prevent him from carrying out a related audit assignment	No access to data
Owner of the Office <ul style="list-style-type: none"> <li>▪ SCI Etoile-Pergolèse</li> </ul>	Major: <ul style="list-style-type: none"> <li>▪ no certification possible</li> </ul>	No access to data
Training organisations	n.a.	n.a.
Organisation promoting certification <ul style="list-style-type: none"> <li>▪ ISO / AFNOR...</li> </ul>	Major: <ul style="list-style-type: none"> <li>▪ no certification possible</li> </ul>	No access to data
Subsidising organizations	n.a.	n.a.
Accreditation body <ul style="list-style-type: none"> <li>▪ COFRAC</li> <li>▪ ANAB</li> </ul>	Major: <ul style="list-style-type: none"> <li>▪ no certification possible</li> </ul>	Accreditation body assessors sign a confidentiality agreement (T26.1 Confidentiality - Accreditation body Auditors)