

Bribery & Financial Inducements Policy

1. Policy

The way we do business influences how we are viewed by our customers, suppliers, governments, shareholders and the community. It also determines how we see ourselves.

DuluxGroup is committed to acting and doing business with fairness, honesty and integrity. DuluxGroup expects each director, manager and employee to conduct themselves according to high ethical and legal standards.

The DuluxGroup Code of Conduct requires all employees to comply with, and live by, the policies and standards of business conduct set out in the Code. Failure to adhere to these standards of behaviour could result in sanctions being taken, including dismissal. In addition, where non-compliance with the Code of Conduct also involves a breach of the law, the matter may be reported to the appropriate law enforcement authorities.

The Code of Conduct makes it clear that **under no circumstances will DuluxGroup approve any irregular payment or payment in kind to win business or to influence a business decision in our favour.** Bribes, kick backs, secret commissions and like payments are strictly prohibited and unlawful.

2. General

This practical guide aims to provide employees with further guidance on this important area.

- Q. What does DuluxGroup's Code of Conduct say about bribery and like payments?*
- A. Under the "Bribery, Financial Inducements and Facilitation Payments" section of the Code, it states that: "Under no circumstances will DuluxGroup approve any irregular payment or payment in kind to win business or to influence a business decision in our favour. Bribes, kick backs, secret commissions and like payments are strictly prohibited. You should never make or agree to such payments. In addition, these sorts of payments expose DuluxGroup and staff involved to criminal prosecution and serious penalties under laws of other countries as well as those of the country in which the payment took place. The same policy applies to agents and third parties who are engaged to represent DuluxGroup's interests."
- Q. What is a bribe?*
- A. Bribes are payments or payments in kind intended to induce people to act illegally or dishonestly or to provide a benefit that is not legitimately due, and in that way corrupt the decision making process.
- Q. Is bribery a crime?*
- A. Bribery is unlawful in most countries carrying with it potentially serious consequences, including imprisonment. Laws and agreements are in place

as part of a co-ordinated international effort to eliminate corruption and bribery from international business and to ensure that competition is fair and open. This means that individuals or corporations engaging in bribery or corruption may be found liable under the legislation of the country of which they are a citizen, as well as mirror legislation of the country in which the bribery or corruption occurs. For instance, an Australian citizen committing bribery in China may be subject to criminal penalties in both Australia and China.

The above not only applies to DuluxGroup employees, but also to agents and third parties who are engaged by DuluxGroup to act on our behalf.

Q. What is a facilitation payment?

A. It is not uncommon in some countries for staff to be asked to make a relatively minor payment to low level officials or government employees. These payments, sometimes called “facilitation payments” are requested to expedite the performance of a routine government administrative action by these officials or employees. **DuluxGroup is opposed to making these sorts of payments as a matter of policy and every effort should be made to resist making these payments.** A better understanding of what lies behind the request (for example) recognition or status) may suggest other ways to meet the request in an acceptable way. However, there are some cases where this will not be possible and it will be necessary to form a judgment about what to do. In these circumstances, you should discuss the situation with your manager.

Q. What is the difference between a facilitation payment and a bribe?

A. In general, where:

- the purpose of the payment is to expedite the performance of a routine service or administrative task which DuluxGroup is entitled to in the ordinary course (for example, a fee for service);
- the amount is minor and of a type customarily sought in the country concerned;
- the business consequence of not making the payment will be serious;
- the payment will not expose you or DuluxGroup to legal action; and
- a receipt is obtained for the payment and there is no reasonable alternative to making it,

then the payment will be considered for approval. You should discuss the situation with your manager.

Bribes, however, are payments or payments in kind intended to induce people to act illegally or dishonestly and in that way corrupt the decision making processes. For example, a payment to secure an improper advantage such as environmental permits or preference in judicial proceedings or obtaining a contract outside of a competitive process is a bribe.

The payment of bribes is prohibited by DuluxGroup.

The difference lies, in simplest terms, in the decision-making power of the recipient. For example, a payment to hurry along a visa application that is certain to be approved is a facilitation payment. The outcome of whether the visa is granted or not is determined by regulation, and a payment to alter a decision in this respect would be a bribe.

- Q. Does it make a difference if the payment is made through an agent or a consultant?*
- A. No it does not. This should be viewed in the same way as direct cash or non cash payments and the same tests apply in terms of this policy.
- Q. What about offering a gift or some entertainment to a government official or paying for them to attend a conference?*
- A. These are grey areas and need to be approached with care and caution. The question is: what is the real purpose of offering to attend the conference. If it is aimed at gaining some formal or informal quid pro quo (something given or taken in exchange for something else) then the offer should not be made. DuluxGroup has a specific policy on entertainment and gifting. As a general rule, reasonable expenditures in respect of minor gifts, meals and entertainment for public officials may be permitted, but in a number of instances government departments will have very strict guidelines as to the type and value of gifts and entertainment their officials are permitted to receive.
- Q. What is a secret commission?*
- A. A secret commission is where a person who is acting as the agent or representative of another person (the principal) takes or asks for a commission from a third party without disclosing that commission to their principal. For example, a secret commission would be where DuluxGroup was tendering for a contract and the agent responsible for reviewing the tenders on behalf of the contracting party accepted a payment from DuluxGroup in connection with that tender and did not disclose that payment to its employer, the contracting party. Secret commissions can occur in the government and private sectors.

Set out below are some worked examples to help guide you.

- Q. DuluxGroup products are being held in a bonded warehouse. The local customs official will not release them without receiving a payment. Should I pay?*
- A. Discuss the issue with your manager or supervisor, in terms of this policy, addressing questions such as the following:
- Is payment the only way to get the products released?
 - Is resolution of the issue vital to our operations?
 - Is this a routine administrative matter?
 - Is the required action something that the person or group is meant to do?

- Can we be sure that the payment cannot reasonably be viewed as distorting in the DuluxGroup's favour a judgment that is very much in the discretion of the decision-maker?
- Can we be sure that we will not be exposed to legal action under any applicable law or regulation?
- Is the type and amount of payment consistent with locally accepted practice?

If the answer to all these questions is "yes" then as a last resort, it may be necessary for a payment to take place, but it must be accounted for properly. You should refer such matters to relevant senior management for decision.

Q. *I have been seconded to a country where I have been told that gift giving and lavish hospitality is common practice. During the course of my work a government official has asked me for a non-cash or in kind payment. Is this permissible?*

A. No. These types of non-monetary favours should be viewed the same way as cash payments and the same tests apply in terms of this policy. Local custom or practice provides no protection or legitimacy and such a practice may still be illegal. In all cases report the request to your manager or supervisor and seek advice on what action should be taken. We should never confuse bad practice with culture.

Q. *In some countries we may be obliged to pay for services of officials in relation to customs clearance, local police protection or visits of environmental regulators. What is the position here?*

A. These are difficult issues and you should discuss them with your manager. In general, so long as we do not expect any unduly favourable treatment from these officials in return and they are only fulfilling their legal and regulatory duties and the payment is really just a fee for the service, then such payments would be acceptable.

Make sure you request a receipt for the payment.

Payments are not acceptable if they are to secure an improper advantage, e.g., environmental permits or preference in judicial proceedings or obtaining a contract outside of a competitive tender.

Q. *Does this policy apply to payments to official bodies such as signature bonuses, licence fees, royalties, fees for obtaining tender documents and similar payments?*

A. These types of payments are appropriate if they are made to the relevant authorities as a transparent part of a transaction that could be disclosed in the public domain, and are not intended to persuade the recipient to act dishonestly. The processes that are followed must be legal and meet the requirements of DuluxGroup's Code of Conduct. A manager or supervisor with the authority to approve the amount in question must approve all such payments.

Q. I need to appoint a representative in another country to assist in establishing a new operating site for DuluxGroup. What things should I be looking at?

A. It would be prudent to ascertain whether the proposed representative or agent has a reputation for unethical dealings with public officials. It is also useful to reflect upon what the foreign representative or agent is contributing. It would be of concern if their only contribution was influence. It must be clear what the agent proposes to provide in exchange for the fees and disbursements to be charged to DuluxGroup. Particular care needs to be taken with agents whose primary role is to arrange introductions to key government decision makers. Also, further checks should be undertaken if a proposed agency is owned or recommended by a government official or if the foreign agent insists on sole control of government approvals. You should inform the proposed agent of DuluxGroup's policy in relation to dealing with government officials and get an undertaking to comply with the policy from the agent as part of the engagement's terms and conditions.

It is also important that the agent's activities be carefully monitored. For example, unparticularised invoices should not be accepted. Suspicious transactions should be questioned until there is a satisfactory answer. These may include un-receipted cash payments, inflated or backdated invoices or payments to "front" organisations. In particular, there should be questioning of donations to charities.

Q. Where can I get more assistance?

A. In the first instance you should contact your immediate manager and discuss the matter with him or her. If your manager is not available, or you do not feel comfortable raising it with your manager, then you may contact the next level of management, your DuluxGroup legal team or your Human Resources Manager. If you are unsure, or in doubt about certain conduct, please ask for assistance.

DuluxGroup has also established its "Speak Up" service to provide employees with an opportunity to report suspect misconduct within the organisation, anonymously. By reporting misconduct, employees can help ensure that our people are safe and secure in their work environment and help save money by eliminating theft, fraud and dishonesty.