



BUSINESS ETHICS HANDBOOK

AS MERKO EHITUS GROUP

INTRODUCTION

Have you ever felt while fulfilling your job duties that you're being pressured in your job to do something that isn't in line with your own beliefs, ethical business practice, Merko's interests and the Code of Business Ethics; or do you feel that way right now? Have you ever noticed someone (a co-worker or business partner) doing something they shouldn't be doing?

To put an end to unethical behaviour, all such incidents should be reported. Notification is important for preventing losses for the whole company and to spread the word as quickly as possible about the unethical nature of conduct/actions so people would not continue such behaviour or make compound the harm by making further decisions and increase risks due to acting by using unethical behaviour.



Our success hinges on ethical business activity. In their everyday work, we expect our employees, clients and partners in cooperation to follow the ethical business practices in the group's Code of Business Ethics.

Merko has established means and channels for reporting any violations, and all employees, clients and partners can use them. Suspected violations and information on conduct that person feels is not in line with the Code of Business Ethics can be reported through these channels. This encompasses situations, events and actions that impact individual employees or larger groups and which:

- may lead to negative consequences (monetary or other damage, damage to reputation to a Merko company, its director, employee, shareholders or the entire Merko Group); or
- may impact incentive to work, productivity or safety.

Each stage of the system for reporting violations ensures safety, confidentiality and anonymity.

Reporting incidents is simple. Just go to the Merko Group website at www.group.merko.ee and make an anonymous tip thru the report form, send an e-mail to ethics@merko.ee or call the tipster hotline at the following numbers:



Estonia: (+372) 5622 1221
Latvia: (+371) 6789 5150
Lithuania: (+370) 5212 5022
Norway: (+372) 5660 1631

You have an ethical dilemma on your hands if the following words are spoken:

- We never had this conversation, right?
- Sounds too good to be true.
- OK, but just this one time.
- Everybody does it.
- Don't worry, it's part of business.
- It's always been done this way.

Analyse your possible course of action and decision using the following questions:

- Is this legal, ethical?
- Does this conform to the company's code of business ethics?
- Do I want to read about my action/decision in the paper?
- Am I sure that my decision is not biased or influenced? Is there a risk that it could seem that way to others?

WHY A BUSINESS ETHICS HANDBOOK?

To answer this question, we have to understand what business ethics means. Simply put, it is about honouring ethical values (honesty, impartiality, respect and integrity) in business activity and fulfilling everyday duties on behalf of Merko. Business ethics encompass both the company's general activity and the individual activities and behaviour of all of us at our jobs. Above all, business ethics come down to internal discipline, which means acting in an appropriate manner even when others are not watching.

This Business Ethics Handbook was compiled because Merko wants to be a conscientious employer and business partner and we believe in fair and transparent business ethics.

WHAT HAVE WE DONE TO THIS POINT?

We have identified the problem areas where ethical and other dilemmas most often occur. The Merko Code of Business Ethics focuses on seven main areas.



If you'd like to know more about how we deal with these topics and resolve problems at Merko and what your responsibilities are, please read the Code of Business Ethics.

WHAT'S THE NEXT STEP FOR US

We want to raise people's awareness and provide more details about why business ethics is important for all of us, what each employee's responsibilities are and where they can get help if needed.

WHAT'S IN THE BUSINESS ETHICS HANDBOOK?

The handbook contains the following for each main area:

- overview of Merko's beliefs;
- what it means for the employee;
- instructions on how to get more information and advice.

DOES BUSINESS ETHICS AFFECT YOU, TOO?

Yes. Business ethics affects all of the managers and employees in the AS Merko Ehitus group, including short-term employees working without an employment contract, part-time employees and interns. We also recommend that the Code of Business Ethics be applied and followed in our joint ventures, and at our business partners and subcontractors.

Remember: The Code of Business Ethics and the Business Ethics Handbook can't provide an answer for every situation. If you find yourself in a situation not covered in any of these documents:

- always act in the general spirit and according to the purposes of Merko's business ethics.
- if you still aren't sure how you should act, see your direct supervisor or the lawyer for advice.

If you have questions about the content of the Code of Business Ethics or Business Ethics Handbook or other questions about business ethics, contact your direct supervisor or the company's lawyer.

1. CONFLICT OF INTEREST

WHAT'S OUR POSITION?

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

WHAT'S THE MOST IMPORTANT THING TO KNOW?

If for some reason – perhaps due to a relationship between you and another party – you should find you can't act objectively in Merko's best interests, notify your direct supervisor immediately.

WHAT ELSE IS IMPORTANT?

A conflict of interest arises when your personal interests interfere with the interests of your company. Thus always avoid (directly or indirectly) investing in third party companies that could impact (or which could be construed as impacting) your ability to act in Merko's best interests.

Make sure that all decisions related to business are always based on objective and professional criteria.

<p>EXAMPLE 1</p> <p>My son works for an important Merko subcontractor and my daughter works for a competitor. Is this a problem for me? I can't control where or who they work for.</p>	<p>RESPONSE 1</p> <p>You can't control that, but you have to notify your direct supervisor or company lawyer if this situation arises. Many of these sorts of situations can be resolved by mutual agreement. That means that it's important that we can apply measures to keep a conflict of interest from arising and so that the company's business decisions are not impacted.</p>
<p>EXAMPLE 2</p> <p>I'm a project manager, can I use a company as a subcontractor if I have a stake in it?</p>	<p>RESPONSE 2</p> <p>No, in this situation your decisions wouldn't be objective. You will have to notify your direct supervisor of this situation, so he or she can take measures to involve independent decision makers in this decision making process – people who will make the best business decision from Merko's perspective.</p>

2. CONFIDENTIALITY OBLIGATION AND INSIDER INFORMATION

WHAT'S OUR POSITION?

Information is not confidential just because someone says it is. If you aren't sure whether information is confidential or not, contact your direct supervisor or the lawyer for advice. Merko employees may not misuse confidential information they have learned in the course of fulfilling their job duties, through business transactions or in other ways.

WHAT'S THE MOST IMPORTANT THING TO KNOW?

Any confidential information you have learned must be kept secret and not used in your self-interest. As a publicly traded company, Merko is bound to follow Estonian Securities Markets Act and the NASDAQ

OMX Tallinn (Tallinn stock exchange) rules on price sensitive information. Merko has mandatory rules concerning insider information and insider trading. You'll find further guidance in the rules on insider information and insider trading. The topic of publicly disclosing information is dealt with in the "Public disclosure of information" available on the website at www.group.merko.ee.

WHAT ELSE IS IMPORTANT?

Always make sure whether the information you possess is confidential and treat such information in accordance to the requirements. Always make sure that the public disclosure of confidential information would not take place accidentally (eavesdropping on your conversation, use of computer in a public place etc).

If you think that you have insider information, see the company lawyer or the AS Merko Ehitus CFO for advice and guidance. Read the rules governing trading of Merko stocks for people with insider information and which pertain to unauthorised public disclosure of insider information.

<p>EXAMPLE 3</p> <p>I've received a price offer from a subcontractor. Another supplier wants to see the price offer to make a counteroffer. Can I share it with the second supplier?</p>	<p>RESPONSE 3</p> <p>No. Such conduct is not ethical – the offer from the first subcontractor was addressed to Merko, not for sharing with third parties. This is confidential information between Merko and the subcontractor.</p>
<p>EXAMPLE 4</p> <p>A Merko company is in talks for a construction contract with a private sector customer. The price of the contract is agreed at 5 million euros, but negotiations are continuing on the schedule. Can I talk about the negotiations at my friend's birthday party?</p>	<p>RESPONSE 4</p> <p>No. This is the company's confidential information. Besides, considering the contract amount, it is a significant contract for Merko that should be treated as insider information and which Merko as a publicly listed company should announce through the stock market information system in accordance with the price-sensitive information established by the stock exchange.</p>
<p>EXAMPLE 5</p> <p>I inadvertently came upon someone's salary data in an e-mail. Can I share this information informally with my colleagues?</p>	<p>RESPONSE 5</p> <p>No. This is confidential information of the company and the specific employee and there is no need to share it with others. This e-mail should be deleted and the sender should be notified that the information went to the wrong recipient.</p>

3. BRIBERY AND CORRUPTION

WHAT'S OUR POSITION?

The Merko Group and its employees may not accept or offer bribes in any form. Merko has a zero tolerance policy against all forms of corruption.

WHAT'S THE MOST IMPORTANT THING TO KNOW?

No employee shall be punished in any manner (e.g. will not be demoted) for refusing to offer or accept a bribe regardless of possible forgone business. We know that in certain countries, bribery is still a part of everyday life, but Merko employees must do their utmost to avoid giving/taking bribes.

WHAT ELSE IS IMPORTANT?

Bribes are illegal in all countries and situations. Thus, a simple rule: avoid any connection with graft. A bribe is when one person either directly or indirectly promises, offers or gives another person something valuable for the purpose of gaining an advantage they do not otherwise deserve. Such an unfair advantage is any advantage to which you are not actually legally or justifiably entitled and which can be achieved only by the offering of a bribe. Bribery is not only money. It can be any valuable item no matter how small. The determining factor is the ulterior motive for giving the good or service.

<p>EXAMPLE 6</p> <p>I am applying for a building permit for a project. An official has promised to speed up the process by two weeks if he gets 500 euros. What should I do?</p>	<p>RESPONSE 6</p> <p>You must immediately notify your direct supervisor or the lawyer, who may involve the police. It is illegal to offer or accept a bribe.</p>
<p>EXAMPLE 7</p> <p>An employee is carrying out procurement to find a construction subcontractor on a job site. In exchange for being awarded the contract, the company or its representative transfers 1000 euros to the project manager's personal bank account or hands the sum over in cash.</p>	<p>RESPONSE 7</p> <p>A bribe is illegal and may not be accepted in any form. If you are offered a bribe, you must immediately pass on the information to your direct supervisor, the lawyer, or notify the Merko tip hotline.</p>

4. HOSPITALITY AND GIFTS

WHAT'S OUR POSITION?

Gifts, meals and entertainment that the Merko group and its employees offer or accept must be appropriate. The Merko Group and its employees may not accept or offer gifts, meals and entertainment that is not consistent with justified business goals from public or private sector interest group representatives.

WHAT'S THE MOST IMPORTANT THING TO KNOW?

It is true that we want to foster and maintain good business relations with strategic clients, partners and subcontractors. But gifts must never be used to influence someone inappropriately (and we must avoid

situations where gifts can be construed as an inappropriate influence) and gifts accepted by you may not influence your ability to make impartial and objective decisions. Gifts given must always be consistent with our justified business goals.

When accepting gifts, always observe the limits established in your company (60 euros at Merko). Gifts whose value is under the level can be used for personal use, as long as other applicable principles (reasonableness, transparency, infrequency, business purpose etc) are followed. Gifts that exceed the established limits must be declined or returned to the sender.

The value of hospitality, such as meal, often exceeds the limit established by the company. This is not a problem if other governing principles (reasonableness, transparency, infrequency, business purpose etc) are taken into account before the invitation is accepted.

WHAT ELSE IS IMPORTANT?

- Money must never be given or accepted as a gift.
- Regardless of the value of the gift, all gifts given and received must always be appropriate and they must be given/received for a justified business purpose.
- When giving and receiving gifts, always proceed from the limits and procedure established in the company.
- Before making a gift to a government official, always consult a lawyer (there is a risk that the gift may be incorrectly construed by a public servant).
- Gifts are not frequent; they are infrequent. They are not made secretly.
- Transparency – hospitality and gifts must take place in a normal, open manner. Before accepting a gift or hospitality, ask yourself the necessary questions about the motive behind the gift. If the answer is a definite or even a possible “yes”, then consult the lawyer before taking further action.
- Infrequency – if you are hosted or you accept small gifts repeatedly, it can be considered an attempt to influence your objective decision making.
- Trophies, certificates, and statues may be considered gifts with a symbolic value that are presumably given for the purpose of recognition.



Does a gift or hospitality or the manner in which it was offered lead you to believe that it is being done for a purpose other than fostering and maintaining customary business relations?

EXAMPLE 8



RESPONSE 8

Upon conclusion of a project, a subcontractor sends the site manager a bottle of wine. How to act?

If you know the price of the wine to be lower than the company's limit (60 euros at Merko) you can accept the gift. But other principles must also be observed when accepting a gift: reasonableness, transparency, infrequency, business purpose etc. Gifts that are unreasonable, or frequent must be declined or returned to the sender.

5. COMPETITION RULES

WHAT'S OUR POSITION?

Merko supports fair and open competition on all markets. Merko's business activity, employees, managers and board members shall under no circumstance 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.

WHAT'S THE MOST IMPORTANT THING TO KNOW?

Today, Merko operates in the European Union, where common competition principles have been established, which in turn are supplemented by national legislation and other regulations. In all our activities, we follow the valid legal acts regulating competition and avoid situations that run a risk of contravening the competition rules. We don't talk with competitors about prices or pricing, participating at competing offer, expenses and expense structures, strategic decisions and other information that is not public and which our competitors do not have to know.

If you have doubts about the appropriateness of your action, immediately consult your direct supervisor or the company lawyer.

WHAT ELSE IS IMPORTANT?

It is prohibited:

- to gather information on competitors in an illegal or unethical manner;
- to directly or indirectly establish price and other trading or business conditions with regard to third parties;
- to exchange information harmful to competition;
- to agree to apply different conditions to equal agreements, resulting in placing business partners in unfavourable competition situations;
- to stipulate as a condition of entering into a contract that the counterparty shall take on additional responsibilities unrelated to the object of the agreement.

The following must be avoided:

- disclosing misleading or libellous information regarding a competitor or its good/service;
- misuse of confidential information;
- taking advantage of an employee of Merko, a partner or competitor.

EXAMPLE 9

I put together a price offer for a customer and the subcontractor's representative hints that if we asked he could give us information on what a competitor is offering and for how much. Can I ask for this information and take into consideration in putting together a price offer?



RESPONSE 9

It is not appropriate to ask a supplier for information on competitor's price offers. Every Merko employee must proceed from the company's business interests. In this case it is important to submit a price offer, in accordance with which Merko is prepared to perform the work as requested by the customer and in a high-quality way that is profitable for the company.

6. EQUAL TREATMENT

WHAT'S OUR POSITION?

Merko honours all people and does not accept discrimination either against its employees or its partners. As an employer, Merko contributes to creating a good working environment where every employee is treated equally regardless of nationality, gender, age, ethnic origin or sexual orientation.

As an employer, Merko applies the necessary measures to protect employees from discrimination. Equal treatment is also the basis in selecting employees, clients, subcontractors, service providers and other partners in cooperation, the cooperation conditions established for them, and relations with them.

WHAT'S THE MOST IMPORTANT THING TO KNOW?

Attention must be devoted to equal treatment on an everyday basis in actions and decisions. In the case of employees, there must be no unequal treatment in recruitment, promotion, termination of employment contract and remuneration.

WHAT ELSE IS IMPORTANT?

The company's management and team leaders are the company's representatives and their task is to follow and spread equal treatment principles.

EXAMPLE 10		RESPONSE 10
<p>I am looking for an employee for the site team. The candidates are mainly men but there is also one woman who stands out with her experience and initiative and I consider her the strongest candidate. I am worried about how well she will get along with the male team and how the team will view her and my decision to hire a woman for this job.</p>		<p>Every Merko employee must proceed in his or her decisions from the company's interests – in recruitment of a new employee, it's important to find the most suitable candidate for the given duties. The responsibility of the manager is to follow equal treatment principles and disseminate the same views among subordinates.</p>

7. PROTECTION AND PROPER USE OF MERKO ASSETS

WHAT'S OUR POSITION?

Employees must do their utmost to protect Merko assets and ensure their efficient use.

WHAT'S THE MOST IMPORTANT THING TO KNOW?

Thefts, carelessness and waste have a direct impact on Merko's profitability. Every suspicion of fraud or theft must be promptly reported to the relevant company's board member so that the case can be investigated.

WHAT ELSE IS IMPORTANT?

Employees must be encouraged to report cases to their direct supervisor.

EXAMPLE 11		RESPONSE 11
<p>I work on a site where a sanding machine belonging to Merko is being used. I have a home renovation in progress and I need to use the same machine there. I don't have time to rent equipment, so can I use Merko's?</p>		<p>It is not appropriate; company property must be used only in the interests of the company and not in any case for private interests. If you want to use the equipment, you will have to notify your direct supervisor and it is possible to arrange rental of certain equipment.</p>