

COMPLIANCE IN SALES KOSPEL SPÓŁKA Z O.O.

PURPOSE

This instruction is intended to define in more detail the existing requirements and regulations on dealing with business partners, particularly in the sales area. The instruction is designed to avoid risks regarding corruption, tax evasion, and money laundering. The requirements are to help Kospel employees to observe regulations and to recognize possible violations early.

BASIC REGULATIONS

Corruption prevention is every employee's duty. Only legally correct business may be conducted. The processes, particularly in case of unusual circumstances, must be thoroughly assessed and documented. This is to guarantee complete transparency and traceability, which will allow an expert third party to understand the facts and their legality within a reasonable amount of time. Local legal requirements must be observed.

The objective of this work instruction is to ensure compliant processing of customer orders and in particular to prevent unlawful acts like corruption, tax evasion, and money laundering. Business models, processes, structures, and risks evolve constantly, so that this instruction can provide concrete regulations only for certain standard cases.

The Management Board of Kospel is responsible for compliance with any applicable laws and internal regulations by the Company and its employees.

RISK COUNTRIES

Each country carries a different risk level regarding corruption. In business relationships with partners who are headquartered in countries with particularly high corruption risk or so-called "tax havens", particular attention to compliance is necessary.

CHECKING THE LEGITIMACY OF BUSINESS RELATIONSHIPS

Before entering into business relationships, particularly with service providers and agencies headquartered in high-risk countries, a thorough check of the reputability of the business partners and the legitimacy of the business relationship must be carried out. The following cases are examples of high compliance risks:

- An employee of the business partner is to receive an agency commission;
- The bank account of the business partner is located in a different country from the business partner's headquarters.

Possible documentation includes, for example, excerpts from the commercial register, proof of proprietorship of a company, and proof of an established business location. In case of doubt of the compliance-conformity of the business partner, a legal review and approval of Kospel Management Board must be obtained.

GRANTS, AGENCY COMMISSIONS, AND SALES-RELATED SERVICES

In the context of sales orders, grants to officials and politicians are generally prohibited.

For processing of agency commissions or sales-related services associated with a sales order, a written agreement with the agent / service provider must be entered into before the service is performed. This agreement must include concrete information on the task, the services to be provided, and the amount of the commission / remuneration. The agency commission and the remuneration for services must be in reasonable relation to the services and correspond to usual market rates.

Payments of agency commissions and remuneration for sales-related services require an invoice by the business partner. The invoice must reference the established agreement and specify the invoiced service including scope and time period.

CREDIT NOTES AND INVOICE CORRECTIONS

For the processing of credit notes, the following must be observed in addition to the existing regulations (other instructions and process descriptions):

- Credit notes may only be issued in the name of the buying customer.
- The credit note must include the facts of the calculation described in text form.
- Credit notes must be documented.

PAYMENTS FROM BUSINESS PARTNERS

Cash payments from business partners and cash funds at Kospel should generally be avoided. Cash receipts for spare parts and other small payments in compliance with local legal and tax regulations can be accepted. This requires a proper documentation and compliance with country-specific money laundering regulations.

REPOSTING BETWEEN BUSINESS PARTNER ACCOUNTS

Receivables or credits may only be reposted from one business partner account to another only if this is legally permissible and not used for illegitimate purposes.

For instance, the following requests by a business partner must be denied:

- The business partner requests that a credit be reposted from his business account to the account of a hotel where he stayed privately. This presents a risk for Kospel of abetting embezzlement or tax evasion.
- The business partner requests that a credit be reposted from his business account to an account of a company in a high-risk country (e.g. a mailbox company).

PAYMENTS TO BUSINESS PARTNERS

Cash payments to business partners and customers or persons representing them are prohibited. Payments can be made only by bank transfer.

Other modalities for payments must be defined in the applicable agreements (e.g. agency agreement, service agreement). The payment modalities customarily used in business transactions in the respective country and industry must be used.

Credit notes (e.g. for bonus) and credits (e.g. due to overpayment) should generally be offset.

HOSPITALITY, GIFTS AND OTHER PERSONAL BENEFITS

Hospitality, gifts, and other personal benefits (invitations to restaurants, other food and beverages, invitations to sports events, assumption of personal travel costs, gifts and other personal benefits) may be granted only if they are legally permissible in the respective country and their total value and concrete circumstances do not evoke the impression that a certain behavior is expected from the recipient in return. Payments to employees of the customer or business partner (kick-backs) are prohibited. Kospel Code of Conduct and other internal regulations, rules of procedure and instructions are to be obeyed.

FACILITATION PAYMENTS

All forms of facilitation payments are prohibited.

SUBSIDY FRAUD AND ABETTING OF SUBSIDY FRAUD

Business receipts, documents, and confirmations must be issued truthfully according to actual fact. Requests by business partners to issue incorrect receipts in order to facilitate an application for subsidy or other support by public or private organizations must be denied. In particular, it is not permissible to backdate or predate an invoice or note.

EMBARGO REGULATIONS

An embargo is a government ban issued for economic or political reasons on selling and delivering certain products to specific countries. Kospel is legally obliged to review every business partner.

Documents must be reviewed by authorized employees. If a business partner is identified to match a person on the international embargo lists, no deliveries may be made to that business partner.

BYPASSING OF REGULATIONS THROUGH THIRD PARTIES

It is prohibited to conceal non-compliant processes (particularly corruption) by means of the corrupting or corruptible person not act themselves but through a third party.

FILING OF CONTRACTS AND AGREEMENTS

All contracts entered into by Kospel are scanned and recorded in the V-desk software by authorized employees, and the originals are filed in the Kospel archive in the contracts section.

Scans of all commercial documents must be stored in the Comarch software with the transaction or in other system defined by Kospel, or stored in paper form for 6 years after the end of the business year.