

Modern Bakeries – Company Policy on Anti-Corruption

Commitment on Anti-Corruption

Modern Bakeries is determined to combat corruption and bribery in all its forms. Our strict zero-tolerance policy contains provisions for transparency and legal compliance of all financial transactions and reports, and strictly prohibits the offering or accepting of bribes or facilitation payments in dealing with governmental and non-governmental agencies, as well as the use of personal relations to advance company affairs. We spread awareness of the need to combat corruption and bribery, also through employee training, and require all staff to sign the anti-corruption policy.

Bribes

General Regulation

Modern Bakeries prohibits the **offer, gift, or acceptance** of a bribe in any form, including:

- kickbacks, on any portion of a contract payment,
- facilitation payments
- the use of other routes or channels to provide improper benefits
- to customers, agents, contractors, suppliers or employees of any such party or government officials

Modern Bakeries also prohibits any employee from **arranging or accepting** a bribe, kickback, or facilitation payment

- from customers, agents, contractors, suppliers, or employees of any such party or from government officials,
- for the employee's benefit or that of the employee's family, friends, associates or acquaintances

This requirement is extended to its dealings with business partners such as contractors and suppliers.

Definitions

Kickbacks are a particular form of bribery and typically have two distinguishing features:

- often initiated and received by a corrupt employee without knowledge of the employer
- usually connected to the completion of a business transaction

Facilitation Payments occur when a person holding office, whether public or private, uses a position of strength (authority to perform a normal action or service) to demand a bribe for either carrying out what the person was appointed to do, to do it faster or to omit doing a required action. They are small payments from the point of view of the payer and mostly take the form of cash payments.

Modern Bakeries acknowledges that Facilitation Payments are widespread in Egypt and that resistance to pay can result in sometimes significant loss of money or time. However, Modern Bakeries is committed to resist going for the short-term benefit of making payments and to work to applying a policy of not paying

Cases of Doubt

In any case of doubt, staff members should consult the supervisor/department head/CEO (for high-level employees), or the Compliance Officer, who will then make a pertinent decision.

Internal Record

For Modern Bakeries' internal transparency and to support future decisions there is kept an internal record of cases. Any case of doubt has to be reported to the Compliance Officer for documentation.

Gifts, Hospitality and Expenses

Gifts vs. Bribery – where is the problem?

An expensive gift, a regular meal or the offer of lavish hospitality may be perceived as bribes, and can all be used as bribes, more subtle than cash, but made with the deliberate intention of improperly gaining a business advantage and perhaps preparing the way for more extensive bribery.

Modern Bakeries is determined to combat corruption and bribery in all its forms, to lead by example for the improvement of the Egyptian business environment and society. This is why we have set out these clear rules on gifts and hospitality which express our corporate culture of integrity.

General Regulation

It is not permitted for employees at all functional levels to request, accept, offer or give, directly or indirectly, any gifts or other advantages.

We may **accept** small gifts of limited value that constitute occasional presents and other advantages whose value per giver, calendar year and staff member does not exceed 100 EGP. Symbolic presents such as flowers or chocolate up to a value of 300 L.E can only be accepted by management level staff and need to be reported immediately.

We may **not accept** valuable items. Valuable items received as gifts must be returned or disposed of as agreed by management.

We can **offer** small gifts, mainly in the form of Modern Bakeries sample products or promotional items, whose value per calendar year and recipient does not exceed 100 EGP.

As single exception, small gifts such as flowers or chocolate can be **offered on special occasions**, but only by the CEO in the name of the company.

Modern Bakeries will **never offer** valuable gifts to business partners or government authorities.

We may **give and accept** reasonable, hosted hospitality which is in the legitimate interest of the business. We will **not give or accept** lavish, frequent or not hosted hospitality or entertainment.

Definitions

Gifts as referred to in this regulation are money, goods, services or loans given or received between employees or representatives of Modern Bakeries and representatives of business partners and/or government authorities.

Small Gifts are gifts of limited value like promotional items such as a calendar, a pencil, or a mouse pad, whose value per giver; calendar year and staff member does not exceed 100 EGP. Symbolic presents such as flowers or chocolates are still considered as small gifts up to a value of 300 L.E. Small gifts should have the role of marking and enhancing relations or promoting the giver's enterprise.

Gifts of Value are gifts of greater value. These valuable items are for example expensive pens, gold jewelry, expensive watches or airline tickets. They may be perceived as bribes because they are often not given without expectations.

Hospitality can include e.g. meals, receptions, tickets to entertainment, social or sports events, participation in sporting events, such activities being given or received to initiate or develop a relationship between business people.

Not hosted Hospitality: Where no-one from the business offering the event attends it to host the guests, this is then a gift, not hospitality, and falls under the rules on gifts.

Lavish hospitality goes beyond what is appropriate, e.g. weekend accommodation at expensive hotels, and including spouses. It is fine to do this, but each business must cover its own travel and accommodation expenses.

Expenses are the provision or reimbursement by an enterprise of travel and other related expenses incurred by a prospective client, customer or business partner, such reimbursement not being part of a contractual agreement. This could take the form of e.g. invitations to industry events, travel to view a manufacturing plant or benchmark installation.

Accepting Gifts and other Advantages

Small gifts When employees or representatives of Modern Bakeries accept gifts or other advantages in accordance with the above regulation, appropriate use should be made of these small gifts at the workplace and jointly with other staff members.

Valuable gifts Sometimes it would be impolite to refuse a valuable gift, e.g. at a public event, or a gift is sent via postal service and cannot be refused at the door. In such cases the gift could be accepted, but returned later with a letter of explanation. Alternatively, its value

might be donated to charity. The giver will be informed about this procedure to avoid gifts of value being presented on other occasions. Acceptance of such a gift under these conditions must be reported to the CEO within 24 hours, also during a business trip.

Loans are not to be accepted from parties having prospective dealings with Modern Bakeries, unless such parties (e.g. bank or credit union) are in the business of making loans to individuals.

Offering Gifts and other Advantages

Gifts as an act of courtesy are **only offered** and personal advantages are only granted by Modern Bakery to the extent that ***no dishonesty, incorrectness or binding dependency*** can be seen to be generated as a result – by members of Modern Bakeries, second or third parties.

Small gifts can, in general, be offered only in the form of Modern Bakeries sample products or promotional items whose value per calendar year and recipient does not exceed 100 EGP.

Small gifts such as **flowers or chocolate** (value up to 300 L.E.) on special occasions where abovementioned items would not be appropriate can be offered **only by the CEO in the name of the company**.

Modern Bakeries will never offer valuable gifts to business partners or government authorities.

Accepting and Offering Hospitality

Dinner invitations by business partners are acceptable provided they take place in an appropriate and standard business framework; do not exceed a value of 250 EGP per person and occasion, and do not exceed a frequency of one occasion per quarter (4 per calendar year) per business partner and per staff member.

Modern Bakeries dinner invitations to business partners or government authorities will be only exceptional and always need approval by the CEO. They can be considered acceptable only if they take place in an appropriate and standard business framework; do not exceed a value of 250 EGP per person and occasion, and do not exceed a frequency of one occasion per quarter (4 per calendar year) per invited party.

In-house catering at Modern Bakeries' premises is not regarded as critical situation as this typically occurs in a very open and visible manner. However, such occasions also need to remain of appropriate value within the relevant department practice and budget.

Expenses

Business journeys to subcontractors or companies with which Modern Bakeries has business relations as well as conferences and similar events are **paid by Modern Bakeries**. It is not permissible for the respective subcontractor or company to pay for the costs of the journey or accommodation unless according to contractual agreements.

Modern Bakeries will also **not cover** any travel or other expenses of business partners or government authorities unless according to contractual agreements.

Cases of Doubt

In any case of doubt, staff members should consult the supervisor/department head/CEO (for high-level employees), or the Compliance Officer, who will then make a pertinent decision.

Internal Record

For Modern Bakeries' internal transparency and to support future decisions there is kept an internal record of cases. It must be reported to, and documented by, the Compliance Officer:

- Any frequent accepting and offering of small gifts, as well as frequent, but moderate, hospitalities and other expenses
- Any acceptance of symbolic presents such as flowers and chocolate, acceptable by management level staff up to a value of 300 L.E.
- High value offerings of gifts, hospitality and expenses (even if they have to be declined according to internal regulations)
- All explicit and implicit requests by third parties to offer inappropriate gifts, hospitalities or expenses (high frequency or value)

Political Contributions, Charitable Donations and Sponsorship

Contributions and Donations - Where is the problem?

Modern Bakeries is determined to combat corruption and bribery in direct as well as indirect forms. Appropriate caution should be exercised to prevent political contribution, charitable contributions and sponsorships being used for indirect bribery through "front" political, charitable, sporting or philanthropic organisations.

Political contributions, charitable donations and sponsorship could be used (or perceived) as bribes for example where a person who can influence the decision in a material transaction has an interest in or a family association with the organisation receiving the donation or sponsorship, and the person's judgement or influence on the transaction could be perceived as being affected by the contribution or sponsorship.

General Regulation

Modern Bakeries prevents **political contributions, charitable contributions and sponsorships** as a cover for bribery. We seek to avoid situations where the contribution could create the perception that the intention is to obtain a business contract or advantage as a direct result of the contribution. We ensure that contributions and donations are granted to credible organizations. For internal transparency reason and enabling public scrutiny we publicly disclose all our charitable contributions or sponsorships, direct or indirect political contributions.

Definitions

Political contributions include any contribution, made in cash or in kind, to support a political cause. Contributions in kind can include gifts of property or services, advertising or promotional activities endorsing a political party, the purchase of tickets to fundraising events and contributions to research organisations with close associations with a political party. The release of employees without pay to undertake political campaigning or to stand for office could also be included in the definition.

Charitable contributions are payments made for the benefit of society, for charitable, education, social welfare and similar causes – the payments are made without demand or expectation of business return.

Sponsorship is a transaction where the enterprise makes a payment, in cash or in kind, to associate its name with an activity or other organisation and receives in consideration for the sponsorship fee, rights and benefits such as the use of the sponsored organisation's name, advertising credits in media, events and publications, use of facilities and opportunities to promote its name, products and services. It is a business transaction and part of promotion and advertising.

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Conflicts of Interest

General Regulation

Modern Bakeries expects all employees to avoid conflicts of interest between personal interests and the interests of the company, and the company takes great care and has implemented clear rules to prevent such conflicts of interest in all departments. Any company member is prohibited to participate in an activity or decision that involves an actual or potential conflict of interest, unless notified to and approved by his/her supervisor, who will determine special terms and conditions where necessary. It is also prohibited for all the heads of all levels to use their subordinates or other workers for special services during their official working hours and to abuse their power for personal gain in any form.

Definition

A conflict of interest is when a personal interest or relationships which conflicts, might conflict, or might even just be perceived to conflict with the business interests. Conflicts of interests can impair objective judgment and lead to actions which are not honest and open. These can sometimes lead to a situation where individuals act against their better judgment and give or accept a benefit which may damage your business.

Modern Bakeries high-level representatives know and are well known by those of business associates, and good relations are a valuable part of business life. Also other employees of Modern Bakeries might experience situations where a personal relationship exists to persons affected by, or affecting, the carrying out of job duties.

However, good relations could result in perceived obligations which in turn may put people into situations where their judgment is impaired and they may not act in the best interests of the business.

Even without malpractice, decisions taken in the context of conflicts of interest may be perceived as corrupt activities. This can be just as damaging to company integrity, and reputation, as actual malpractice.

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Contract Payment Terms

General Regulation

To ensure transparency and prevent loopholes for bribery and undue favours in setting up terms and conditions of any contracts with third parties, delivering services or supplying goods to Modern Bakeries, we ensure and enforce the following principles:

- clear commercial justification must be given for all payment terms in contract agreements
- any commission fees have to be balanced by measurable business value
- services supplied by third parties have to be clearly recorded, and the terms of service understood and agreed upon in advance with responsible persons within Modern Bakeries
- any payments have to be made in accordance with relevant tax laws
- payments will not be conducted offshore, or in cash
- contract terms allow for immediate termination of the agreement if the other party pays or accepts bribes in connection with the business
- our internal auditors are obliged to report anything suspicious which might indicate irregularities connected to bribery or money laundering

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