



# INTEREX FOREST PRODUCTS LTD.

## Foreign Business Practices and Gift Policy

### OVERVIEW

Interex Forest Products Ltd. (“**Interex**”) has many customers who are located outside of Canada. The company therefore hires sales agents to facilitate its business abroad. This policy (the “**Policy**”) is intended to assist Interex in retaining foreign agents (including foreign sales agents), representatives, consultants, contractors, referral and channel partners, distributors and resellers (each a “**Representative**”) and in ensuring that they are aware of and abide by the *Corruption of Foreign Public Official Act* (Canada), as well as other legislation affecting their conduct.

### POLICY

1. A Representative will not be an employee, officer, or representative of any government or agency or instrumentality of any government or public international organization, or of a political party, and is not a candidate for public office.
2. A Representative will be retained only by means of a written engagement letter or contract that will specify the general obligations of the Representative, including compliance with this Policy.
3. All payments made to a foreign Representative will be made against delivery of a written invoice and pursuant to and in strict accord with the terms of the engagement letter or contract.
4. Each Representative operating in a foreign jurisdiction will abide by all applicable laws of that foreign jurisdiction.
5. A Representative will inform Interex promptly of any change in any representation.
6. Each Representative, and each of its officers, directors, employees, affiliates, representatives or agents will:
  - (a) not give, offer or agree to give or offer, directly or indirectly a loan, reward, advantage or benefit of any kind to a foreign public official or to any person for the benefit of a foreign public official under circumstances where to do so would be in violation of the *Corruption of Foreign Public Officials Act* (Canada) or other applicable Canadian laws or any applicable bribery and corruption laws of other jurisdictions; and
  - (b) not engage in any accounting practices prohibited under the *Corruption of Foreign Public Officials Act* (Canada), other applicable Canadian laws or any applicable bribery and corruption laws of other jurisdictions (a) for the purpose of bribing a foreign public official in order to obtain or retain an advantage in the course of business, or (b) for the purpose of hiding the bribery; and



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- (c) not extend any kind of gift or courtesy to a foreign public official or to any person for the benefit of a foreign public official; and
  - (d) not do or attempt to do, directly or indirectly, any similar act in violation of applicable foreign laws.
7. A Representative is only permitted to extend business gifts or courtesies outside Canada, whether on behalf or for the benefit of Interex or otherwise, if the following conditions are met:
- (a) the recipient cannot be a government, agency or instrumentality of any government or public international organization;
  - (b) the intended gift or courtesy is not prohibited by Section 6 of this Policy;
  - (c) the intended gift or courtesy does not violate any applicable laws of the foreign jurisdiction;
  - (d) the intended gift or courtesy is consistent with the usual business practices in the foreign jurisdiction;
  - (e) if the intended gift has a fair market value of CAD\$100.00 or more, then the Representative must obtain prior written approval from Interex senior management; and
  - (f) the Representative maintains all required or appropriate business and accounting records to document each gift or courtesy.
8. Every year, each foreign Representative will be asked to sign a letter indicating that the agent or representative has read and agree to abide by the terms contained in this Policy and the attached "Summary of Canadian Legislation".

## SUMMARY OF CANADIAN LEGISLATION

### **Canadian Legislation**

On February 14, 1999, the federal *Corruption of Foreign Public Officials Act* ("CFPOA") came into effect and was significantly expanded in June 2013. The legislation was enacted to implement the obligations Canada undertook by signing the OECD Convention on *Combating Bribery of Foreign Public Officials in International Business Transactions*.

### **Bribery Offence**

Under the CFPOA it is a criminal offence carrying a maximum penalty of 14 years imprisonment to do the following for the purpose of in order to obtain or retain an advantage in the course of business:



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- to directly or indirectly give, offer or agree to give or offer a loan, reward, advantage or benefit of any kind to a foreign public official or any person for the benefit of a public official:
  - as consideration for an act or omission by the foreign public official in connection with his duties or functions; or
  - to induce the official to use his position to influence acts or decisions of the foreign state or public international organization for which the official performs duties or functions;

A “foreign public official” is any person who:

- holds a legislative, administrative or judicial position of a foreign state, including any political subdivision (for example a state, province or municipality), government branch, department or agency of that state;
- performs public duties or functions for a foreign state (including for any board, commission, corporation or other body or authority established to perform or performing a duty or function on behalf of a foreign state);
- is an official or agent of a public international organization (for example, the United Nations or the World Trade Organization).

The CFPOA gives Canadian authorities the power to prosecute offences committed by Canadians, permanent residents or entities incorporated or formed under Canadian law, no matter where in the world the offences occurred.

## Exceptions

There are several exceptions to the bribery offence under the CFPOA:

1. If the payment was legal or required in the foreign public official’s country or public international organization, then no offence has been committed.
2. If the payment qualifies as a “facilitation payment”, then no offence has occurred. A “facilitation payment” is defined as a payment made to expedite or secure the performance by a foreign public official of any act of a routine nature that is part of the foreign public official’s duties or functions.

*The recent changes to the CFPOA foresee the abolishment of the facilitation payment exception on a date to be determined by the Canadian government. Please pay close attention to any future announcement by the Canadian government regarding the repeal of this exception.*

Examples of routine acts included in the CFPOA are:

- the issuance of a permit, license, or other document to qualify a person to do business;
- the processing of official documents, such as visas and work permits;



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- the provision of services normally offered to the public, such as mail pick-up and delivery, telecommunication services and power and water supply; and
- the provision of services normally provided as required, such as police protection, loading and unloading of cargo, the protection of perishable products of commodities from deterioration or the scheduling of inspections related to contract performance or transit of goods.

An “act of a routine nature” does not include decisions to award new business or to continue business with a particular party, including decisions on the terms of that business, or encouraging another person to make any such decision. Payments for these types of activities are prohibited under the CFPOA.

3. If the payment is a reasonable expense incurred in good faith by or on behalf of a foreign public official directly related to the promotion, demonstration or explanation of the person’s product and services, or the execution or performance of a contract between the person and the foreign state for which the official performs duties or functions, then it is allowed.

## Accounting Offence

The CFPOA also makes it a criminal offence with a maximum penalty of 14 years imprisonment to do any of the following (a) for the purpose of bribing a foreign public official in order to obtain or retain an advantage in the course of business, or (b) for the purpose of hiding the bribery:

- to establish or maintain accounts not shown in any of the books and records required to be kept in accordance with applicable accounting and auditing standards;
- to make transactions that are not recorded or adequately identified in the required books and records;
- to record non-existent expenditures in the required books and records;
- to enter liabilities with incorrect identification of their object in the required books and records;
- to knowingly use false documents;
- to intentionally destroy accounting books and records earlier than permitted by law.