

# Graphic Security Systems Corporation

## POLICY ON FOREIGN CORRUPT TRADE PRACTICES ACT COMPLIANCE

### **POLICY:**

All Graphic Security Systems Corporation (GSSC) employees, agents, and representatives are responsible for complying with the U.S. Foreign Corrupt Practices Act ("FCPA"). Failure to do so can result in significant criminal and other penalties for GSSC as well as for employees, agents, and representatives individually. Actual and perceived violations of the FCPA can also tarnish GSSC's reputation. Failure to comply with the FCPA may result in disciplinary action including termination of employment or retention. It is, therefore, essential that all GSSC employees, its contractors, agents, and consultants understand and follow the FCPA and GSSC's compliance policies and procedures. Questions about the Policy or its applicability to particular circumstances should be directed to Bradley Gies /Scott Perkins (COMPLIANCE COUNSEL).

### **PURPOSE:**

The purpose of this compliance policy is to establish GSSC's policy and procedures for maximizing compliance with the FCPA.

### **APPLICABILITY:**

This compliance policy applies to all officers, directors and employees of GSSC, its contractors, agents, and consultants; as well as those of all domestic and foreign subsidiaries.

### **OVERVIEW OF THE FCPA**

The FCPA is a criminal statute that prohibits improper payments to government officials to influence performance of their official duties. It makes it unlawful for any U.S. company and its employees or agents to offer, promise, pay or authorize the payment of "anything of value" to any "foreign official" to help the company obtain or keep business or secure some other "improper business advantage." This prohibition applies whether the offer or payment is made directly or through another person. In addition to prohibiting improper payments to foreign officials, the FCPA requires U.S. companies and their controlled affiliates to keep accurate books and records of the transactions in which they engage and to maintain a system of internal controls that, among other things, can prevent "slush funds" and "off-the-books" accounts that might be used to facilitate or conceal questionable foreign payments. FCPA accounting requirements apply to all business activities, not just those involving foreign officials.

### **PENALTIES**

The penalties for violating the FCPA are severe. For a company, potential sanctions range from multi-million dollar fines and "disgorgement" of any business profits from an improper payment to loss of export privileges or eligibility to compete for U.S. government contracts. These sanctions are in addition to potential reputational damage and investigation and defense costs, which may arise even without a formal government prosecution. The penalties for individuals can be even more severe, including substantial fines and imprisonment. These penalties also apply to foreign companies and persons acting as agents of U.S. companies.

## **PROHIBITED CONDUCT**

The FCPA makes it unlawful to bribe a foreign official to gain an “improper business advantage.” An improper business advantage may involve efforts to obtain or retain business, as in the awarding of a government contract, but also can involve regulatory actions such as licensing or approvals. Examples of prohibited regulatory bribery include paying a foreign official to ignore an applicable customs requirement or to accelerate a tax refund. The FCPA bribery prohibition has been interpreted very broadly. A violation can occur even if an improper payment is only offered or promised and not actually made, it is made but fails to achieve the desired result, or the result benefits someone other than the giver (for example, directing business to a third party). Also, it does not matter that the foreign official may have suggested or demanded the bribe, or that a company feels that it is already entitled to the government action. While certain limited exceptions may apply (described below), these should never be relied upon without first seeking expert guidance.

## **FOREIGN OFFICIALS**

A “foreign official” under the FCPA can be essentially anyone who exercises governmental authority. This includes any officer or employee of a foreign government department or agency, whether in the executive, legislative or judicial branch of government, and whether at the national, state or local level. Officials and employees of government-owned or controlled enterprises also are covered, as are private citizens who act in an official governmental capacity. The FCPA prohibition also applies to political parties and candidates, and to officials of public international organizations such as the United Nations.

## **IMPROPER PAYMENTS**

The FCPA prohibits offering, promising or giving “anything of value” to a foreign official to gain an improper business advantage. In addition to cash payments, “anything of value” may include:

- Gifts, entertainment or other business promotional activities;
- Covering or reimbursing an official’s expenses;
- Offers of employment or other benefits to a family member or friend of a foreign official;
- Political party and candidate contributions;
- Charitable contributions and sponsorships.

## **LEGITIMATE BUSINESS PROMOTION**

The FCPA does not prohibit reasonable promotional or other business activities. Special care is required, however, when foreign officials may be involved to avoid any appearance that benefits are being offered to improperly influence the performance of official duties. For example, paying for business class airfare for government officials to tour GSSC facilities as well as paying for meals and reasonable entertainment while the officials are visiting, such as taking them to sporting event, would most likely be considered legitimate business promotion. However, flying foreign officials to a destination where GSSC has no facilities, such as Las Vegas, would not be considered legitimate business promotion.

Whether any particular payment is a bona fide expenditure necessarily requires a fact-specific analysis. The following non-exhaustive list of safeguards, compiled from several releases by the Department of Justice and the Securities and Exchange Commission, will be helpful in evaluating whether a particular expenditure is appropriate or may risk violating the FCPA:

- Do not select the particular officials who will participate in the proposed trip or program or else select them based on pre-determined, merit based criteria.

- Pay all costs directly to travel and lodging vendors and/or reimburse costs only upon presentation of a receipt.
- Do not advance funds or pay for reimbursements in cash.
- Ensure that any stipends are reasonable approximations of costs likely to be incurred and/or that expenses are limited to those that are necessary and reasonable.
- Ensure the expenditures are transparent, both within the company and to the foreign government.
- Do not condition payment of expenses on any action by the foreign official.
- Provide no additional compensation, stipends, or spending money beyond what is necessary to pay for actual expenses incurred.
- Ensure that costs and expenses on behalf of the foreign officials will be accurately recorded in the company's books and records.

In sum, while certain expenditures are more likely to raise red flags, they will not give rise to prosecution if they are (1) reasonable, (2) bona fide, and (3) directly related to (4) the promotion, demonstration, or explanation of products or services or the execution or performance of a contract.

#### **PAYMENTS THAT ARE LEGAL UNDER LOCAL LAWS**

The FCPA also contains a limited exception for payments expressly authorized under the host country's written law. This is a very narrow exception, however, as there must be a law, or case law, specifically stating that such payments are legal. The absence of a law stating that such payments are illegal under local law is not enough for the payments to fall within this exception.

#### **FACILITATION PAYMENTS**

In certain limited circumstances, a payment to a foreign official may qualify under a narrow FCPA exception for "facilitating" payments made to secure "routine government action." Examples of routine action recognized under the FCPA include:

- Obtaining permits, licenses or other official documents that qualify a person to do business in a foreign country;
- Processing governmental papers such as visas;
- Providing police protection or mail service;
- Scheduling inspections associated with contract performance or shipment of goods;
- Providing phone, power or water service ;
- Loading or unloading cargo, or protecting perishable products or commodities from deterioration;
- Other similar actions that are ordinarily and commonly performed by an official.

Payments under this exception may only be made to expedite actions to which the company is already entitled and may not involve discretionary action by the foreign official. Facilitation payments may never be used to win or retain business or to influence discretionary decisions regarding compliance with building codes, environmental, health and safety rules or other regulatory requirements. Moreover, even if a payment falls within the FCPA exception it may still violate local law in the host country or counterpart laws in other countries prohibiting foreign bribery that may not exempt facilitation payments. Because facilitation payments can raise significant legal and business issues, reliance on this narrow exemption from FCPA liability is strongly discouraged.

Further, all facilitation payments must be properly described in company records. An incorrect entry for a facilitation payment will violate the FCPA's accounting provisions as well as serve as evidence of improper intent.

### **PAYMENTS MADE BY THIRD PARTIES**

The FCPA applies whether a bribe is made directly; or through an agent, consultant or other intermediary. Under the law, GSSC and individual officials or employees may be held liable for improper payments by an agent or other intermediary if there is reason to know that a bribe will be paid. Willful ignorance – which includes not making reasonable inquiry when there are suspicious circumstances – is not a defense, and it also does not matter whether the intermediary is itself subject to the FCPA. All employees therefore must be alert to potential “red flags” in transactions with third parties.

### **ACCOUNTING REQUIREMENTS**

Under the FCPA, GSSC and its affiliates must keep accurate books and records that reflect transactions and asset dispositions in reasonable detail, supported by a proper system of internal accounting controls.. Any misleading, incomplete or false entries in books will violate the FCPA's accounting provisions and will be used by the DOJ as evidence of improper intent.

### **AGENTS AND OTHER THIRD PARTIES**

GSSC from time to time may engage the services of an agent, consultant or other intermediary to support its business activities, or may participate with business partners in a joint venture or other business structure. These relationships are important to GSSC and provide valuable contributions in many areas of business, but can also pose compliance challenges and thus require appropriate measures to prevent bribery. This Policy applies in all material respects to business conducted with or through an agent, consultant, joint venture or other business partner. Employees who manage, supervise and/or oversee the activities of third parties working with GSSC are responsible for ensuring that such persons or entities understand and fully comply with this Policy, through appropriate measures.

Reasonable due diligence should be performed before engaging any new agents or third party consultants. Conducting reasonable due diligence requires examining the reputation and background of a potential agent or third party consultant, as well as looking for any red flags. Common red flags associated with third parties include:

- excessive commissions to third-party agents or consultants;
- unreasonably large discounts to third-party distributors;
- third-party “consulting agreements” that include only vaguely described services;
- the third-party consultant is in a different line of business than that for which it has been engaged; · the third party is related to or closely associated with the foreign official;
- the third party became part of the transaction at the express request or insistence of the foreign official;
- the third party is merely a shell company incorporated in an offshore jurisdiction; and
- the third party requests payment to offshore bank accounts

Special care should be taken when doing business in high risk countries (countries with a high ranking on Transparency International's Corruption Perception Index) as well as when dealing with government entities with a history of corruption. Third party agents or consultants operating in such countries or

with such government entities should be required to certify on a yearly basis that they understand and are compliant with this Policy. A sample certification is attached at Exhibit A. Furthermore, GSSC should retain the contractual right to hire a forensic accounting firm to audit the books and records of such third party agents or consultants for compliance with the FCPA's accounting requirements.

### **EMPLOYEE RESPONSIBILITIES**

This Policy imposes on all personnel specific responsibilities and obligations that will be enforced through standard disciplinary measures. All officers, employees and agents are responsible for understanding and complying with the Policy, as it relates to their jobs. Every employee has an obligation to:

- Be familiar with applicable aspects of the Policy and communicate them to subordinates;
- Ask questions if the Policy or action required to take in a particular situation is unclear;
- Properly manage and monitor business activities conducted through third-parties;
- Be alert to indications or evidence of possible wrongdoing; and
- Promptly report violations or suspected violations through appropriate channels.

The Company's managers have a particular responsibility to ensure that subordinates, including agents, receive proper training, and to monitor for compliance with the Policy.

### **REPORTING POSSIBLE VIOLATIONS**

Any employee who has reason to believe that a violation of this Policy has occurred, or may occur, must promptly report this information to his or her supervisor, the next level of supervision, or GSSC's COMPLIANCE COUNSEL. Retaliation in any form against an employee who has, in good faith, reported a violation or possible violation of this Policy is strictly prohibited.