



CODE OF CONDUCT

APPLICABLE
WITHIN SPHERE SA
AND ITS SUBSIDIARIES

Text deliberated by the Board of Directors on March 1, 2018

Introduction

This Code of conduct has been adopted in application of the provisions of the “Sapin II” law of December, 9th 2016 on transparency, the fight against corruption and the modernisation of the economy. It is an integral part of the Internal Rules of the company and was subject to consultation with the staff representatives as set out in article L 1321-4 of the French Labour Code. It takes effect one month after the final filing formalities have been accomplished.

The Code of conduct is disseminated by any means, notably by way of notifications, posters or publications, on the SPHERE website where appropriate, so that it is accessible to staff members.

It reflects the unwavering commitment of the company’s senior management to devote the necessary resources to combating corruption, which it has made a priority.

It applies to all employees of the Group, who must familiarise themselves closely with the Code and undertake to respect it.

This Code of conduct is a live document which will be regularly updated on the basis not only of legislative changes, but also in light of new cases of improper conduct illustrating practices of corruption or influence peddling.

Besides the precise points set out and illustrated in this Code of conduct, each time an employee witnesses a behaviour or practice they consider to be inappropriate or anti-ethical, they should, to position themselves, ask themselves the following:

- what would their reaction be and the consequences if the action in question were to be made public;
- how they would react if they were the subject of the action in question.

1 Prohibited behaviours

Generally speaking, the purpose of prohibiting these behaviours is to prohibit payments, in the broadest sense of the word¹, made for an inappropriate purpose, or rather to promote the company's business in an irregular manner².

1/ Corruption.

Corruption is defined as the behaviour whereby a person vested with a certain public or private function seeks or accepts a donation, offer or promise with a view to accomplishing, delaying or neglecting to accomplish an act which, directly or indirectly, is within the remit of their functions.

It may be passive³ or active⁴ and implies the violation, by its perpetrator, of the duties inherent in their function.

No employee of the Group may engage in acts of corruption of any nature whatsoever (public or private, passive or active).

EXAMPLES

1/ Offering a government agent a gift in return for a favourable decision constitutes an act of corruption.

2/ Offering a customer a sum of money or a gift to win a contract constitutes an act of corruption.

In France : active corruption is punished by a 10 years' imprisonment and a fine of 1,000,000 euros if committed against a person in a position of public authority responsible for exercising a public function or holding elected public office (article 433-1 of the French Criminal Code). Active corruption involving a person not exercising a public function is punished by 5 years' imprisonment and a fine of 500,000 euros (article 445-1 of the French Criminal Code).

1 | Payment of money, notably cash, excessive donations in kind, unjustified advantages, "kickbacks", etc.

2 | Payment of a government representative to derogate from legislative provisions, for the irregular award of a contract, etc.

3 | Corruption is passive when a person exercising a public function profits from this function by seeking or accepting donations, promises or advantages with a view to accomplishing or abstaining from accomplishing their function. For example, an HR manager accepts an invitation to a conference on the Côte d'Azur by a temporary employment agency. In return, they would be tempted to systematically choose this company for their temporary employment needs. This HR manager is therefore compromised within a framework of passive corruption.

4 | Active corruption is when someone, at any time, directly or indirectly proposes or grants to a French or foreign government agent (representative of government authority responsible for a public service mission, employee of a public company, etc.) or to a private person (within the context of a professional or social activity, a management role or a mission for a physical or legal person), offers, promises, donations, gifts or advantages of any kind, for themselves or for someone else, in order for those persons to accomplish or abstain from accomplishing (or because they have accomplished or abstained from accomplishing) an act of their mission or their mandate, or an act facilitated by their function, their mission or their mandate.

Passive corruption is punishable by 10 years' imprisonment and a fine of 150,000 euros if committed by a person exercising a public function (article 432-11 of the French Criminal Code), or by 5 years' imprisonment and a fine of 500,000 euros if committed by a person not exercising a public function (article 445-2 of the French Criminal Code).

2/ Influence peddling.

Influence peddling is defined as the act of directly or indirectly promising, offering or granting to a government agent or any other person an improper advantage, so that agent or person misuses their real or assumed influence in order to obtain an improper advantage for the initial instigator of the approach.

Like corruption, influence peddling can be passive⁵ or active⁶.

EXAMPLE

If an intermediary announces that they know the person “best placed” to progress the processing of a file with an administrative authority, and that they can speed up the process in return for an advance on their fees, the employee must be alert and never agree to a request of this kind. They should notify their line manager or at the very least a company manager.

3/ Summary of the Ethical Charter.

The Group's Ethical Charter states that “no employee should directly or indirectly accept, seek, offer or pay sums of money or other favours of any kind, even as a result of unlawful pressure”.

The Group will not tolerate any type of corruption, in any form or by any means, in any jurisdiction, even those in which the activities are normally permissible or not liable for prosecution.

The Group points out the fact that French jurisdictions can punish acts of corruption committed abroad by a French person or a person with their residence in France, or even a person with all or part of their economic activities situated in France.

2 Behaviours to be adopted

To prevent the commitment of any act of corruption or influence peddling, the following rules must be observed.

They apply to both the offer and acceptance of advantages.

⁵ | On the part of the intermediary.

⁶ | On the part of the beneficiary.

Furthermore, besides the precise points set out and illustrated in this Code of Conduct, each time an employee witnesses a behaviour or practice they consider to be inappropriate or anti-ethical, they must, to take a position:

- ask themselves what their reaction would be and the consequences if the action in question were to be made public;
- how they would react if they were the subject of the action in question;
- discuss the issue with their line manager;
- and, if necessary, report the issue following the procedure in place within the Group.

1/ Gifts or invitations.

When such an act could be likened to corruption or a form of influence peddling, gifts or invitations are, in principle, forbidden.

Minor gifts or advantages (meals, reimbursement of travel expenses, promotional products etc.) may be tolerated provided the following conditions are strictly observed:

- they must be reasonable and offered in good faith;
- the offer of the gift or invitation should be temporary in nature, exceptional and non-habitual. They must be directly linked to the promotion of the company's services or products;
- the gift or invitation (offered or to be offered) must remain within the cost limits, which are revisable and defined below:
 - **top management** acting within the normal course of their job: value of gift or invitation (to lunch, etc.): **< 50€ incl. tax,**
 - **executive management:** **< 200€ incl. tax;**
- the gift or invitation (offered or to be offered) must be within the framework of a policy of the company or the Group;
- the gift or invitation (offered or to be offered) must be customarily notified to their line manager and an authorisation request must, as far as possible, be obtained;
- it is advisable to refrain from accepting an invitation or a gift or extending an invitation to a person involved in an ongoing tender unless this can be treated as a work meeting.

When a declaration is made to their line manager, a written record of the type of gift and its justification is kept.

If the gift or invitation exceeds the amounts set out above, the employees, time permitting, must notify their line manager or the Guarantor of the Ethical Charter in writing.

More generally, and in the event of any doubt, gifts or invitations whose nature or cost imply they are being made to inappropriately influence a decision must be refused.

EXAMPLES

1/ An IT solutions provider has developed a tablet app and asks an employee of a third-party company to test it. In “thanks” for testing it, they offer them a tablet, and propose that the employee of the third-party company recommends the tested app in their professional environment (counterpart to the gift).

2/ To promote its policy and strategy, particularly in environmental terms, the company participates in sporting or cultural events, or might organise events of a relational nature.

The list of guests invited and the objectives of these events are established and kept by the Communication Department and validated by the CEO. These events cannot have the pretext of attempting to obtain any information or advantages from a customer or a supplier.

2/ Facilitation payments. (Commission for contract awards, facilitation of administrative procedures, etc.).

These are unofficial payments, even of small amounts, intended to facilitate or guarantee the accomplishment of the simple procedures or acts that the payer is entitled to expect, whether this entitlement has a legal or other basis (facilitation payment to a government agent).

It might also involve a particular request of a provider (miscellaneous services, kickbacks, etc.) to ensure or facilitate the services they are contractually entitled to expect (facilitation payment to a private party).

EXAMPLE

A company working with an authority regularly extends invitations to the person responsible for ordering the payment of invoices and/or offers them gifts to facilitate the more rapid payment of their invoices.

The practice of facilitation payments, irrespective of the objective sought or the persons concerned, is rigorously prohibited.

3/ Patronage and sponsorship.

In view of the potential risks inherent in actions of patronage or sponsorship, any action of this type must be formally approved by the CEO or one of the CEO's deputy managing directors.

These actions are normally centralised and should be part of a Group policy.

As such, patronage or sponsorship requests of any nature (cultural, sporting, etc.) must be addressed to the Group's Corporate Secretary, in the form of a file stating the purpose of the request, the association concerned, the impact for the company or the Group, any links or relations of the heads of the association with customers or suppliers, government agents, etc.

Particular attention should be paid to the quality and reputation of the charitable organisation.

The list of patronages or sponsorships or donations to associations will be published by the company each year.

EXAMPLE

An employee who belongs to a charitable association may not take it upon themselves to donate the company's delisted products to a raffle benefitting that association. They must first of all obtain the express consent of the company.

4/ Discounts, invoice rebates.

Discounts or invoice rebates may only be granted on an explicit contractual basis.

Under no circumstance they may be granted by agreement between a business manager of a company of the Group and suppliers or customers.

Discounts or invoice rebates must be justified and logged by the financial departments of the companies concerned.

5/ Indirect advantages obtained in return for a contract award.

Tenders or requests for quotations for works which might be issued by the business managers of the companies of the Group must normally observe the following procedure:

- establish and verify the honourability of a list of potential suppliers capable of providing the service on schedule and time and with the necessary expertise notably following the third-party evaluation procedure;
- interview the potential suppliers: at least two or three if possible, and obtain two or three quotations;
- if possible, based on the internal competencies concerning the tender, communicate the selection criteria to the shortlisted suppliers at the start of the tender, time permitting and based on the nature of the tender;
- respect the confidentiality of the proposals submitted by each selected party (non-communication of the quotation amounts of the participants in the tender),
- establish the respective weighting of the adopted criteria to differentiate between the proposals;
- propose a choice based on the given criteria (the traceability of the decision must be ensured in the event of any dispute).

The file must be submitted to the person responsible for contracting works before the supplier is selected.

To prevent any attempted corruption or influence peddling, there should be a clear separation

between the functions, i.e. different people for the technical specifications, pre-qualification and evaluation of the proposals, etc.

The implementation of a procedure for urgent situations which derogates from the process described above must be justified and a written record of the grounds for this must be kept.

Similarly, with the exception of exceptional circumstances, the head of the establishment must ensure that contracts are not systematically awarded to the same companies if other proposals present equivalent qualities in the establishment's environment.

A contract may be extended by tacit renewal. The manager of the contract must be able to justify this by an assessment of the quality of the services provided (availability, quality, price, etc.).

EXAMPLE

A facilities manager of a company which uses different trades over the year to maintain and service its movable and immovable property cannot make the renewal of the contracts dependent upon the provider company carrying out work at their home.

6/ Prohibition of improper hiring.

An applicant may not be hired on the simple recommendation of an employee or a commercial partner.

New hires are made on the basis of a requirement duly approved by the company's management.

The future employee search is carried out by the Human Resources Department, based on a formal and objective selection process.

Once the job description is approved and the advertisements published, the applicants are chosen, following a detailed analysis of the *curriculum vitae*, by the establishment of a shortlist and the interview of the shortlisted candidates by a panel made up of members of the human resources of the Department seeking the recruitment.

7/ Conflicts of interest.

A conflict of interest exists if the personal interests of an employee (emotional, family, financial, association-related, etc.), are likely to come into conflict, in whole or in part, with those of the Group, bearing in mind that every employee is bound by an obligation of loyalty to the Group.

EXAMPLES

1/ The spouse of an employee works at a supplier of a company of the Group.

2/ A sales manager in charge of recruiting merchandisers does business with a merchandising company managed by a member of their family.

All employees must carry out their functions, responsibilities or mandates pursuing the objectives established and protecting the interests of the SPHERE Group.

All employees must therefore immediately notify their line manager or Guarantor of the Ethical Charter of situations, positions, mandates or activities (whether their own and/or those of their immediate family) which might directly or indirectly result in a conflict of interest with those of the SPHERE Group.

To prevent the occurrence of conflicts of interest:

- employees must declare any economic or financial interest, including through members of their family, with customers, suppliers or competitors (unless the company concerned is a listed company);
- employees must declare any professional activity or mission exercised outside the Group;
- employees are prohibited from transmitting sensitive Group data to third parties (notably to competitors, suppliers, the media, etc.), except information transmitted within the framework of confidentiality agreements approved by the Group's executive management;
- employees must declare any situation in which their personal interests or those of their immediate family are likely to conflict with the interests of the Group.

8/ Conduct of international business.

If products and services are marketed abroad, the Group is committed to observing all applicable laws on operating abroad, and to respecting trade sanctions, embargos and other government laws, regulations, orders or policies affecting trade.

EXAMPLE

A project involves a country subject to sanctions by the United Nations. The employee, liaising with the co-contractor, should inform their line manager or at the very least a company manager and ask them how to handle the project.

9/ Fight against money laundering.

Money laundering is the crime whereby the origin of funds resulting from criminal activities, such as terrorism, drug trafficking or corruption, is concealed. A crime exists when the illegally acquired capital is reinvested in legal activities, such that the capital appears legitimate or its true origin cannot be identified.

Liaising with the accounting and finance departments, it is essential you gather the necessary information when opening a customer and/or supplier account (eg. up-to-date K-Bis, intra-community VAT number, bank references, etc.) and be particularly vigilant if so-called tax havens countries are involved.

To prevent the Group being used as a means of laundering "dirty" money, employees must strictly

observe all accounting, record keeping and financial reporting rules applicable to payments made in cash or in other forms within the context of their economic and financial transactions.

Employees must therefore be vigilant about detecting any payment irregularity and any conduct of customers and other stakeholders which is suspicious.

3 Reporting

Any employee who witnesses an act or attempted act of corruption, influence peddling or who has knowledge, by any means, of a practice contrary to the principles established by this Code must activate a report based on the information gathering procedures described in the document entitled “Organisation and Procedures for Reporting for the SPHERE Group”.

These procedures have been established to protect the persons initiating reports and to protect the company from deviant behaviour.



3, rue Scheffer FR - 75116 Paris
contact@sphere.eu
www.sphere.eu