

LIST OF RED FLAGS

While these examples are not exhaustive and may not in themselves constitute or suggest a breach of applicable compliance laws, they may be displays of potential current or future non-compliance. Such indicators must be assessed to understand any actual risks, any reasonable solutions or measures that should be introduced to reduce any risks, or if HES should not or no longer engage the Third Party because the risk is considered to be unacceptable, or raise concerns using the Whistleblower Policy. Please note that indications of the presence of a Red Flag as set out below constitutes as a Red Flag. Absence of knowledge of a certain Red Flag does not necessarily constitutes as a Red Flag.

A. Third Party Identity or Background Issues

Identity

1. Third Party's business address is a mail drop location, virtual office, or small private office that could not hold a business the size that is claimed.
2. Third Party is a shell company incorporated in an offshore jurisdiction.
3. Third Party has an unorthodox corporate structure.
4. Requests for anonymity or insistence that identity remain confidential or that the relationship remain secret.
5. The transaction takes place or the Third Party is located in a country with a high corruption risk on Transparency International's Corruption Perceptions Index or high money laundering and terrorist finance risk.
6. The Third Party is involved in, or derives his / her assets / income from, potentially high risk activities or sectors, such as cash-intensive activities, real estate sector, trust sector, money transfers, offshore companies.
7. Third Party does not have in place an adequate compliance program or code of conduct or refuses to adopt one.
8. Demonstrated willingness to violate local law or policy (e.g., prohibitions on commissions, currency or tax law violations).

Sanctions related

9. The Third Party's name or address is similar to that of a Sanctioned Party.
10. The Third Party's address indicates that it is located in an Embargoed Country, or another country subject to Sanctions.
11. The Third Party is known to have, or is suspected of having, unauthorized dealings with parties and/or destinations involving Embargoed Countries, or other countries subject to Sanctions, or be involved in other criminal activities.
12. Concerns that the Third Party is (partially) owned or controlled by a Sanctioned Party.
13. Concerns that the Third Party is involved in the development, use, or financial, technical or material support of Weapons of Mass Destruction (WMD).

Mysterious identity

14. The Third Party is reluctant to provide information.
15. The Third Party is small and little known (i.e., information is unavailable from normal sources and the principals are unknown by normal sources).
16. Refusal to divulge the identity of beneficial owners, directors, officers, or other principals.
17. Failure to cooperate with the due diligence investigation or refusal to answer questions.
18. Misrepresentation or inconsistencies in the Third Party's application or during the due diligence process.

Reputation

19. Third Party has a history of improper payment practices, such as prior or ongoing formal or informal investigations by law enforcement authorities or prior convictions.
20. Third Party has been subject to criminal enforcement actions or civil actions for acts suggesting illegal, improper or unethical conduct.
21. Allegations the Third Party has made or has a propensity to make prohibited payments or facilitation payments to officials or is known or suspected of being associated with money laundering or terrorist financing.
22. Other companies have terminated contracts with the Third Party for improper conduct.
23. Bankruptcies, default on obligations, civil suits alleging fraud, property seizures, criminal or regulatory issues.
24. Third Party has a poor business reputation or a reputation for unethical conduct, including reports of suspicious, unethical, or unlawful conduct about the Third Party, its sub-agents or its employees.

Track record / Inexperience

25. Third Party has not been in business for very long or was only recently incorporated.
26. Third Party is in a different line of business than that for which it has been engaged.
27. Third Party appears to unfamiliar with the activity at issue or its plan for performing the work is vague and/or suggests a reliance on contacts or relationships.
28. Third Party lacks relevant industry/technical experience with a product, service, field or industry.
29. Third Party does not reside or have a significant business presence in the country where the service is to be provided.
30. The business need to hire the Third Party is not clear or the remuneration does not match the services rendered.

B. Unusual Financial Practices

31. Fee, commission, or volume discount provided is unusually high compared to market rate.
32. Compensation arrangement is based on a success fee or bonus.
33. Unusual bonuses for operating managers in the transaction, or when the requested country is an offshore financial centre, or for donations of goods and services.

34. Request for increase in compensation during sales or marketing campaign or at period end or in close proximity to the finalisation or award of business.
35. Refusal to properly document expenses, unrecorded, or incorrectly recorded transactions and other failures to follow accounting procedures/policies.
36. Payments to P.O. boxes or non-existent addresses.
37. Requests that a donation be made to a charity.
38. Requests for payments in cash, or payment to an individual or entity that is not the contracting individual/entity or payment into a country that is not the contracting individual/entity's principal place of business or the country where the services are performed.
39. Offers to submit or submits inflated, inaccurate, or suspicious invoices.
40. Expense reimbursements at or just below the limit allowed by company policy or payments to be made outside of authorization policies.
41. Large individual or aggregate payments/benefits to one payee.
42. Requests an invoice to reflect a higher amount than the actual price of goods provided.
43. Third Party requests unusual payment terms or currencies.
44. Vague or unsupported book keeping.
45. Poor or non-existent documentation for travel and expense reimbursements or other disbursements.
46. Requests for payment in excess of the amount usually required for the specified services.
47. Suspicious statements such as needing payments to "get the business", "make the necessary arrangements", "take care of things" or "finalize the deal".
48. The transaction or agreement lacks a clear economic or legal objective, or there is an unusual pattern of transactions.

C. Relations with government and Public Officials

49. Third Party is or was a Public Official or the entity is government-owned or controlled.
50. Third Party is owned by a Public Official or a family member.
51. Third Party has financial or business ties, relationship, or association with Public Officials.
52. Third Party is recommended by a Public Official, his/her family member, or his/her close associate.
53. A Public Official requests, urges, insists, or demands that a particular Third Party, company, or individual (agents, vendors, service providers, etc.) be selected and engaged, particularly if the Public Official has discretionary authority over the business at issue.
54. Third Party is retained primarily for its connections to Public Officials.
55. Third Party makes large or frequent political contributions, makes references to political or charitable donations as a way of influencing official action.
56. Third Party conducts private meetings with Public Officials, provides lavish gifts or hospitality to Public Officials, or insists on dealing with Public Officials without the participation of the corporation/authority.
57. Large sales go to government agencies with high unit price, low frequency.

D. Contracting

58. Lack of written agreement or refusal to execute a written agreement or requests to perform services without a written agreement where one is sought.
59. Refusal to agree to comply with applicable anticorruption legislation, anti-money laundering laws, or other similar laws and regulations.
60. Refusal to warrant past compliance with applicable compliance legislation.
61. Refusal to accept audit clauses in contracts.
62. Losing bidders sought to be hired as agents or subcontractors.
63. Any suggestion that compliance policies need not be followed.
64. Any suggestion that otherwise illegal conduct is acceptable because it is the norm or customs in a particular country.