

	100.102.001	Anti-Corruption Program - Global Appendix 1 BUSINESS PARTNER ENGAGEMENT & RE-ENGAGEMENT PROCEDURE		
CORPORATE LEGAL ETHICS & COMPLIANCE	Policy Owner:	Associate General Counsel - Compliance		
	Effective Date:	2015-Jun-17	Rev: 6	Page 1 of 5

1. **Purpose.** To ensure appropriate pre-approval and review of certain Business Partners as part of the Global Anti-Corruption Program, Regal has adopted the following procedure to enroll, appoint, engage, renew, or re-engage certain Business Partners and Third Parties.
2. **Application.** All Regal entities and businesses are responsible for implementing this process.
 - 2.1. This procedure applies to all agents, brokers, consultants, sales representatives, sales agents, distributors, value added resellers, attorneys, accountants, barristers, travel agents, lawyers or other third parties who (a) act on behalf of Regal (or any of its subsidiaries), (b) represent Regal to the outside world, (c) sell Regal products, or (d) provide services on behalf of Regal (collectively, “**Business Partners**” or “**BPs**”).
 - 2.2. The policy and procedures in this appendix supplement and are in addition to the screening processes required by Regal’s Global Trade group for US export compliance.
 - 2.3. Suppliers and vendors that do not “represent” Regal externally and that are managed and integrated through the corporate Supply Chain organization, follow a separate process that involves baseline due diligence screening and risk rating.
 - 2.4. If you do not know or are not sure whether the person or company you are interested in doing business with is covered by this process, ask someone in the corporate Legal Department by sending an email to legal@regalbeloit.com.
 - 2.5. The provisions of **Regal’s Anti-Corruption Policy (100.102)** apply to the activities of Business Partners and are part of this procedure.
3. **Overview.** This procedure covers three areas that relate to covered Business Partners and our internal Business Sponsor requirements.
 - 3.1. Activities which must be completed before we agree to do business with a Business Partner - our “Pre-Engagement – Due Diligence Steps.” Before entering into, renewing or amending an agreement with the Business Partner (“BP”) to provide services or products to Regal, we (Regal) must look into and evaluate the specific BP which is known as “conducting appropriate due diligence.”
 - 3.2. Activities and documents that need to be completed after a BP has been approved and before we begin doing business with the BP – “Engagement Steps.”
 - 3.3. After we have begun doing business with a BP, we still need to check back with them, obtain information and monitor their work to make sure they remain eligible for doing business with us – “Post-Engagement Follow-up Steps.”

- 3.4. **Business Sponsor requirements.** A Regal employee identifies a need for a potential new BP or would like to renew or amend Regal's agreement with an existing BP.
- 3.4.1. That Regal employee is the "Business Sponsor." However, a Business Sponsor must meet two requirements: 1) be an employee of Regal, and 2) be at a Director level (usually level 24) or above. If the person who will be responsible for managing the relationship with the BP is either not an employee or not a Director of Regal, he or she needs to identify a Regal employee who will act as the Business Sponsor.
- 3.4.2. ***Do not process, begin doing business with, ship products to, approve or allow a BP to be paid by Regal until the BP is approved by E&C (this ensures that appropriate due diligence has been performed and documented).***
4. **Pre-Engagement - Process Initiation – Business Sponsor Requirements – Engagement, If Approved.** A Regal employee identifies a need for a potential new BP or would like to renew or amend Regal's agreement with an existing BP.
- 4.1. **Step 1: Initial Intake Form (may also be referred to as Regal Employee Report).** The Business Sponsor completes the **Initial Intake** form (**Appendix 2**) and submits it to the Ethics & Compliance Office ("E&C" or "E&C Office") either through the Employee Compliance Portal accessed from the Regal company intranet or by email to integrity@regalbeloit.com.
- 4.2. **Step 2: Initial Risk Rating by E&C.** Based on the information supplied in **Appendix 2**, E&C will obtain a baseline screening and assign an initial risk rating to the BP. E&C will provide the initial risk rating to the Business Sponsor.
- 4.2.1. E&C may work with other parts of the business to determine the appropriate rating. The rating will usually be Low, Medium or High Risk based on the criteria identified below and E&C experience.
- 4.2.2. BPs that act on behalf of or represent Regal to others typically present the highest risk.
- 4.2.3. BPs that sell Regal products and take ownership of the product(s) (generally known as "Distributors") or that put our products in their product (as with original equipment manufacturers "OEM"s) still present a risk but are typically not as high of a risk. Geography also is a risk indicator.
- 4.2.4. In countries with a TI score or other international rating system score indicating the risk for corruption or bribery is high, we usually require more information from the Business Sponsor as well as the BP to determine the appropriate risk level for Regal. *E&C tip: If you are thinking about a BP that does business in a country that presents a high risk of corruption and you want to shorten the process, go ahead and send the BP the **Anti-Corruption Questionnaire (Appendix 5)** and **Certification (Appendix 4)** when you submit the **Intake Form (Appendix 2)**.*
- 4.2.5. Here is an example of how we think about rating BPs:

HIGH:	MEDIUM:	Low:
BPs operating in countries with TI CPI* Score of 50 or lower OR a TRACE Matrix** score of 65 or lower <u>AND</u> Either A or B	BPs that operate in countries with a TI CPI* Score of 50 or lower OR a TRACE Matrix** score of 65 lower that did not meet high (because they are not doing A or B)	All other BPs
A) sells products or provides services to government entities or SOEs***, directly or indirectly;	BPs that operate in countries with a TI CPI* Score of 60 or lower OR a TRACE Matrix** score of 75 or lower <u>AND</u> Either A or B	
B) Represents Regal in regulatory dealings with foreign governments	A) Selling products or providing services to government entities or SOEs***, directly or indirectly	
	B) Represents Regal in regulatory dealings with foreign governments	

*TI CPI = [Transparency International Corruption Perception Index](#) as it changes from year to year;

**TRACE Matrix = [TRACE Rand Corporation Business Bribery Risk Assessment](#)

***SOE = state owned or state controlled enterprise or entity

- 4.3. **Step 3: Business Sponsor Reviews E&C Rating and Requirements.** Business Sponsor contacts E&C with questions and to confirm what else is needed from the BP.
- 4.4. **Step 4: Request ADDITIONAL INFORMATION for Medium and High Risk BPs.** (If BP has low risk rating from E&C, skip to Step 5).
 - 4.4.1. Regal Business Sponsor communicates with the BP to provide and obtain completed **Certification (Appendix 4) and Anti-Corruption Questionnaire (Appendix 5)** from the BP to share with E&C.
 - 4.4.2. Regal Business Sponsor reviews documents received from BP. If they are complete, the Business Sponsor shares them with E&C.
- 4.5. **Step 5: Business Sponsor and E&C Review Materials Received From BP.** This due diligence process is intended to uncover any potential “warning flags” that may need further investigation or controls put in place before we enter or renew a relationship with that BP. Some warning signs are described in **Appendix 8 (Warning Signs)**.
- 4.6. **Step 6: Due Diligence Reports Ordered, If Needed.** When the E&C team believes it is appropriate, they will order an adverse media or other enhanced due diligence report from an external “due diligence” investigator or provider.

- 4.6.1. Pre-approved (and screened) vendors for these reports include Thomson Reuters, Kroll, Red Flag Group, STEELE, TRACE, and Trident, as well as some other similar service providers.
- 4.6.2. Depending on the depth/level requested, these reports take between 5 and 25 business days to get back from the service provider.
- 4.6.3. If the E&C Office determines that no report is required, skip to Step 8.
- 4.7. **Step 7: Evaluation.** Business Sponsor and E&C representative meet to discuss report results, evaluate warning signs, determine what additional control or information is needed, if any.
 - 4.7.1. If any warning signs, such as those described in **Appendix 8**, are discovered during the due diligence process, the BP will not be eligible for approval unless and until the E&C Office is reasonably certain that the “red flags” will not expose Regal to any willful blindness / conscious disregard finding if the BP acts in a way that violates any law or our policies.
 - 4.7.2. The Regal Business Sponsor is responsible for following up with the E&C Office to clear or resolve red flags and other concerns.
- 4.8. **Step 8: BP Determination by E&C.** E&C Office approves, approves with additional controls (“contingent approval”) or does not approve (denies) the request to add or renew the relationship with the BP. Based on warning signs or other concerns identified during the process or relating to the BP, approvals may be contingent on additional requirements and controls being in place.
- 4.9. **Step 9: If Approved, Business Sponsor Notifies and Engages BP.**
 - 4.9.1. Business Sponsor notifies or confirms to the person in their region within Regal (usually a Supply Chain or Sourcing or Finance person responsible for entering expense vendors/suppliers/representatives) that the BP may be made active in the appropriate system to allow the BP to be paid by Regal.
 - 4.9.2. Business Sponsor also must ensure there is a signed written services or master agreement in place with BP. To safeguard against corruption and bribery by BPs, we require a written agreement. The agreement needs to include certain term and conditions related to preventing and avoiding corruption, bribery and fraud. The mandatory provisions for agreements with BPs are in **Appendix 6 (Mandatory Contract Terms)**. **Appendix 7 (Recommended Contract Terms)** provisions are also required if the BP has been rated as High Risk. Some or all of the recommended provisions in **Appendix 7** may also be required for certain BPs and are suggested for all BPs even if they are not rated as Medium or High risk.
 - 4.9.3. The Business Sponsor and his or her supervisor are responsible for making sure that the BP is informed about Regal’s Anti-Corruption Program and its requirements.
 - 4.9.4. When required by E&C or Legal, the Business Sponsor and his or her supervisor are also responsible for obtaining a copy of the BP’s code of conduct, ethics statement and anti-corruption or anti-bribery policy. If any of those documents are not available, the Business Sponsor is responsible for documenting that with an explanation of why the BP does not have one or more of the documents.
 - 4.9.5. If the BP is uncooperative or objects to any of the terms, the Regal Business Sponsor needs to contact E&C or the Legal Department lawyer working on the matter for further guidance.

5. **Step 10: Due Diligence File.** Business Sponsor maintains a complete due diligence file for the BP. Should Regal ever become the focus of an anti-corruption inquiry because of the actions of its BPs (sometimes known as "Third Parties"), one of the first questions government regulators will likely ask is, "What due diligence did the Company conduct?" Accordingly, a complete due diligence file showing the steps completed, documents received and a summary of other findings related to the due diligence process must be created and maintained by the Regal Business Sponsor and available to E&C personnel.

6. **Step 11: Ongoing Follow-Up.**
 - 6.1. No less than every three years or more often when directed by Legal or E&C, the Business Sponsor is responsible for obtaining from each BP an updated anti-corruption certification in a form similar to that set forth in **Appendix 3 (Certification)**. The Regal Business Sponsor and his or her supervisor are responsible for making sure that E&C is informed about any change in BP's circumstances that might impact the risk level that was assigned. Some examples of things that impact risk are changes in ownership, significant changes in management, new lines of business, adverse media coverage, charges of bribery or corruption, etc.
 - 6.2. The Business Sponsor is responsible for ensuring any required Anti-corruption training of BP's agents and employees is completed as required by E&C.
 - 6.3. The Business Sponsor is responsible for refreshing intake and engagement process every five years (every three years if high risk BP).
 - 6.4. Periodically, the Business Sponsor must review the transactions undertaken by and payments made to the BP and ensure an audit or other monitoring is conducted should any irregularities be suspected or observed.

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