



# **AS Merko Ehitus**

# **CODE OF BUSINESS ETHICS**

## **Introduction**

The purpose of the Code of Business Ethics, which is described in this document, is to provide guidance to employees, directors and board members (the "Employees") as to how they should conduct themselves when acting on behalf of AS Merko Ehitus, its subsidiary entities and associates (the "Merko").

Any ethical guideline cannot be completely comprehensive as it is not possible to encompass every possible circumstance. This manual limits itself to ethical guidance on situations with a financial or statutory accounts impact.

Notwithstanding the limit referred to above, it is still possible that Employees will face situations on which there is no specific policy. In these cases it will be necessary for Employees to exercise discretion in their interpretation and application. Employees will also be expected, in these cases, to consult their immediate line manager.

The essence of these policies is that all Employees must act honestly, ethically and in compliance with the law and to protect the good name and reputation of Merko.

## **Conflicts of Interest**

Merko Employees should avoid situations where a conflict may arise between their own personal and/or financial interests and the interests of Merko.

A conflict of interest may arise under various circumstances. A conflict of Interest arises when a person's private interest interferes, or even appears to interfere, in some way with the interests of Merko. A conflict situation can arise when an Employee or his or her immediate family members sharing the same household takes actions or has interests that may make it difficult to perform his or her company work objectively and effectively.

Conflicts of interest arise when an Employee or members of his or her immediate family members sharing the same household, receives improper personal benefits as a result of his or her position in Merko. Conflicts of interest also arise when a Merko Employee works in some manner for a competitor, client or vendor. Thus, you are not allowed to work for a competitor as a consultant or board member or in any other capacity, unless you receive pre-clearance approval.

An Employee of Merko who finds himself or herself in a conflict of interest, or suspects or anticipates that such a conflict of interest has arisen or will arise, should inform his or her immediate manager without delay and should not participate in, or in any way seek to influence, any negotiations, discussions or decisions relating to the relevant transaction which is the subject of the conflict of interest.

### **For the above purposes:**

- ✓ a conflict of interest arises when an Employee of Merko (or any connected person of such Employee) has or appears to have a personal interest in any transaction;
- ✓ "personal interest" means (whether direct or indirect) any actual or potential advantage, benefit, gain or profit; a personal interest should be assumed where the

transaction involves any company, business entity in which the employee or officer or connected person has an involvement;

- ✓ "transaction" means any contract, transaction or arrangement in which Merko is involved or engaged or any negotiations or discussions relating to any proposed contract, transaction or arrangement in which Merko is or will be involved or engaged;
- ✓ "connected person" means a close family relation or business partner; and
- ✓ "involvement" means, in relation to the relevant company, business or entity, any interest in any shares (other than any interest in the shares quoted on a recognised stock exchange) or the holding of a directorship or other office or a partnership or any other engagement, relationship or interest of a financial or managerial nature.

In addition as a minimum the management board members of AS Merko Ehitus and significant subsidiaries in Merko have to report to the relevant Chairman of the Supervisory Board the list of their outstanding liabilities, assets and involvement in any other business entities as a shareholder or officer. Additional more detailed requirements can be in place at the local subsidiary level.

### **Confidentiality Obligation**

Company secrets and other protected information about Merko, the company's activities, technology, patents, financial situation, personnel, customers, suppliers or partners are bound by duty of confidentiality. All information gained by Employees of Merko by virtue of the normal course of their duties shall be deemed to be confidential, except when disclosure is authorised or required by laws or regulations.

Consequently any such information shall not be deemed suitable for disclosure to non-Merko Employees, without the prior approval of the Chairman of the Management Board of the relevant entity.

### **Insider trading**

As a listed company Merko is formally bound by the rules of NASDAQ OMX Tallinn (Tallinn stock exchange) regarding share price sensitive information.

Merko has mandatory rules concerning insider trading. Please seek further guidance from Insider Information Rules.

### **Bribery and Corruption**

Merko has a zero tolerance approach to all forms of corruption. Our commitment in doing business with integrity means avoiding corruption in any form, including bribery, and complying with the anti-corruption laws of every country in which we operate. Merko is committed to conducting its business and affairs so as to ensure that it does not engage in, or facilitate, any form of corruption.

Merko Employees shall never offer or receive payment or remuneration, other than standard hospitality, which could reasonably be assumed not to be intended or likely to influence business related decisions.

Merko forbids any Employee making, offering or promising to make a payment or transfer anything of value, including the provision of any service, gift or entertainment, to government personnel, other officials or any other person for the purpose of improperly obtaining or retaining business, or for any other improper purpose.

We do not grant financial contributions to political parties or groups or individual politicians. In order to stop attempts to circumvent Merko rules regarding bribery and corruption, agreements with consultants, brokers, sponsors, agents and other middlemen shall never be used in order to channel payment to any party.

Sponsorship and charities are done only as part of our social responsibility activities. Merko is responsible for its decisions and activities that have an impact on our Employees, customers and partners and, more broadly, on local communities. Merko supports sports, culture and education. All sponsorship arrangements should be prior to any commitments agreed with the Chairman of the Management Board of AS Merko Ehitus.

### **Hospitality and Gifts**

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with clients or vendors. No gift or entertainment should ever be offered, given, provided or accepted by any Merko Employee or members of their immediate family members sharing the same household unless it:

- ✓ is unsolicited;
- ✓ is not a cash gift;
- ✓ is consistent with customary business practices;
- ✓ is not excessive in value;
- ✓ cannot be construed as a bribe or payoff;
- ✓ is given or accepted without obligation;
- ✓ is not intended to induce or reward improper performance of a function or activity or to obtain or retain business or an advantage in the conduct of business;
- ✓ does not violate applicable laws or regulations.

Additional guidance regarding gifts and entertainment is contained in the local country specific policies. Please discuss with your line manager or a member of board any gift or entertainment which you are not certain is appropriate.

What is acceptable in the commercial business environment may be entirely unacceptable in dealings with the public sector. Merko Employees are prohibited from providing gifts or anything of value to public officials or their employees or members of their families in connection with Merko's business for the purpose of obtaining or retaining business or a business advantage.

### **Competition rules**

Merko supports fair and open competition in all markets. Merko's activities or Employees shall under no circumstances violate any of the competition rules. For example illegal price fixing, illegal market sharing or other conduct that hampers, limits or distorts competition in contravention of the legislation regarding competition.

## **Equal treatment**

Every Merko Employee must receive equal treatment at work regardless of gender, age or ethnic origin. Equal treatment shall be involved also in selection, payment-terms and other relations with customers, sub-contractors, service providers and other groups that we co-operate with.

## **Protection and Proper Use of Merko's Assets**

Employees should endeavour to protect Merko assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on Merko's profitability. Any suspected incident of fraud or theft must immediately be reported to management board member of the relevant entity for investigation, and Employees are strongly encouraged to report the incident to their line managers.

Merko technology, equipment or other resources should not be used for non-company business, though incidental personal use may be permitted. Your obligation to protect Merko's assets includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business, marketing and service plans, engineering and manufacturing ideas, systems, software programs, designs, databases, records, salary information and any unpublished financial data and reports.

Unauthorized use or distribution of this information would violate Merko policy, and it could also be illegal and result in civil and/or criminal penalties.

## **Reporting Any Illegal or Unethical Behaviour**

Suspicious or factual data of conduct that are in conflict with business ethics can be reported via various channels that are accessible to the employees and cooperation partners of the enterprise as well as other parties. All the reports will be reviewed by a professional and independent cooperation partner.

The reporting and information analysis system ensures security, confidentiality and, if so desired, anonymity at every stage of the process. The reports forwarded via the report form, the reporting hotline or e-mail will not be forwarded to Merko – the independent cooperation partner will only give Merko a summary of the content of reports that need investigation, without any reference to the source of the information. Information will also be kept confidential and used solely for the purposes of solving the relevant incidents by Merko's managers and the audit committee to whom a report has been made.

## **Compliance**

Merko has adopted this Code of Business Ethics and we trust that all Employees will use their best judgment to ensure that they comply with these principles.

The Management Board of each entity is responsible for overseeing the compliance with this code. With the responsibility to report the non-compliances to Merko's Audit Committee.

Merko Employees must all work to ensure prompt and consistent action against violations of this code. Since we cannot anticipate every situation that will arise, it is important that

we have a way to approach a new question or potential problem in a complete and thorough manner. Your consideration of a new issue or potential problem should include, but not necessarily be limited to these basic steps:

- ✓ **Make sure you have all the facts.** In order to reach the right solutions, we must be as fully informed as possible.
- ✓ **Ask yourself:** What specifically am I being asked to do? Does it seem unethical or improper? This will enable you to focus on the specific question you are faced with, and the alternatives you have.
- ✓ **Use your judgment and common sense;** if something seems unethical or improper, seek guidance before acting.
- ✓ **Clarify your responsibility and role.** In most situations, there is shared responsibility. Is your supervisor informed? It may help to get others involved and discuss the problem.
- ✓ **You may report violations in confidence and without fear of retaliation.** The Company does not permit retaliation of any kind against employees for good faith reports of violations.
- ✓ **Always ask first, act later.** If you are unsure of what to do in any situation, seek guidance before you act.

### **Acknowledgement**

Each Employee of Merko is required to read the code and abide by its terms. A violation of this code may cause significant sanctions, including termination, to the extent permitted by applicable law.

The management boards must ensure the compliance of this code and issue more detailed policies on areas covered under this code if there is specific country requirement as per the local laws and regulations.