

ANTI-FRAUD POLICY

OF THE BORSODCHEM GROUP





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JUNE 2015

Approved by,

Jiansheng Ding
Chairman & CEO

OBJECTIVE OF POLICY

BorsodChem Group is committed to the norms and principles ensuring fair and lawful operation in line with the Code of Ethics. This policy – in addition to the Code of Ethics – determines certain forms of fraud and bribery, the procedures applied at the investigations and applicable sanctions.

DEFINITIONS

Fraud is defined as the intentional behaviour or act, which is conducted/ committed by the executives or employees of the BorsodChem Group basically violating a legal provision, internal regulation or the basic principles of fair market behaviour in the interest of profiteering.

Bribery is an intentional act in the course thereof

- the briber requests unauthorised profiteering for themselves or a third party in exchange for a bribe or other allowances and
- the person accepting the bribe brings unauthorised advantage to the briber or the person designated by them.

Bribery is always aimed at making and formulating some sort of decision and obtaining power.

Misappropriation is an intentional act in the course thereof the BorsodChem manager, or an employee who is entrusted with the management of BorsodChem Group's assets, breaches its duty and causes financial loss to the BorsodChem Group.

In criminal law, misappropriation is the intentional, illegal use of the property or funds of another person for one's own use or other unauthorized purpose, particularly by a public official, a trustee of a trust, an executor or administrator of a dead person's estate or by any person with a responsibility to care for and protect another's assets (*a fiduciary duty*). It is a felony, a crime punishable by a prison sentence.

SCOPE OF POLICY

The subject scope of this policy applies to the investigation of all events, behaviour and/or act, which substantiates the suspicion of fraud or bribery. Its personal scope involves managing officers, managers, shareholders, consultants, employees of BorsodChem Group as well as any other parties with a business relationship with BorsodChem Group. Any investigative activity required will be conducted regardless of the suspected wrongdoer's duration of employment, position/title or relationship to BorsodChem Group.

PRINCIPLES AND GUIDELINES FOR GIFTS

- Any gift-receiving or accepting invitation over the usual extent, which may influence the receiver's objectiveness (*regardless of the gift's value*), is not permitted. If an employee is uncertain regarding the event, he/she should turn to the direct manager for guidance.
- A gift is to be strictly refused if there is a slightest suspicion of bribe by its provision. Such events are to be reported to the Ethics Line.
- Seeking gifts or implied behaviour aiming thereat is prohibited.
- Any gift over the accepted norms in business life must be refused:

Therein:

- The acceptable limit of gift amounts to EUR 50 per capita.
- Regularly repeated, more frequent than usual gifts shall be rejected, even if the individual cases do not reach the limit of EUR 50.
- The business lunch, dinner is not part of the limit.
- Exceptions (*handing over or accepting a gift of a value exceeding EUR 50*) are possible along with full transparency and an approval process. Vice Presidents are involved in the approval process while keeping Communication & CEO Office and Compliance & Internal Audit informed at the same time. Compliance & Internal Audit archives the decisions regarding exceptional cases. The detailed practice is described in the relevant policies of the group.
- Gifting in the form of any cash and cash equivalents shall be strictly repudiated regardless of the size of the amount.

The above principles and prohibitions shall apply to the BorsodChem Group's employees and representatives as a gift giver and as a gift-receiver.

ROLES AND RESPONSIBILITIES IN CASE OF FRAUD AND BRIBERY

The Management takes primary responsibility for the prevention of fraud and bribery.

In case of complaints reported via the Ethic Line, the Director Compliance & Internal Audit coordinates all the investigations – *and if necessary* – makes a decision on the involvement of external bodies and experts.

The roles and responsibilities related to BorsodChem Group's present policy are summarized in **Appendix No. 1**.

DEFINITE CASES OF FRAUD AND BRIBERY

Fraud and bribery as a generic term involve the following:

- Personal transactions with BorsodChem Group's assets, especially financial instruments
- Abuse with information profiteering.
- Misappropriation of purchased inventories, finished products and other inventories, assets owned by BorsodChem Group for own purposes and profiteering.
- Improper and intended failure or conduct in the managing or reporting of cash or financial transactions.
- Profiteering as a result of insider information of BorsodChem Group's activities.
- Accepting or seeking anything with material value or personal benefit from a third party – such as contractors, vendors, or persons providing services to the BorsodChem Group or persons conducting agent activities *[Further details are stipulated in the section principles and guidelines for gifts.]*
- Intentional forgery of records and reports.
- Provision of personal benefits for any party abusing its managerial position or other influence.
- Performance of activities bound to be reported without permission.

REPORTING AND INVESTIGATION RESPONSIBILITIES

Reporting responsibilities

An employee who discovers or suspects fraud or bribery activities on the grounds of a well-established reason as defined in the Code of Ethics and the Ethics Line Policy is authorised and obliged to indicate all observations to the Compliance & Internal Audit. The Director Compliance & Internal Audit is responsible for ensuring the anonymity of all reporting individuals or complainants.

Confidentiality

Compliance & Internal Audit manages all information received confidentially. Ensuring privacy rights has priority under all circumstances in the applied investigation methods and when disclosing information to the public. The group guarantees that the person reporting the suspicion of fraud and bribery cannot be in an adverse situation specifically due to the reporting and no retaliation may be applied against them.

Employees participating in the investigation have confidentiality obligations. Until the completion of an investigation and the written observations:

- They may not refer to the nature or qualification of the investigated action either,
- They are forbidden to disclose either written or oral information related to the case in progress to any persons, unless the Director Compliance & Internal Audit provably instructs them to do so in writing.

No information concerning the status of the investigation shall be made public during the investigation procedure. Following the completion of an investigation, the factual results will not be disclosed to the public, only persons involved in the investigation and executives with appropriate decision-making and proceeding competences are allowed to become familiar with the findings of the investigation. Director Compliance & Internal Audit – *for training purposes and in order to avoid similar cases in the future* – may share the lessons learned from the case in a wider group of employees ensuring privacy rights and without denominating the individuals and organizations involved in the case.

Investigation of complaints

The group decides on investigation of the reported complaints according to the Ethics Line Policy. The group authorizes the Compliance & Internal Audit with every lawful means in order to efficiently investigate fraud and bribery. Investigations are executed with the CEO's written consent.

Persons conducting the investigation will have:

- Free and unrestricted access and the right of inspection to all BorsodChem Group records and investigation related documents.
- The authority to examine, remove the IT instruments and data storage facilities on site and make a copy of their data content. Moreover, they are entitled to examine the working premises and furniture on the premises without the prior knowledge or consent of the person who might use these items or facilities when it is within the scope of their investigation. Examination of the items owned by the affected person is rendered possible only in the presence and with the consent of the concerned individual.

During the investigation proceedings against the persons under procedure shall be conducted as per – *regular legal practice, presumption of innocence, abuse of rights prohibition etc.* – the general legal principles.

During the investigation, all inquiries concerning the activity from the suspected individual, their representative or any other inquirer shall be directed to the Director Compliance & Internal Audit.

MEASURES RELATED TO EMPLOYMENT RELATIONSHIP

If the suspicion of fraud or bribery is substantiated following the investigation of the case reported via the Ethics Line, the Company will strictly proceed as per the principle of zero tolerance and of consistency against all perpetrators committing fraud and bribery.

Should the concerned employee be exempted from work performance for the sake of a successful and authentic investigation proceeding and the prevention of estimated material damage, it is the sole competence of the HR & Communication – *based on the Director Compliance & Internal Audit's or the relevant Vice President's proposal* – to order it. HR & Communication is obligated to proceed even if termination of employment is ordered as a sanction after the investigation is completed.

ADMINISTRATION

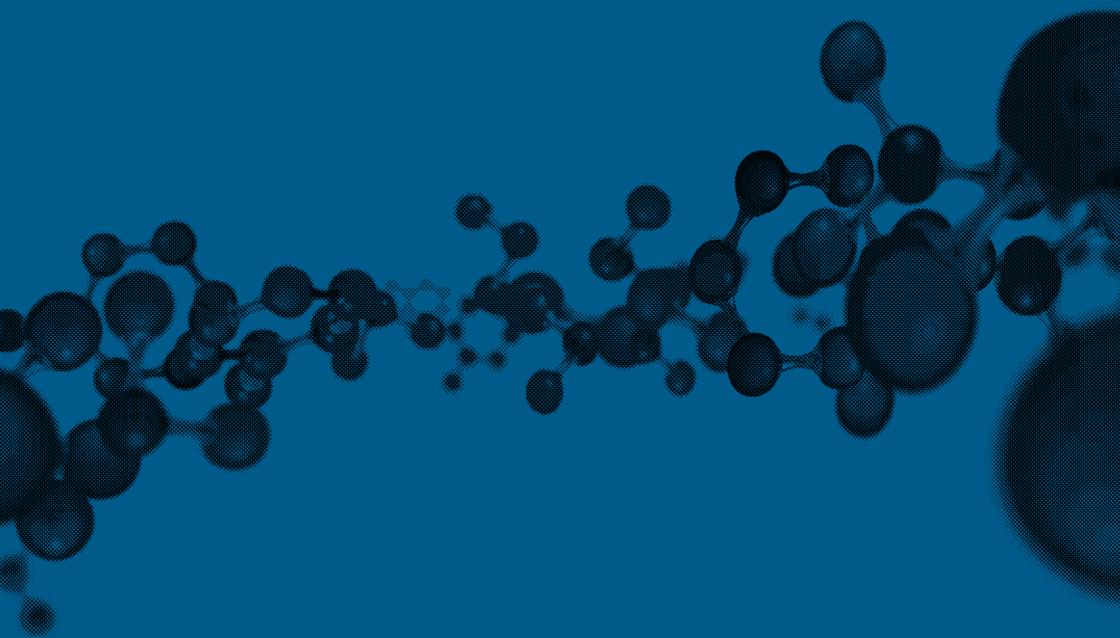
The Director Compliance & Internal Audit is responsible for the administration, revision, interpretation, and application of this policy. The policy will be reviewed annually and revised as needed and approved on behalf of the Company Management.

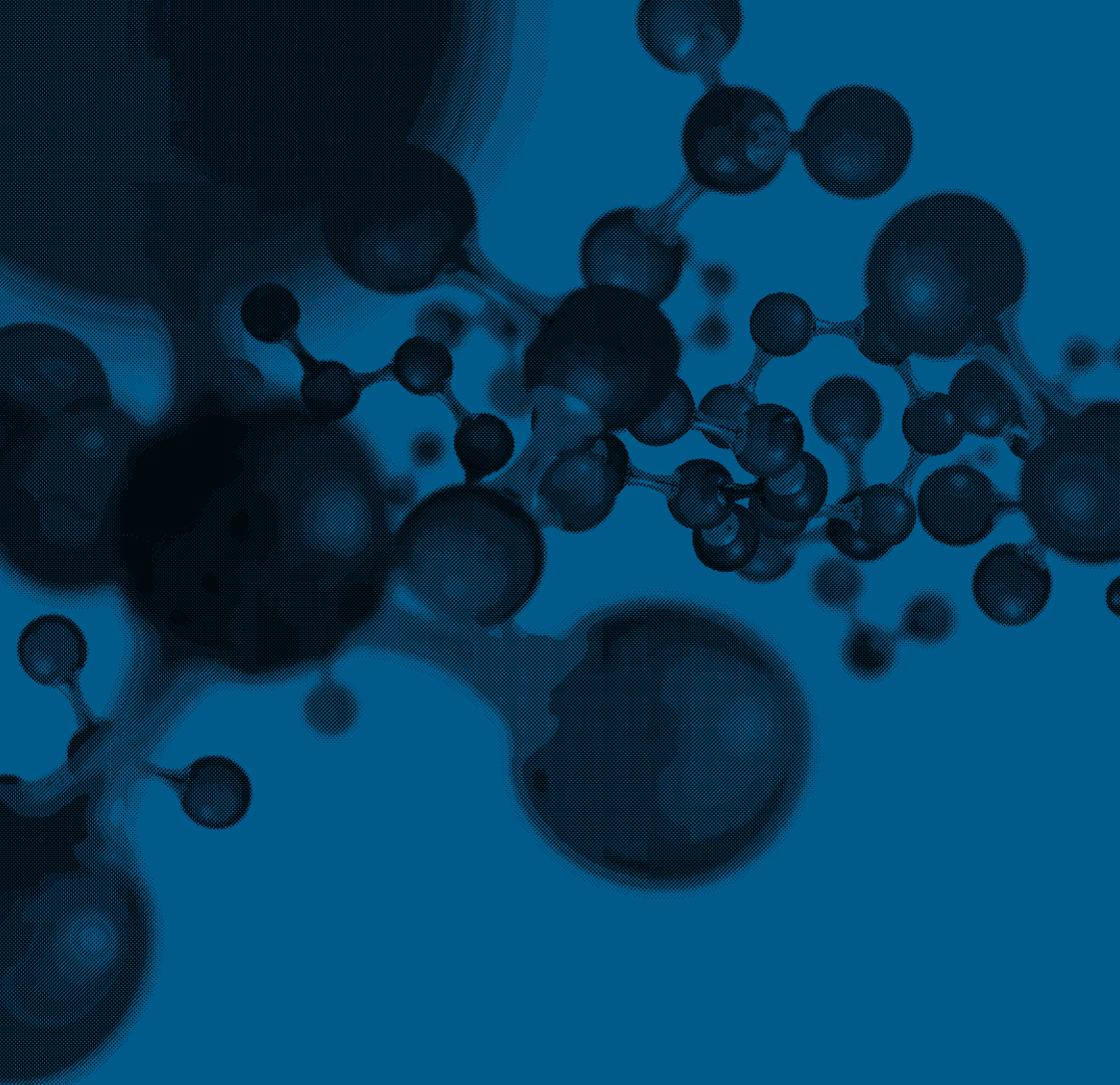
APPENDIX 1

ROLES AND RESPONSIBILITIES

MEASURE	MANAGEMENT	COMPLIANCE & INTERNAL AUDIT	CORPORATE SECURITY	HR	LEGAL OFFICE	ETHICS COMMITTEE	COMMUNICATION
Elaboration of regulations and procedures preventing fraud	P	S	S				
Operation of Ethics Line		P					
Reporting complaint to Ethics Line	P						
Investigation of fraud reported via the Ethics Line		P	S	S	S		
– Auditing internal controls		P	S				
– Proposal for remedial actions	S	P	S				
Definition and execution of remedial actions	P					S	
auditing execution of remedial actions		P					
Managing labour / employment related procedure		S		P	S		
Management and follow up of labour lawsuit				P			
Initiating civil litigation, compensation for damage		S			S	P	
Follow up of civil litigation and compensation		S			P		
Proposal for reporting the case to the police		S	S		S	P	
Follow-up of criminal lawsuit		S	S		P		
Publicity / press releases		S	S		S	S	P

P – Primary responsibility / S – Supportive role





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