

# Procedure of Counteracting Corruption and Misuse

Edition I, Ostrów Wlkp., 1 December 2016

## Introduction

This Code will be used in Lubawa SA in Ostrów Wielkopolski and in affiliated companies (Lubawa Group). Companies affiliated with Lubawa SA in Ostrów Wlkp. Refer to companies that apart from Lubawa SA form Lubawa Capital Group, i.e.: Lubawa SA, Miranda SA, Litex Service Sp. z o.o., Litex Promo Sp. z o.o., Effect System SA and companies in which Lubawa SA holds more than 50% of capital or more than 50% of voting rights.

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### **1. Purpose and scope of the procedure**

- 1.1 LUBAWA Group builds a strong market position thanks to honest and reliable attitude towards customers and refusal to accept any forms of corruption.
- 1.2 The purpose of the procedure is to specify the rules of conduct eliminating and minimizing possible occurrence of corruptive actions and other misuses in all aspects of the operation of the Companies from LUBAWA Group, and the provision of transparency of the activities of the Companies towards Suppliers and Customers.
- 1.3 The purpose of the procedure is also implementation of effective solutions of counteracting and preventing corruption and misuses, and effective mechanisms of internal control.

1.4 The procedure relates to corruptive actions and other misuses with the participation of Employees, Business partners and other entities being in business relations with the Companies from LUBAWA Group.

## **2. General provisions**

2.1 LUBAWA Group as an international concern operating in many countries is subject to various legislations that forbid to promise, propose, give or accept any kind of goods or services that could be found to be an attempt of corruption in relations with national or foreign public officers or in relations with representatives or employees of other entities staying in business relations with the Companies from LUBAWA Group.

2.2 Every Employee, including Managerial Staff and Management Boards shall be obliged to act in accordance with the Code of Ethics and Business Conduct of LUBAWA Group (the Code of Ethics) and applicable regulations.

2.3 Employees are expected to be actively involved in counteracting corruptive actions and misuses according to the fundamental rules of the Companies from LUBAWA Group specified in the Code of Ethics that oblige:

- a) Not to accept or give material or personal benefits, not to make promises to give them or not to accept promises of obtaining them that could be found to be corruptive behaviours.
- b) To inform immediate Superiors about suspected or attempted use of corruptive actions in the company for the purpose of verifying them, especially to establish their legality or illegality of a specific practice or to take suitable preventive measures, if necessary.
- c) To promote the rules of ethics and honesty in business relations.

2.4 Members of the Management are responsible for own and Employees' behaviours.

2.5 This procedure provides for norms of acceptable and unacceptable actions to be also observed by Contractors of the Companies.

## **3. Forms of corruption and definitions**

3.1 The following forms of corruption are forbidden:

a) Bribery – consists in: 1) giving or promising to give material or personal benefits to a person holding a public function or a person holding any other function or occupying position in the private sector and 2) accepting or demanding material or personal benefits on account of a function or position held in Lubawa Group;

b) Paid protection – assistance in seeing about various types of public and private matters in return for material benefits or a promise of receiving it, mentioning at the same time actual or apparent connections that enable to see about a specific matter;

c) Transactions with the use of confidential information;

d) Swindles, extortion, misappropriation;

e) Money laundering – i.e. putting in the financial circulation funds coming from criminal activity. All funds obtained from corruptive actions are called “dirty money”;

f) money and gratification for speeding up the process of investigating cases.

g) impeding or hindering public tenders, including also bid rigging.

3.2 Employees cannot accept or give material and personal benefits related to or resulting from functions held or tasks performed.

#### **4. Guidelines in the scope of ethical conduct**

##### **4.1 Economic frauds**

4.1.1 Frauds encompassing any actions that meet the criteria of an offence or misconduct are unacceptable. They include in particular:

a) appropriation by the Employee of the property of the Company or a business partner of the Companies or other entity cooperating with Lubawa Group;

b) intentional provision of untrue data in financial statements or putting such data in the documents of the Companies;

c) intentional falsification or forgery of documents of the Companies, including the books;

d) waste;

e) intentional improper application of accounting principles;

f) intentional omission or distortion of events, transactions or other important events in public or internal reports or information that could result in material or reputational damages of the Companies from LUBAWA Group;

g) any other intentional actions that could result in damage to the Company or infringe rules of the Code of Ethics and Business Conduct.

##### **4.2 Competition and anti-monopoly actions**

4.2.1 Employees and Workmates of the Companies are obliged to observe applicable regulations in the scope of protection of the competition and counteracting monopoly practices;

4.2.2 Participation in, giving consent to or tolerance of infringement of the aforementioned regulations is unacceptable, especially those not allowing any forbidden practices limiting competition. Employees of the Companies are forbidden to take actions limiting free competition, including the conclusion of agreements with representatives of the competition in the scope of:

a) mutual arrangement of prices or selling conditions;

b) mutual arrangement of the amount of margins;

c) establishing the participation of each represented company in sales markets;

d) division of customers and areas of activity;

e) imposing limitations related to the sales area and customers served unless such limitations result from objective circumstances (e.g. necessity of holding concessions of specific wording and in the specific area).

4.2.3 The Employee cannot perform additional work or activities, or carry out tasks not being in conformity with obligations resulting from the employment contract without a written consent of an immediate superior.

4.2.4 Participation in industrial espionage is unacceptable.

#### **4.3 Conflict of interest**

4.3.1 Employees and Workmates of the Companies are obliged to avoid situations that could be a reason of conflict of interest and that could result in partiality and lack of objectivity.

4.3.2 Conflict of interest refers to actions bringing profits to the Employee or other person or entity towards which the Employee has family, business or commercial obligations.

4.3.3 Conflicts of interest occur in the following situations:

- a) having financial, family, social and other connections with Business Partners of the Companies;
- b) relations with the competition, e.g. through employment;
- c) involvement in manufacture of goods or services being competitive towards the activity of the company;
- d) performing other work with the use of equipment, materials of the company and the working time;
- e) access to confidential information the use of which can bring material or other benefits;
- f) combining functions or relations between persons holding functions between whom there is unilateral or bilateral dependency, e.g. manufacturing and controlling functions.

#### **4.4 Gifts, coupons and discounts**

4.4.1 It is unacceptable in relations with public administration (public officers) and national institutions and current or potential Business partners of the Companies to offer material benefits exceeding officially conducted marketing actions, with the exception of customarily accepted marketing gifts of minor material value.

4.4.2 It is unacceptable for the Employees to accept business gifts exceeding the value of PLN 200 in relation to business duties carried out by them, including gifts in form of cash, coupons, invitations, vouchers, cards, shares or other benefits.

4.4.3 A gift can be accepted if:

1. it has no influence on performed task and decisions;
2. it does not imply reciprocity;
3. it is an advertising business gift given officially or in public (e.g. during a ceremony);
4. refusal to accept the gift is treated as tactless and offensive behaviour on account of cultural and customary differences related to a given environment.

4.4.5 It is forbidden to force or encourage to offer the Employees favours or gifts irrespective of their value.

4.4.6 The fact of receiving a gift or other forbidden gratification referred to in par. 4.4.2 or resulting from cultural and customary norms adopted in a given environment exceeding the adopted standards shall be reported to the immediate Superior.

4.4.7 Gratifications and gifts of the value exceeding PLN 200 should be registered in a separate internal register of the Companies.

4.4.8 The Employee can use the discount for private shopping offered by the Supplier of the Companies only when a similar offer is also available to all the Employees of the Companies and has no influence on the amount of the price of supplies.

#### **4.5 Business meetings, trips, entertainment**

4.5.1 It is acceptable for the Employee to invite and accept invitations to lunch, dinner, business event, other meeting or a trip if it is connected with the activity of the company and has justified business goals and does not fall outside business norms applicable in the country in which the activity is conducted.

4.5.2 Duration and the costs of such meeting have to correspond to the time necessary to accomplish a business goal and have to be closely related to the meeting/trip. Documentation presenting expenses borne during such meeting has to be prepared and described in a clear and reliable manner.

4.5.3 Employees cannot take part in entertainment events and informal meetings organized by Business Partners of the Companies if it could cause damage to the good name of the company and have a negative influence for the Company on relations and concluded agreements.

4.5.4 It is possible to use marketing budget by way of winning the amount of more than PLN 200 per each person taking part in a business meeting organized and financed by Lubawa Group in justified cases and after prior consultation with the Management Board of a given Company from LUBAWA Group. All the costs of use from the marketing budget should be approved and specified in the invoice issued for a given Company.

#### **4.6 Contacts with Suppliers and Customers**

4.6.1 No Employee can directly or indirectly obtain any personal benefits on account of contracts and transactions concluded by the Companies with Business Partners, or do business on behalf of the Companies with relatives or with the family.

4.6.2 Any situations that could result in frauds should be immediately reported to the immediate Superior.

4.6.3 Contacts with Suppliers, Customers and Workmates of the Companies should only be of a business nature and be realized via electronic mail (with the use of a business domain only), fax, mail, business telephones, and direct meetings in the Companies' premises.

4.6.4 Any letters received and sent should be registered in the Correspondence Log. There can be a deviation from the rule of holding direct meetings in the Companies' premises only subject to keeping transparency by way of applying the "eyes-on policy" or after prior notification of the immediate Superior of the meeting. Minutes of the meeting should be drawn up afterwards and submitted to the immediate Superior.

4.6.5 Suppliers are required to submit a statement based on which they undertake to observe value and rules of the Code of Ethics and Business Conduct and the Code of Ethics for Suppliers (a sample

statement can be found in the Code of Ethics and Business Conduct and the Code of Ethics for Suppliers).

## **5. Reporting corruption, protections and sanctions**

5.1 Submission of a notification related to corruptive actions or other misuse is possible in accordance with the Procedure of Reporting and Investigating Improprieties.

5.2 The notification can be submitted anonymously or to the appointed person with the use of the following channels:

- e-mail sent to the address: [zaufanie@lubawagroup.com](mailto:zaufanie@lubawagroup.com)

- SMS message: 661 003 330

- telephone – hotline: 62 737 57 02

- written form – internal communication box

5.3 Management Boards of the Companies are obliged to initiate explanatory proceedings in case of receiving the notification. The process of investigating the notification and explaining events and occurrences is conducted in accordance with the aforementioned Procedure.

5.4 The Employer shall have the right to terminate the employment contract without notice due to the fault of the employee on disciplinary grounds.

5.5 The Employee submitting the notification related to discovered or implied corruptive actions and other misuses is protected against retaliation it could face as a result of the notification.

## **6. Final provisions**

6.1 Management Boards of the Companies from LUBAWA Group are responsible for implementation and functioning of the procedure.

6.2 Each Company from Lubawa Group or Lubawa Group can appoint a Coordinator for counteracting corruption that will watch the observance of the provisions of this procedure, monitor potential corruptive threats and misuses, explain doubts related to forms of corruption and misuse, coordinate work of the team investigating the notifications.

6.3 Every Employee shall be obliged to read the procedure and observe it.

6.4 The Companies implement anti-corruption policy by way of:

- a) trainings for the Employees for the purpose of eliminating risk of corruptive actions and misuses,
- b) encouraging Employees to report infringements of the Code of Ethics and Business Conduct of LUBAWA Group and other internal policies and procedures;
- c) increasing awareness of Workmates and Contracting Parties of the Companies by making this Procedure available;
- d) promoting good practice by way of encouraging other entities to implement anti-corruption policy;
- e) carrying out regular audits in all Companies from Lubawa Group to verify and monitor the observance of the rules of the Code of Ethics and Business Conduct and other procedures, codes and regulations of the Companies.

6.5 In the event of the occurrence of corruptive actions or other misuses the Management Boards shall take remedial actions preventing similar events in the future.

6.6 The provisions of this procedure do not breach any provisions of applicable laws.

Prepared by:	Checked by:	Approved by:
Date:	Date:	Date: