

# **JOTUN ANTI-CORRUPTION POLICY**

(Effective from July 2011)



## Statement by CEO

In accordance with well established Values and Business Principles, Jotun has a strong commitment to maintain high standards in business ethics and integrity, as well as to comply with applicable laws and regulations. This policy explains and elaborates the content and implications of Jotun's policy in relation to anti corruption and bribery.

Jotun sees the necessity of building relationships with customers, suppliers, authorities and others. However, we have a common responsibility to treat our contacts in accordance with our principles and applicable rules. Furthermore, we have a common responsibility to communicate this clearly, where relevant, to avoid operating in areas falling outside the acceptable frames of activity.

Corruption prevents economic development, distorts competition and undermines the rule of law. In addition, local and international law prohibit Jotun and its employees from engaging in corruption, such as the bribery of public and/or private sector officials.

Each Jotun company is responsible for understanding the consequences of engagement in corruptive actions, as well as understanding specific anti-corruption laws and guidelines applicable to its operations, including adopting additional anti-corruption policies, as necessary, to comply with those laws.

Jotun is committed to working actively against corruption and bribery. I expect everyone to adhere to our Values and Business Principles. This policy is an important tool in our common effort to fight corruption.

July, 2011  
Morten Fon  
President and C.E.O.

## 1 About this policy

- 1.1 This policy applies to and is mandatory for all Jotun entities, affiliated companies and all Jotun employees.
- 1.2 This policy provides an overview of Jotun's anti-corruption policies, and explains the basic requirements that Jotun employees shall follow to avoid corrupt practices throughout their business activities for Jotun.
- 1.3 It is the responsibility of each Jotun business unit to implement and enforce the policies identified in this policy. Line managers are responsible for making the policies known in their organisation and promoting a culture of awareness and compliance and for monitoring compliance.
- 1.4 This policy is not exhaustive, meaning that it will not cover all the unethical situations that Jotun should refrain from.

## 2 Legal framework

Corruption is prohibited in most countries around the world. The Norwegian Penal Code has one of the strictest set of rules in the world applying to all Norwegian citizens and companies. This means that the rules also apply to Norwegian owned companies, such as Jotun subsidiaries.

It is important to be aware that the Norwegian Penal Code and other national anti-corruption legislation (such as US Foreign Corruption Practices Act and UK Bribery act) applies regardless of in which country the actions have been carried out and regardless of whether corruption is lawful according to that country's national law. In practice, citizens and companies under such a law regime may be prosecuted for acts committed anywhere in the world.

It is of great importance that each Jotun company takes appropriate steps to make known in the organisation the specific anti-corruption laws and guidelines applicable to its operations.

## 3 What is corruption?

### 3.1 Definition

Anti-corruption law may vary in different parts of the world, but most anti-corruption laws share a common core definition of corruption.

For the purpose of Jotun's anti-corruption policy, corruption will include any attempt to directly or indirectly, i.e. through middlemen:

- give or offer someone an improper advantage based on position, assignment or duty (active corruption), or
- demand, receive or accept an offer to receive an improper advantage based on position, assignment or duty (passive corruption).

### 3.2 What is an "improper advantage"?

Any benefit provided in return for the misuse of the receiver's position, task or assignment will generally be considered an improper advantage.

An improper advantage will usually be a benefit in the form of cash or objects with economic value, but may also include benefits without economic value. Personal benefits provided in relation to the recipient's position, task or assignment, such as services carried out for free or with a discount, invitations to otherwise private organisations or clubs may easily be regarded as improper.

The most evident examples of corruptive improper advantage are:

- paying to obtain a contract
- receiving payment (cash, gifts or services) personally

### 3.3 Bribery or "trading in influence"

Bribery or trading in influence is an offer (or acceptance) of an improper advantage to someone who has the ability to influence a decision.

A benefit is recognised as bribery where a company or a private person receives a benefit that may influence important decisions that he it/he/she would not receive in free competition.

Bribery is corruption by definition.

### 3.4 Facilitation payments

Facilitation payments are payments to secure the performance of routine governmental actions ordinarily performed by lower level officials.

Facilitation is corruption by definition.

### 3.5 Public and private sector payments

Most national regimes prohibit corrupt payments to any person, both in the public and private sector.

Any kind of corrupt activity, whether this activity is related to a position, assignment or duty within the public or private sector, falls within Jotun's anti-corruption policy.

### 3.6 Liability for corrupt acts of agents and other representatives

Corruption may also include payments made by agents, subsidiaries, affiliates or others acting on behalf of the parent company or as part of the parent company.

## 4 General principles

- 4.1 Jotun, Jotun subsidiaries, Jotun affiliated companies and all Jotun employees are committed to working actively against corruption and bribery.
- 4.2 Jotun shall act in an open, ethical and lawful manner towards all potential or existing customers, suppliers, and public officials.
- 4.3 Jotun shall always perform its contractual obligations in accordance with the terms of the relevant contract, unless deviations are approved by appropriate line management and properly documented in company records.
- 4.4 Payments in cash or similar, or payments to unconfirmed recipients or account numbers shall not be accepted.
- 4.5 All sales and marketing activities, coverage of third parties' expenses, payments and contract performance on behalf of Jotun shall be open and transparent internally and vis-à-vis Jotun's counterparties.
- 4.6 All expenses shall be approved under standard company procedures, documented and recorded in accordance with appropriate accounting standards.
- 4.7 Under no circumstances may any Jotun employee receive cash or any kind of improper benefit from a supplier, business partner or public officials, including personal rebates, kickbacks, undocumented discounts, etc.

#### 4.8 Accurate accounting

Jotun requires transparency in all operations. All Jotun entities shall therefore ensure that transactions are correctly registered and supported by proper documentation in accordance with local and international accounting principles.

Anti-corruption law requires that Jotun has in place effective internal accounting controls and maintains books and records that accurately reflect the companies' transactions.

All entities within the group must correctly account for income and expenditures and must ensure that payments are not recorded falsely in company books.

#### 4.9 Public officials

Special care needs to be taken in relation to officials and especially in situations where the recipient at the time is in a particular position to make a discretionary decision or act that could be beneficial to Jotun.

Bribing an official to obtain a service, contract, approval or certificate is clearly corruption. Similar activities may include situations like:

- paying for illegitimate or unlawful travel or entertainment expenses for officials or their family members;
- agreeing to purchase goods or services from officials or their friends or family members in return for favours;
- donating to a charity linked to an official in expectation of a benefit from that official.

## 5 Travel and entertainment expenses

5.1 Payment for reasonable expenditures for seminars, travel, meals, lodging and entertainment for potential or existing customers may be permissible if those expenditures are directly related to the promotion, launch, training, etc. of Jotun or Jotun's products or services.

5.2 If Jotun pays for the participants' expenses, such payments:

- must be directly related to marketing, business development or contract performance expenses;
- must be provided in an open and transparent manner;
- may not be provided, or appear to be provided, in expectation of or return for any benefit;
- must be reasonable in amount, and appropriate under the circumstances;
- must be verified through reasonably detailed documentation of actual expenses;

- 5.3 Payment of travel, meal, lodging or entertainment expenses for family members or friends of government officials is not permitted.
- 5.4 Any invitation for individuals to participate in events or activities fully or partly paid by Jotun shall be addressed to the relevant line management.
- 5.5 Jotun employees may accept coverage for reasonable expenditures from suppliers or others in line with the principles in this section, and only after the prior approval of the immediate superior.
- 5.6 Business invitations or arrangements to visit prostitutes are unacceptable.

## 6 Gifts

- 6.1 Exchanging gifts with customers, suppliers and business partners is a customary part of international business, and is fully legal, as long as the gifts are kept within the confines of what is recognised as "customary".
- 6.2 Under no circumstances should Jotun offer or accept gifts of cash.
- 6.3 Gifts other than cash will normally be customary if they are:
  - of minimal economic value (USD 100),
  - marked with a company logo,
  - clearly appropriate under the circumstances in the relevant country.
- 6.4 Gifts must not be given in a context where there are reasons to suspect that the recipient will keep such gift or benefit hidden from his or her superiors, e.g. gifts should be addressed to the recipient's working address, i.e. company or public entity office address.
- 6.5 Gifts must not be provided or accepted in return for any benefit.

## 7 Facilitation payments

In accordance with applicable anti-corruption legislation, Jotun has a general policy against facilitation payments.

In certain extortion-like situations facilitation payments may be necessary and justifiable in order to avoid significant harm to Jotun's values or legitimate business interests.

Facilitation payments should be distinguished from situations of true extortion, e.g. a direct threat of an unlawful damaging act vis-à-vis Jotun's property.

Further, necessary payments to ensure personal health or safety are generally legitimate as an act of necessity.



## 8 Relations with partners, agents, distributors, consultants and other representatives

8.1 Jotun entities shall take due care and take appropriate steps to ensure that Jotun's agents, distributors, consultants and other representatives comply with Jotun's anti-corruption standards.

### 8.2 Jotun's business partners

Each Jotun entity shall take reasonable steps to ensure that Jotun's business partners, including suppliers, customers and joint venture partners do not engage in corruption or other illegal or unethical activities in relation to business involving Jotun.

8.3 The requirement of due care will vary depending on the circumstances, but will always include the following steps:

- a) conducting integrity due diligence screening of potential agents/representatives before engagement, meaning that it should be a real company with real business purposes, under which the relevant services fall under;
- b) formalising the engagement by a written contract, including a clear description of the performance of work and provisions, including the possibility to leave a contractual obligation in case of corruption or bribery;
- c) ensuring that the payment for the services rendered is reasonable in relation to the services to be performed;
- d) the methods of payment shall be transparent and in accordance with applicable law and good business standards;
- e) payments in cash are generally not permissible, and if unavoidable such payments should be supported by proper documentation;
- f) any payments to foreign accounts must be treated with utmost caution and appropriate verification must be obtained to ensure that Jotun does not contribute to money laundering, tax evasion, corruption, fraud or other illegitimate business practices.

## 9 Political contributions

Political contributions, such as contributions to the political campaign or fund-raising efforts of public officials in support of their ability to run for office, may be considered as trading in influence, which is contrary to Jotun Business Principles.

## 10 Consequences of non-compliance

The potential consequences of non-compliance with applicable anti-corruption laws are substantial:

- Corruption distorts free competition and undermines the rule of law.
- Exposed corruption results in negative publicity, which can do serious damage to a company's reputation and business relationships.
- The decision by authorities to initiate investigation of a suspected anti-corruption infringement may cause serious harm to the involved party's reputation and business interests and trigger substantial costs.
- Individuals involved in corrupt activities may be subject to criminal sanctions, including fines, imprisonment, and in certain jurisdictions, even corporal punishment. Often, the individuals' superior will also be subject to criminal sanctions if he/she knew or should have known that the corruptive act was conducted.
- Companies have been subjected to tens of millions of USD of fines, penalties and government-ordered compliance costs as a result of corruption allegations.
- Companies may be prohibited from doing business in certain countries or industries, with certain governments or from participating in public tenders.
- Companies may be liable for damages claims by third parties disadvantaged by the corrupt activity, such as competitors who may have lost business.
- Risk of criminal prosecution, dismissal or other disciplinary action for the individual.

## 11 Anti-corruption guidance and whistle blowing

All employees are invited to contribute to an open discussion about responsible attitudes and actions in a constructive and non-bureaucratic way. Fostering a culture in which people dare to raise difficult subjects requires both brave employees and skilled managers.

As a general rule, complaints should be reported through the proper channels, i.e. line manager. If this is inappropriate or inadequate, due to the nature of the complaint, information may be given to HR, General Manager/Managing Director, or to: [compliance@jotun.com](mailto:compliance@jotun.com).

It is Jotun's responsibility to ensure that whistle blowers are well taken care of internally, meaning that the person must not be punished, directly or indirectly. On the other hand, anyone blowing the whistle without a legitimate reason, or to harm a person or the organisation, will be subject to disciplinary procedures.

On a day-to-day basis, you should seek guidance from and direct anti-corruption inquiries to your immediate superior. You may also contact legal department, Group Controlling department or Corporate Affairs department in Jotun A/S if you have any questions about this policy or anti-corruption law at: + 47 33 45 70 00.

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## Jotun decision-making model – "The red card"

When facing a dilemma and when in doubt, the important "Jotun decision-making model" should be used:

### **Consider**

- Group Values
- Business Principles

### **Ask yourself**

- Is it legal?
- Is it necessary?
  - In a short perspective?
  - In a long perspective?
- Is it defensible?
  - Does it give me a good feeling?
  - If the details are made public, is Jotun's reputation in danger?
  - May shareholders worry?
  - May I share this information with my colleagues or superior?
  - What may this action lead to or develop to?
- Still uncertain?
  - Discuss with your boss or at a higher level in the organisation