

Approved by AB "Lifosa"
General Director's Order No. 25,
as of 30 th of January, 2017

AB "LIFOSA"
CONFLICT OF INTEREST POLICY

Kėdainiai, 2017

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I. INTRODUCTION

AB “LIFOSA” (the “**Company**”) conducts its business ensuring its Employees (as defined below) act in the best interests for the Company, avoiding any activity which may interfere with their duties or responsibilities to the Company. The Employees ought to safeguard the Company’s legitimate interests, properly performing their professional, contractual or statutory duties or responsibilities.

This Conflict of Interest Policy (the “**Policy**”) is an integral part of the Company’s Code of Conduct being a clear expansion of Section 4 of the Code. The Policy defines in details the core principles and rules which shall be respected by all the Employees of the Company in order to prevent situations in which their personal interests could conflict with those of the Company respectively.

The Policy also determines all the necessary measures which have to be taken in order to identify the conditions which cause or may cause a Conflict of Interest (as defined below), as well as to prevent or minimize Conflicts of Interest and negative consequences resulting from it.

The Policy also outlines the restrictions or prohibitions and protective measures to be consistently followed by each Employee.

The scope and content of this Policy may be subject to further changes. This Policy contains general analysis of applicable norms or laws, and specific advice or clarifications may be required in connection to any particular situation.

1. DEFINITIONS

- 1.1 “**Close Associate**” means any individual or entity having personal or business relationship of any kind with an Employee.
- 1.2 “**Conflict of Interest**” means any situation when personal interests of Employees compete with any interests of the Company and can potentially influence the objective exercise of the Employees’ professional, contractual or statutory duties or responsibilities.
- 1.3 “**Contractor**” means any individual or entity having contractual relationships with the Company for the reasons of purchasing the Company’s products or services, supplying goods or materials or providing any works or services of any kind to the Company, including consultancy or outsourced activity (with exception of any governmental or banking institutions).
- 1.4 “**Declaration**” means a written declaration in the form described in Annex 2.
- 1.5 “**Employee**”, “**Employees**” means the employees, officers and directors of the Company.
- 1.6 “**Key Employee**”, “**Key Employees**” means certain Employees of the Company as included into the “Management By Objectives Program” from time to time.
- 1.7 “**Legal and Compliance Officer**” means an Employee of the Company responsible for ensuring that the compliance policies (including the Policy) are consistently complied with throughout the Company. The name and position of the Legal and Compliance Officer will be communicated to Employees on a regular basis.
- 1.8 “**Relative**” means an individual who is closely connected to an Employee by blood or affinity, to include, for the avoidance of doubt, a spouse, any lineal descendant or ascendant (parents and children, grandparents and grandchildren), any brothers or sisters, including without limitation any individual who is closely connected to either of them by virtue of marriage, adoption or in-law relation.
- 1.9 “**Training**” means regular training (possibly done by the Company’s in-house lawyers or specialists of an internationally recognized law firm or consultancy with considerable experience) of all Employees on the applicability of the Policy.

2. PURPOSE

- 2.1 This Policy identifies, prevents, contains and manages any Conflicts of Interest that may arise in the course of the activity of the Company’s Employees and Contractors.
- 2.2 The Policy establishes the minimum expectations of the Company in regards to risk management and compliance with Conflict of Interest rules and sets out the approach of the Company towards:
 - a. guidance on how to comply with Conflict of Interests rules;
 - b. principles and measures as to how to mitigate the risks associated with, or arising from, any potential Conflict of Interest in the jurisdiction where the Company operates;
 - c. consequences of failing to comply with Conflict of Interest rules;
 - d. regular reporting on Conflict of Interest situations;
 - e. regular training of Employees with regard to Conflict of Interest.

3. APPLICABILITY

- 3.1 The Company shall apply and incorporate the Policy in its business practice.
- 3.2 All Employees shall comply with the Policy and shall consult in their business practices with the Policy.

II. COMPLIANCE

4. GENERAL PRINCIPLES

- 4.1 The Company maintains this Policy in order to indicate the situations leading to Conflict of Interest

whereby all reasonable measures to be taken by the Company or Employee in order to identify, prevent or manage relevant Conflicts of Interest.

- 4.2 The Company identifies the circumstances which give rise or may give rise to a Conflict of Interest that could entail a material risk of serious damage to its proper interests.
- 4.3 The Company specifies the procedures to be followed, and organizational measures to be adopted in order to manage individual conflicts on a case-by-case basis.
- 4.4 Employees are expected to recognize when they have, potentially have, or could be perceived as having, a Conflict of Interest (refer to Annex 1 of this Policy for details). They should consult the Legal and Compliance Officer if in doubt about what circumstances might create a Conflict of Interest.
- 4.5 Employees shall report to the Legal and Compliance Officer any actual or potential Conflict of Interest as soon as they become aware of it, as well as they shall refrain from any activity leading to Conflict of Interest.
- 4.6 The Company, its Employees and Contractors, are regularly informed on the updates in the Policy and development in the applicable law, regulations and standards in relation to the Conflict of Interest.
- 4.7 In case of conflict between the above mentioned principles and any business requirements, the principles as set out by this Policy shall prevail.

5. OBLIGATIONS OF THE EMPLOYEES

- 5.1 Employees shall not take part in, appear to take part in or exert influence on any decision which puts or may put their own interests in conflict with the interests of the Company.
- 5.2 Employees shall not use their position in the Company (i) to personally benefit themselves (other than to receive relevant remuneration or any other incentives as paid by the Company) or (ii) to benefit any their Relatives or Close Associates.
- 5.3 Employees shall avoid all other situations described in **Annex 1** "Conflict of Interest situations" hereto.
- 5.4 At the time of entering into the employment (or similar) agreement with the Company an Employee shall disclose to the Company information about (i) the Employee's (as well as his or her Relatives') direct or indirect shareholdings or similar interests in any legal entity equal to or greater than 10% (ten percent) in a share capital of such entity, and (ii) the Employee's direct or indirect business or beneficiary interests he or she may have in (or with) any person or entity (including Close Associate). Disclosure shall be undertaken by submitting a Declaration by the Employee to the Company to form a part of the Employee's personal records to be kept by the relevant HR department.
- 5.5 At the time of entering into the employment (or similar) agreement with the Company and at the beginning of every new calendar year of employment (but not later than 1 February) the Key Employee shall disclose to the Company information about (i) the Key Employee's (as well as his or her Relatives') direct or indirect shareholdings or similar interests in any legal entity equal to or greater than 10% (ten percent) in a share capital of such entity and (ii) the Key Employee's direct or indirect business or beneficiary interests he or she may have in (or with) any person or entity (including Close Associate). Disclosure shall be undertaken by submitting a Declaration by the Key Employee to the Company (or to his or her direct manager or supervisor, as the case may be) to form a part of the Key Employee's personal records to be kept by the relevant HR department.

6. RESPONSIBILITIES OF THE CONTRACTORS

- 6.1 Contractors shall be informed on the Policy and its provisions and shall be under obligation under their contracts, as entered into with the Company, to notify the Company on any possible Conflict of Interest with the Company arising out from or in connection with their contracts.
- 6.2 As a matter of Policy, Contractors shall undertake in their contracts, as entered into with the Company, to perform their contractual obligations avoiding any Conflict of Interest situation as prescribed by this Policy.

6.3 In case Contractors intentionally breach the provisions of the present Policy, the Company shall be entitled to terminate the contract with the breaching Contractor on the basis of such breach or take other reasonable measures to protect its legal rights and legitimate interests.

7. **NON-COMPLIANCE**

7.1 Employees shall immediately (not later than on the next day of detection) report to the Legal and Compliance Officer by any possible means of communication:

- a. any circumstances involving or which could lead to a Conflict of Interest;
- b. any potential Conflict of Interest;
- c. any detected Conflict of Interest of Employee, other Employees or Contractors.

7.2 Upon becoming aware about any Conflict of Interest or potential Conflict of Interest as reported by an Employee pursuant to Clause 7.1 above, the Legal and Compliance Officer or the Group Legal and Compliance Officer shall fairly evaluate the Conflict of Interest situation reported by the Employee, including the risks to the business interests and reputation to the Company. The Legal and Compliance Officer shall promptly inform the Group Legal and Compliance Officer about any Conflict of Interest situation reported by the Employee and any risks identified thereof.

7.3 In case the Group Legal and Compliance Officer, in his or her best judgment, comes to the conclusion that the risks of Conflict of Interest as reported by the Employee or the Legal and Compliance Officer are high and (or) material, he or she shall immediately escalate the risk identified and notify thereof to the Group's management bodies.

7.4 The Legal and Compliance Officer shall identify and implement strategies and practices on a case-by-case basis to minimize the risks associated with the reported Conflict of Interest.

7.5 The Legal and Compliance Officer shall give a practical solution on managing Conflict of Interest, so that the risks to the Company are minimized and the Employee's interests are protected as much as possible.

7.6 The Legal and Compliance Officer shall communicate the decision and its reasoning to the Employee and monitor its implementation to ensure the Employee understands and complies with it.

7.7 In case any Employee knowingly or intentionally takes any action leading to Conflict of Interest situation in breach of this Policy, the management of the Company, after consultation with the Legal and Compliance Officer, shall immediately terminate the employment of such Employee, such termination be perfected in accordance with applicable labor or corporate laws or regulations.

7.8 In case any Employee intentionally fails to comply with the provisions of this Policy related to the disclosure or reporting requirements (as described in this Policy), the management of the Company, upon consultation with the Legal and Compliance Officer, shall have the right, at its sole discretion (i) to terminate the employment of such breaching Employee or (ii) to impose on such breaching Employee any disciplinary liability measures, to the extent permitted by applicable labor or corporate laws or regulations.

7.9 The Policy shall be brought to the attention of all Employees. All new Employees shall be informed on the Policy at the time of entering into the employment (or similar) agreement with the Company. By signing the employment (or similar) agreement (or any amendments thereof) the Employees confirm that they have read, understood and undertake to comply with the Policy.

8. **COMPLIANCE REPORTING**

8.1. The Company shall appoint a qualified individual within its organization (the "**Legal and Compliance Officer**" as designated above) to identify and manage Conflicts of Interest in an integrated manner, in compliance with the applicable law and regulations and this Policy. The Legal and Compliance Officer or the Group Legal and Compliance Officer shall be entitled to get the access to any Declaration as submitted by the Employee or the Key Employee.

9. TRAINING

- 9.1. The Company shall provide training and education sessions on the applicability of the Policy to all Employees on a regular basis, but at least once in a twelve-month period.
- 9.2. The management of the Company shall additionally be trained on their specific area of responsibility to evaluate and effectively address Conflicts of Interest.
- 9.3. The Legal and Compliance Officer shall determine the content of the Training.
- 9.4. The Legal and Compliance Officer shall ensure that the relevant Employees complete the Training, in accordance with Clause 10.1 hereto.

III. POLICY GOVERNANCE

10. POLICY REVIEW

- 10.1. This Policy shall be reviewed by the Legal and Compliance Officer on a regular basis, but at least semi-annually in order to ensure that the Policy is up to date and is in line with all the changes in the Company's operations and external factors impacting the Company's operations, or after the amendment of the applicable law, regulations and standards which govern the management of Conflict of Interest situations and its monitoring procedure.
- 10.2. The proposed amendments may be provided to the Legal and Compliance Officer from the Company.

11. IMPLEMENTATION OF THE POLICY

- 11.1. The Legal and Compliance Officer shall be responsible for implementation and incorporation of this Policy into the employee training program and relevant HR policies and standards.

* * *

ANNEX 1 CONFLICT OF INTEREST SITUATIONS

- Employee is an officer, managing employee, consultant, or has any kind of paid or unpaid employment or engagement with a company (or any Close Associate) that is the Company's business partner, competitor, supplier, distributor or customer;
- Employee is an official or member of a government institution with directive or supervisory authority over the Company;
- Employee owns any shareholding or similar interest (directly or indirectly) in any legal entity equal to or greater than 10% (ten percent) which enters into the related party transaction with, competes with or does business with the Company;
- Employee conducts the Company's business with any entity in which he or she has a substantial interest or with which he or she has a substantial affiliation;
- Employee takes part in or provides support for activities in competition with the Company;
- Employee takes advantage of his or her position or function at the Company to influence the conditions of employment or is involved in any hiring or contractual decision involving his or her Relative or Close Associate;
- Employee or his or her Relatives or Close Associate receive improper personal benefits (i.e. benefits not provided under the Company's policies) as a result of the Employee's position in the Company;
- Employee trades in shares of the Company's customers or other business partners while in possession of important, non-public information;
- Employee directly or indirectly solicits or accepts fees, commissions, payments or material gifts of any nature (worth in excess of amounts prescribed in the Code of Conduct) or other favors or benefits from the Company's business partners or competitors.

The list is not exhaustive and is updated on a regular basis.

ANNEX 2 DECLARATION

 (NAME of the addressee's unit)

Attn.: _____
 (The addressee's position)

Disclosure form

Name:																				
Company:																				
Unit:																				
Position:																				
Details of interest or asset:	<i>Name</i>		<table border="1"> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </table>																	
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Recommendations (comments):																				

I declare that the above details of my private interests are correct to the best of my knowledge and I agree to advise my immediate manager or supervisor of any relevant changes in my personal circumstances.

(The Drafter's Position)

(Personal signature)

(Name and initials)

_____.20____