

## AS Merko Ehitus HANDBOOK OF BUSINESS ETHICS

**Merko's success is built on ethical business activity. In their everyday work, we expect our employees, clients and business partners to follow the ethical business practices laid down in the Group's Code of Business Ethics.**

### WHAT ARE BUSINESS ETHICS?

Business ethics are about honouring ethical values (honesty, impartiality, respect and integrity) in business activity and when carrying out 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 that means doing the right thing even when others are not watching.

### DO BUSINESS ETHICS CONCERN YOU?

Yes, they do. Business ethics concern all managers and employees of AS Merko Ehitus Group companies, including interns. We also urge that our Code of Business Ethics be applied and followed in our joint ventures and by our business partners and subcontractors.

### WHY A HANDBOOK OF BUSINESS ETHICS?

This Handbook of Business Ethics provides detailed information about why are business ethics important and what to do in the event of a possible violation of business ethics or when one has already occurred. It also equips employees with necessary information and examples through which they can make sure that their ethical values are the same as Merko's and that there will be no conflict of values even in the long run. Basically employees can assure themselves that they share the values of Merko. If you want to know exactly how we deal with said issues and problems here at Merko and what are your responsibilities, please read the Code of Business Ethics.

Remember: The Code of Business Ethics or the Handbook of Business Ethics 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 in keeping with the goals of Merko's business ethics;
- if you still aren't sure what to do, see your direct supervisor, the HR manager or a lawyer for advice.

### REPORTING ILLEGAL OR UNETHICAL CONDUCT

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

Incidents of unethical conduct must be reported. It is important for preventing losses for the whole company. Also, people's attention should be drawn to the unethical nature of their conduct/actions so they would not continue such behaviour or make decisions reinforcing this kind of behaviour, thereby increasing risks arising from unethical conduct.

Merko has established a variety of means and channels for reporting possible violations and sharing information, and all employees, clients and partners are invited to use them. Suspected violations and information on conduct that you feel 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 (financial or otherwise, damage to reputation) for a Merko company, its director, employee, shareholders or the entire Merko Ehitus Group; or
- may impact incentive to work, productivity or safety.

Safety, confidentiality and anonymity are ensured in each stage of the reporting system.

Reporting incidents is simple. Just go to the Merko Group website at [www.group.merko.ee](http://www.group.merko.ee) and make an anonymous tip through the report form you'll find there, send an e-mail to [ethics@merko.ee](mailto:ethics@merko.ee) or call the whistleblowing 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?
- This is a once-in-a-lifetime opportunity to prove yourself.
- 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 actions/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?

## **MAIN AREAS**

Merko's Code of Business Ethics focuses on seven main areas and this Handbook contains the following for each main area:

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



## 1. CONFLICT OF INTEREST

### MERKO'S POSITION

Merko employees may not participate or give the impression of participation in activities where a conflict may arise between their own personal interests and the business interests of Merko.

### 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 the best interests of Merko, notify your direct supervisor immediately.

### ALSO IMPORTANT

A conflict of interest arises when your personal interests interfere with the interests of your company (employer).

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 business related decisions are always based on objective and professional criteria.

#### EXAMPLE 1



#### RESPONSE 1

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 for whom they work.

No, you can't control that, but you have to notify your direct supervisor or the company lawyer if this situation arises. Many of these sorts of situations can be resolved by mutual agreement. This means that it's important that we can apply measures to keep a conflict of interest from arising and avoid the company's business decisions being impacted.

**EXAMPLE 2****RESPONSE 2**

I'm a project manager. Can I use a company as a subcontractor if I have a stake in it?

It is allowed to hold shares of different companies as a small investor. But in this case you have a stake in a subcontractor and your decisions wouldn't be objective. You will have to notify your direct supervisor of this situation, so they 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.

## 2. DUTY OF CONFIDENTIALITY AND INSIDER INFORMATION

### MERKO'S POSITION

Information is not confidential just because it has been marked confidential. If you are unsure whether or not information is confidential, contact your direct supervisor or a lawyer for advice. Merko employees may not misuse confidential information they have learnt of in the course of their duties, through business transactions or otherwise.

### THE MOST IMPORTANT THING TO KNOW

Any confidential information that you have learnt of or that you create in the course of your duties must be kept safe and it may not be used in your self-interest or to make your life easier without any financial gain.

As a publicly traded company, Merko is required to follow the Estonian Securities Market Act and the NASDAQ Tallinn (Tallinn stock exchange) rules on sharing price sensitive information. Merko has also set its own rules on insider information and trading. You'll find further guidance in 'Internal Rules on Insider Information and Trading Merko's Stock'. The topic of publicly disclosing information is also dealt with in '[Procedure for disclosing information](#)'.

Merko also requires its employees to comply with the principles on protection of personal data under the European Union General Data Protection Regulation. Personal data that employees have learnt of in the course of their duties must be kept safe and processed only for professional purposes.

### ALSO IMPORTANT

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

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

### EXAMPLE 3



### RESPONSE 3

I received a price offer from a subcontractor. Another supplier wants information about the price offer to make Merko a counteroffer. Can I share it with the second supplier?

No. Such conduct is not ethical nor allowed. The offer from the first subcontractor was addressed to Merko, making it confidential and not intended to be shared with third parties.

### EXAMPLE 4



### RESPONSE 4

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?

No. This constitutes confidential information between the company and the customer. Besides, considering the contract volume, it is a significant contract for Merko that should be treated as insider information and that Merko as a publicly traded company should first announce through the stock market information system.

### EXAMPLE 5



### RESPONSE 5

I inadvertently came upon a co-worker's salary data in an e-mail. Can I share this information informally with my colleagues?

No. This is confidential information of the company and personal data of the specific employee. Sharing this information with others is definitely unethical and may also be unlawful. This e-mail should be deleted and the sender should be notified that the information went to the wrong recipient.

## 3. BRIBERY AND CORRUPTION

### MERKO'S POSITION

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

### THE MOST IMPORTANT THING TO KNOW

Every Merko employee must do their utmost to avoid giving and taking bribes. No employee may be punished in any manner for refusing to offer or accept a bribe even if this may mean forgone business.

The fact that somewhere in the world, in a different culture or from someone's personal point of view, bribery may be ethically acceptable is not an argument for tolerating corruptive actions at Merko or by Merko employees.

## ALSO IMPORTANT

Bribes are illegal in all countries and situations. Thus, a simple truth: avoid any connection with bribery.

A bribe is when one person either directly or indirectly promises, offers or gives another person something of value for the purpose of gaining an unfair advantage. Such an unfair advantage is any advantage to which you are not actually legally or justifiably entitled and which can only be achieved 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 goods or service.

### EXAMPLE 6



### RESPONSE 6

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?

You must immediately report this to your direct supervisor or company lawyer who may involve the police in further actions, where necessary. It is illegal to ask for, give and accept a bribe.

### EXAMPLE 7



### RESPONSE 7

An employee is carrying out a procurement to find a construction subcontractor. In exchange for being awarded the contract, the head of the company transfers 1000 euros as kind of a service fee to the bank account of the project manager's personal company (or hands the sum over in cash). Is this a problem?

This constitutes a bribe. A bribe is illegal and may not be accepted in any form. If you are offered a bribe, you must immediately report this to your direct supervisor, company lawyer or the Merko tip hotline.

## 3.A HOSPITALITY AND GIFTS

### MERKO'S POSITION

Gifts, meals and entertainment that the Merko Group and its employees may offer or accept must be appropriate. Gifts, meals and entertainment that are not consistent with justified business goals may not be offered to or accepted from public or private sector stakeholder representatives. Extravagant gifts and benefits that clearly go beyond common courtesy may be construed as a source of corruption or bribery, so we must be careful when it comes to giving or accepting such gifts. It is not just your own assessment of the benefit offered that counts, you must also consider the impression it may give the others.

## THE MOST IMPORTANT THING TO KNOW

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

When accepting gifts, always follow the protocol established in your company (adopted by the company's internal procedure rules). Gifts within the acceptable range may be used for personal purposes as long as other applicable principles (reasonableness, transparency, infrequency, business purpose, etc.) are followed. Gifts more valuable than allowed must be declined or returned to the sender.

The value of hospitality 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.

## ALSO IMPORTANT

- Money must never be given or accepted as a gift and the same applies to a quasi-money gift certificate (i.e. for very wide variety of goods or services). Gift certificates for local events (concert, training session or other) are allowed if there is reason to believe that the receiver will also bear costs when using the gift certificate.
- Regardless of the value of the gift, all gifts given and accepted must always be appropriate and their receipt or use may never be conditioned upon a counteract (buying goods or services, awarding a contract or other) or a promise thereof by the receiver.
- When giving and accepting gifts, always use as a basis the limits and procedure established in the company.
- Before making a gift to a government official, always consult a lawyer as to the necessity, content, value and timing of such a gift. For civil servants there is a higher risk that the gift may be incorrectly construed and seen as a bribe. Bribes are illegal in all countries and situations. The Merko Group and its employees may not accept or offer bribes in any form whatsoever.
- Gifts are not frequent, they are given on rare occasions and not secretly. If you are hosted or you accept small gifts repeatedly, it can be considered as an attempt to influence your objective judgement.
- Trophies, commendation certificates and statues may be considered gifts of symbolic value that are presumably given for the purpose of recognition.

### EXAMPLE 8



### RESPONSE 8

Upon conclusion of a project a subcontractor sends the site manager a bottle of wine. What to do?

If you know the price of the wine to be lower than the limit set by the company, you can accept the gift and use it yourself. But other principles must also be observed when accepting a gift: reasonableness, transparency, infrequency, and so on.

### EXAMPLE 9



### RESPONSE 9

A company that was a supplier in a project sends the project manager a sports club gift certificate for 50% off for 12 months. What to do?

If such a gift certificate is not given to other members on the project team, it must be returned. A gift given to a single person or to a very limited number of people is only allowed if there is a special occasion and even then the value of the gift must be below the established limit.

## 4. COMPETITION RULES

### MERKO'S POSITION

Merko promotes fair and open competition on all markets. The Group is dedicated to promoting and applying conduct in line with the business ethics standards, likewise all laws and regulations on business practices. Any violation of fair competition is in conflict with the Group's principles of business practice and values.

For example, illegal price fixing, illegal market sharing and other activities that hamper, restrict or distort competition are in conflict with competition laws.

### THE MOST IMPORTANT THING TO KNOW

Today, Merko operates in the European Union where common competition principles apply, which in turn are complemented by national laws and other regulations. In all our activities we follow the applicable competition laws and avoid situations that run a risk of contravening the competition rules. We don't discuss prices or pricing with competitors, likewise participation in procurements, expenses or expense structures, strategic decisions or other information that is not public and that our competitors should not know. We are aware that any information collected and processed through professional associations must be in line with the competition rules and it may not include any data or agreements that restrict competition. That is why we take compliance of issues discussed and information gathered by professional associations very seriously.

If you have any questions or doubts as to the appropriateness of your action, immediately consult your direct supervisor or company lawyer.

### ALSO IMPORTANT

It is prohibited to:

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

The following must be avoided:

- releasing misleading or libellous information regarding a competitor or its goods/services;



- misuse of confidential information;
- taking advantage of an employee of Merko or of its partner or competitor.

#### EXAMPLE 10



I am putting together a price offer for a customer and the subcontractor's representative hints that if we asked, he could give us information on the content and price of competitor's offer. Can I ask for this information and take it into consideration in putting together the price offer?

#### RESPONSE 10

No. 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 that reflects Merko's readiness to perform the work as requested by the customer and in a high-quality way that is profitable for the company.

## 5. EQUAL TREATMENT

### MERKO'S POSITION

Merko respects everyone and does not tolerate discrimination of any kind, including on the basis of nationality (ethnic origin), race, sex, colour, religion or beliefs, age, disability or sexual orientation.

As an employer, Merko applies measures necessary to protect employees from discrimination. Merko also relies on the principles of equal treatment in cooperation with clients, subcontractors, service providers and other partners, including in their selection, in establishing terms of payment and other conditions for them, and in other aspects of cooperation.

### THE MOST IMPORTANT THING TO KNOW

Attention must be devoted to equal treatment in activities and decisions on a daily basis. We have to make sure that there is no unequal treatment of employees as to recruitment, working conditions, promotion, termination of employment contract and remuneration.

### ALSO IMPORTANT

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

#### EXAMPLE 11



I am looking for an employee for a 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. But 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.

#### RESPONSE 11

Every Merko employee must base their decisions on the company's interests – when recruiting a new employee it is 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.

## 6. PROTECTION AND PROPER USE OF ASSETS

### MERKO'S POSITION

Employees must do their utmost to protect Merko's assets and ensure the efficient use thereof.

### THE MOST IMPORTANT THING TO KNOW

Theft, carelessness and wasting have a direct impact on Merko's financial position which, in turn, defines Merko's ability to take on new projects and pay competitive wages to its employees. Every suspicion of fraud or theft must be promptly reported to the relevant company's board member to allow an investigation into the matter.

As appropriate for information society we must also protect our information. Information assets are covered by the rules on confidentiality and insider information in place across the organisation (see above), but we must also protect these information assets against theft and ransom attacks. Cyber crime affects an increasing number of companies and Merko is no exception. In order to protect information assets, employees are required to keep their passwords and access rights safe from third parties, pay attention and apply due care in preventing malware from getting into our information system through e-mail, and avoid downloading on the employer's computer files with unknown origin and program code.

### ALSO IMPORTANT

Employees are encouraged to report cases to their direct supervisor. Cases and suspicions concerning information assets must be reported to the employees responsible for IT security, appointed by the company.

#### EXAMPLE 12



#### RESPONSE 12

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 this equipment, so can I use Merko's?

It is not appropriate; company property must be used only in the interests of the company and in no case for private interests. If you want to use the equipment, you will have to bring it up with your direct supervisor. It is possible to arrange rental of certain equipment.

## 6.A KNOW YOUR CUSTOMER AND ANTI-MONEY LAUNDERING

### MERKO'S POSITION

Merko will not facilitate any illegal business of unknown persons and Merko employees may not let Merko's business activities to be used for money laundering.

### THE MOST IMPORTANT THING TO KNOW

Money derived from crime is always tried to be brought back to legal circulation (laundering the money) because criminals want to consume goods and services they can't have or use secretly. Money laundering is an independent crime and it is prohibited to exploit Merko's economic activities for investing or circulating money of unknown origin. Even if Merko employees unknowingly or inadvertently allow Merko to be exploited, it is highly likely that it will cause financial loss for Merko.

To avoid such accusations and the resulting loss and damage, every Merko employee must be diligent in dealings with third parties, especially with those transacting with Merko for the first time. The authenticity of counterparties must be validated and where there is doubt, further inquiries must be made as to the origin of funds. Special attention must be paid to situations where counterparties propose to involve a third party for settlement (remitter or payee) or to use accounts outside OECD countries.

### ALSO IMPORTANT

All cases must be reported to direct supervisor. In issues of settlement and involvement of third parties it is wise to consult with the Finance Department.

## 7. ENVIRONMENTAL PROTECTION AND SUSTAINABILITY

### MERKO'S POSITION

Merko employees must carry out their actions keeping in mind the sustainability of the environment, meaning they must act based on the principles of sustainability and energy efficiency.

### THE MOST IMPORTANT THING TO KNOW

When planning our activities we must ensure reasonable and optimum waste sorting at the site of origin and check whether our waste treatment partners hold relevant environmental permits and also do a background check on them. This is how we make sure that waste created as a result of Merko's activities is handled properly and it will not cause any environmental damage or potentially harm the reputation of Merko.

As waste management (circular economy) develops, and the corresponding market (companies) is created we prefer economically sound re-use to utilisation.

Environmental aspects and effects must be assessed project based, defining the hazards that may influence the company and its employees. Management and consideration of environmental hazards requires plans for measures and identification of necessary instructions for action. To ensure compliance with the principles of environmental management Merko employees are required to complete the relevant internal training arranged by the Quality Department.

We make sure that the state of the environment will not deteriorate in broader terms; to this end we carry out our development projects by only using plots that have no negative effect on key biotopes or primeval forests and that do not reduce the use of fertile agricultural land.

### ALSO IMPORTANT

In the event of actual or suspected environmental pollution it is wise to consult the Quality Department at Merko.