



Open Bay Timber Ltd.

ANTI-CORRUPTION POLICY



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1. Background and Purpose of the Anti-Corruption Policy

In recent years, anti-corruption and bribery laws and regulations and their enforcement have been greatly strengthened throughout the world. Meanwhile, it is also the policy of Open Bay Timber, Ltd. ("OBT" or "Company") to conduct all of our business in an honest and ethical manner. With the ultimate goal of enhancing anti-corruption compliance worldwide, Anti-Corruption Policy is enacted for the purpose of strengthening anti-corruption compliance in OBT.

2. Scope of the Anti-Corruption Policy

Anti-Corruption Policy apply to all individuals working at all levels and grades, including directors, officers, senior managers and other employees (whether permanent, fixed term or temporary) in OBT (collectively "OBT Personnel").

3. Responsibilities

In the implementation of Anti-Corruption Policy, the Director in charge of compliance or a person appointed by such Director shall serve as the Anti-Corruption Officer. The duties of Anti-Corruption Officer are as follows:

- Establish the system required for the implementation of Anti-Corruption Policy;
- Enact internal rules and implement adequate measures to ensure the enforcement of Anti-Corruption Policy at the Company; and
- Monitor and review the content and implementation status of Anti-Corruption Policy and take appropriate measures for the implementation of Anti-Corruption Policy.

4. Prohibition on Bribery

<p><i>OBT Personnel must not give, offer or promise money or any other benefit or advantage ("Benefit") to public officials or quasi-public officials ("Public Officials") with corrupt intent in violation of applicable domestic or foreign laws.</i></p>
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4.1. Purpose

Where OBT Personnel provides Benefit to a Public Official for an illegitimate purpose, such individual shall be subject to punishment for bribery, and OBT may also be legally liable and subject to the loss of social credibility and other significant negative effects.

The OBT does not tolerate bribery in any form, without exception. OBT Personnel must exercise due care to ensure that they always behave in accordance with Anti-Corruption Policy.

4.2 Scope of "Public Officials"

Public Officials shall include the following:

- (i) national or local government officials;
- (ii) directors, officers and employees of companies of which 50% or a larger interest is owned by a local or national government or of companies that are substantially controlled by a local or national government via dispatched directors;

- (iii) officers and employees engaged in public service pursuant to laws and regulations;
- (iv) officers and employees of political parties, candidates for public office, and persons with authority who are otherwise engaged in such activities;
- (v) officers and employees of public international organizations;
- (vi) members of legislatures and judges;
- (vii) members of royal families;
- (viii) officers and employees of companies that are public in nature and that have been granted privileges in a particular field; and
- (ix) other persons treated as public officials under laws or regulations.

4.3 Corrupt Intent

Corrupt intent refers to the intention or desire to influence Public Officials to obtain transactions, contracts or other economic benefits or to obtain approvals/permits, circumvent regulations or otherwise obtain administrative benefits.

For example, the following are typical examples of corrupt intent:

- (i) intent to obtain transactions with or interests from the government or government-related enterprises, or to obtain favorable contractual terms thereof; and
- (ii) intent to receive a special advantage from Public Officials in obtaining a license or approval for business operations.

4.4 Scope of “Benefit”

The form and content of Benefits that can be deemed bribes are extremely broad. What first comes to mind is the giving of cash, but bribery is not limited to this. Other than cash, interests that may be recognized as bribes include clothing, food and drink, stock, art, real estate or any other property. In addition, bribery is also considered to include the provision of dining, golf, travel and other entertainment, and the conferring of work status or internship to a family member of a Public Official. This extremely broad scope of Benefits is considered to include any Benefit that satisfies a demand or desire of the person receiving it.

4.5 Prohibition on the Offering or Promise of Bribes

The mere offering or promise of a bribe with corrupt intent may also be punishable, whether or not such bribe is actually provided.

The offering or promise of Benefit to Public Officials is prohibited even if no Benefit is ever provided to the Public Officials or if no advantage is ultimately obtained from the Public Officials.

4.6 Prohibition on the Indirect Provision of Bribes

Anti-Corruption Policy not only prohibit OBT Personnel from giving Benefit to Public Officials themselves; these also prohibit OBT Personnel from giving Benefit indirectly via third parties. The giving of Benefit via third parties in the interest of the OBT is a violation of Anti-Corruption Policy that is equivalent to the direct provision of a bribe by OBT Personnel.

For example, each of the following acts is equivalent to providing a direct bribe to a Public Official and is not tolerated:

- (i) directing or requesting an agent, consultant, representative, intermediary or other third party that provides services in connection with the business of the OBT to give Benefit to Public Officials;
- (ii) giving Benefit to people with close relationships with Public Officials (family members, friends, intermediaries, business partners and the like); and
- (iii) giving Benefit to political groups or public undertakings affiliated with Public Officials as donations, sponsorship, contributions and the like.

4.7 Use of Personal Funds

Even if using their own personal funds, OBT Personnel are prohibited from engaging in acts prohibited under Anti-Corruption Policy in connection with the business of the Company. The source of funds used for acts prohibited or restricted under the Anti-Corruption Policy does not alter the fact that the acts may constitute illegal business practices.

5. Prohibition on Facilitation Payments

In principle, OBT Personnel must not provide any facilitation payments to Public Officials.

5.1 What are Facilitation Payments?

Facilitation payments are small payments or small gifts provided to Public Officials directly or indirectly to speed up or facilitate customs, inspections, the issuance or extension of entrance or residence visas, the installation of water, sewer or phone lines, police protection, and other administrative services related to day-to-day routine services with regard to which Public Officials do not have discretionary judgment.

5.2 Responses to Demands for Facilitation Payments

OBT Personnel must not accept demands for facilitation payments or suggestions that facilitation payments are needed by Public Officials. Please explain to such Public Officials that such payments are prohibited under Anti-Corruption Policy, and that a violation of Anti-Corruption Policy will put you at risk of losing your position. Payment is not permitted even if Public Officials engage in coercion and threaten to obstruct the business of the Company. In such instances, please provide Anti-Corruption Officer with a report on the circumstances.

6. Prohibition on Private Sector Bribery

OBT Personnel must not give Benefit to private individuals who are not Public Officials for illegitimate purposes. Even if there is no illegitimate purpose, the same will apply if there is suspicion of an illegitimate purpose.

6.1 Purpose

Even if the counterparty is not a Public Official, the giving of Benefit, including the provision of entertainment or gifts, may be otherwise illegal for private sector bribery prohibited under foreign law or misuse of company funds if carried out for an illegitimate purpose. OBT Personnel are required to act fairly and in good faith in all of OBT's commercial dealings and trade relationships.

6.2 Prohibited Acts

For example, the following acts are prohibited:

- (i) when approached by a person purporting to be a broker in an invitation for bids who says he/she can enable you to win the bidding by introducing you to the person in charge of purchasing at the private entity placing the order, and paying the broker a fee for this service;
- (ii) repeatedly entertaining a person in charge of a customer entity in a manner that exceeds socially acceptable levels to obtain favorable trade terms for the Company; and
- (iii) the payment made by the person in charge of purchasing to the customer who demands that an amount equal to 3% of the transaction amount be transferred to his/her personal account under the pretext of a "commission" as a reward for executing the contract.

6.3 Prohibition on Taking Rebates and Kickbacks

OBT Personnel are not permitted to personally receive rebates, kickbacks or the like from suppliers or other companies. Seeking Benefits in relation to their duties at OBT or receiving Benefits in exchange for swaying a decision in the Company's business activities is not allowed.

7. Prohibition on Improper Entertainment and Gifts and Donations

Do not, with corrupt intent, provide entertainment, gifts, recreation, invitations or the like ("Entertainment and Gifts") to Public Officials. Even if there is no corrupt intent, there is a risk that Entertainment and Gifts to be provided may be misconstrued as corrupt intent.

7.1 Purpose

Anti-Corruption Policy prohibit to provide Entertainment and Gifts to Public Officials with corrupt intent because doing so can be deemed and punished as bribery.

In addition, extravagant or excessive Entertainment and Gifts are very likely to distort the judgment of Public Officials in relation to their duties, and run a great risk of being suspected by investigative authorities as being bribes. As such, Anti-Corruption Policy

also prohibit the provision of Entertainment and Gifts that could objectively be suspected of having been provided with corrupt intent.

On the other hand, Entertainment and Gifts provided without corrupt intent to maintain business relationships as a part of generally accepted social customs are not uniformly prohibited under Anti-Corruption Policy.

7.2 Acceptable Entertainment and Gifts

All of the following requirements must be satisfied:

- (i) given in the name of the company, not in the name of any individual officer or employee;
- (ii) not extravagant or excessive and reasonable and proportionate in content based on social norms;
- (iii) solely aimed at building and maintaining a general business relationship and understanding;
- (iv) not intended to influence the performance of the other party's duties;
- (v) not at any risk of being subject to social criticism and provided in an open and transparent manner;
- (vi) provided in compliance with any relevant laws, regulations and rules;
- (vii) provided in compliance with the rules applicable to the Public Official;
- (viii) do not include cash or cash equivalents (gift certificates or the like);
- (ix) accurately and properly recorded in accounting ledgers; and
- (x) in the case of recreation, the location and content are appropriate, and the recreation must not be provided in a manner that would invite suspicion as to illegitimate business purposes.

7.3 Entertainment and Gifts at Risk of Being Suspected as Having Corrupt Intent

While it is difficult to provide a universal standard, please consider the following points as general factors in confirming the possibility of being suspected of possessing corrupt intent. If you have any doubts with regard to Entertainment and Gifts, consult the Anti-Bribery Officer before providing such Entertainment and Gifts.

(1) Amount and Nature

A large monetary value is the biggest factor in being suspected of having corrupt intent; the higher the value, the greater the risk of distorting the performance of the Public Officials, and the greater the risk of triggering the suspicion of having corrupt intent. Keeping the amount small and reasonable will lessen this suspicion.

Consideration shall also be given to whether Entertainment and Gifts are extravagant and excessive from the perspective of generally accepted social norms, and whether their nature is unreasonable. The nature, method, form and frequency of Entertainment and Gifts must be evaluated based on the local cost of living and local customs.

(2) Timing

Entertainment and Gifts provided in the course of business negotiations, immediately prior to or after the execution of a contract, or immediately prior to or after an application for a license/permission is approved, could easily be

found to be related to obtaining a business-related Benefit, and are at risk of being suspected of having been made with corrupt intent. You should avoid providing Entertainment and Gifts at times that may influence decisions by Public Officials in relation to their roles or functions.

(3) Frequency

Where Entertainment and Gifts are repeatedly provided to the same person, or where the expectation of repeated entertainment is created, an inappropriate relationship could be found to exist with a Public Official, and suspicions of corrupt intent could arise.

It is generally thought that Entertainment and Gifts do not have to be provided repeatedly to build and maintain an ordinary business relationship and understanding.

7.4 Notes on Invitation for Travel and Lodging

Travel and lodging may be provided to Public Officials for ordinary business purposes, such as touring facilities, training and the like. However, if travel or lodging is provided to Public Officials mainly for the purpose of entertainment rather than for a legitimate official business reason, the provision of travel and lodging shall be prohibited. In addition, travel that includes an unreasonable amount of sightseeing or other events unrelated to the official business purpose may evoke suspicions of corrupt intent. When extending travel and lodging invitations to Public Officials, it is essential that these are made in a manner that does not evoke suspicion with regard to their proper business purposes.

Specifically, all of the following requirements must be satisfied:

- (i) the invitation is reasonably necessary to tour the OBT's facilities, for training, meetings or the like;
- (ii) the person invited is proportionate and appropriate in light of the purpose of the invitation;
- (iii) the number of people invited is appropriate;
- (iv) people unrelated to the purpose of the invitation (e.g., family members or friends of the Public Officials) are not invited.
- (v) the invitation does not give rise to a suspicion that the main purpose is sightseeing in view of the travel schedule; and
- (vi) the mode of transportation, lodging, and dining locations are reasonable and proportionate.

7.5 Charitable Donation and Sponsorship

Charitable donations or sponsorship ("Donation") might be used to disguise bribery or corrupt payments to Public Officials. There is a high risk of these being suspected as bribery.

Set out below are points to consider before making a Donation to ensure that it would not pose a problem:

- (i) with corrupt intent;
- (ii) to a donee that is not a real entity (i.e., where there is a suspicion as to the existence of a charitable organization and its actual activities);

- (iii) requested by a Public Official;
- (iv) where a Public Official has special interests associated with the donee;
- (v) as consideration for a potential Benefit to the Company's business;
- (vi) where the purpose for which the donation will be used is unclear; or
- (vii) where the donation is made to the bank account of an individual.

8. Procedures for Providing Entertainment and Gifts and Donations

- (1) ***OBT Personnel shall apply for and obtain clearance in advance from Anti-Corruption Officer for the provision of Entertainment and Gifts to Public Officials or Donations.***
- (2) ***Anti-Corruption Officer will make decisions as to approval (including the conditional approval) or rejection of applications in accordance with Section 7.***

8.1 Application for Approval

When seeking advance clearance from Anti-Corruption Officer for the provision of Entertainment and Gifts to Public Officials or Donations, OBT Personnel must use the application form set out in Schedule 1.

8.2 Post-facto Report

OBT Personnel who have acted in a way for which this Section requires advance clearance without obtaining such clearance due to unavoidable circumstances must prepare and submit the same form to Anti-Corruption Officer promptly after such action.

Anti-Corruption Officer will review the report and assess whether the Entertainment and Gifts or Donations were provided within Anti-Corruption Policy.

9. Considerations in Transactions with Third Party Agents

OBT Personnel must exercise due care when using agents, consultants, intermediaries, and brokers or other third parties providing services to the OBT ("Third Party Agent(s)") to ensure that such Third Party Agents do not engage in any bribery prohibited under Anti-Corruption Policy.

9.1 Purpose

Third Party Agents are not under the direct control of OBT and yet their conduct or the conduct of their employees may be attributed to OBT where they act on the OBT's behalf or in the OBT's interests. If such Third Party Agents engage in bribery, OBT could also be held legally liable.

OBT Personnel must exercise due care to ensure that Third Party Agents do not engage in bribery. For example, if there is a possibility that a portion of the remuneration paid to a Third Party Agents may be used in bribery for the purpose of acquiring business for the Company, that Third Party Agents shall not be retained.

In particular, the following Third Party Agents run a high risk of bribery:

- (i) Third Party Agents used in emerging nations with rampant corruption;
- (ii) Third Party Agents retained in connection with transactions with government departments or government enterprises; and
- (iii) Third Party Agents retained in connection with the acquisition of permits or licenses from governmental entities.

9.2 Principles to be applied in Using Third Party Agents

The following principles should be applied in relation to any dealings with Third Parties Agents:

- (i) There must be a clear and transparent commercial rationale and justification for dealing with any Third Party Agent that is positioned between OBT and a government or public body, or a customer;
- (ii) Third Party Agent should possess the necessary licenses or permits and capabilities to provide required services. Third Party Agent may only be retained on the basis of substantive services that they will provide;
- (iii) Remuneration or fees paid to Third Party Agents must be commensurate with the level of services actually provided and consistent with market rates;
- (iv) Third Party Agent should have proper procedures and systems in place to mitigate the risks associated with corrupt practices;
- (v) OBT Personnel shall not normally agree to use a Third Party Agent that has been specifically requested or recommended by the counterparty to the contract, or any licensing or regulatory body;
- (vi) OBT Personnel shall ensure that arrangements with Third Party Agents and services to be provided are clearly documented and must not enter into any agreement with a Third Party Agent unless the proposed agreement is approved by Anti-Corruption Officer.

9.3 Payments to Third Party Agents

All payments to a Third Party Agent must be made by bank transfer to the Third Party Agent's bank account in the country in which the Third Party Agent has its principal place of business or performs substantial services on behalf of OBT. All such payments must be made against valid invoices, statements and other documents, appropriately evidencing that services were in fact provided. Any payment to a Third Party Agent of a commission, service fee, or other fees (or the grant of discounts to distributors) which is not in accordance with the agreement with the Third Party Agent must be approved by Anti-Corruption Officer.

In particular, OBT Personnel should not agree to make payments to a party other than the Third Party Agent itself and should not agree to any request of a Third Party Agent to make a payment to an offshore bank account.

9.4 Monitoring

Once established, a relationship with Third Party Agents should be actively monitored in order to ensure that Third Party Agents are not involved in any acts prohibited under Anti-Corruption Policy.

10. Procedures for Transactions with Third Parties Agents

- (1) ***OBT Personnel, when entering into a business relationship with a Third Party Agent, shall conduct due diligence and assess whether there is a risk that the Third Party Agent will engage in bribery prohibited under the Anti-Corruption Policy.***
- (2) ***When entering into or renewing contracts with a Third Party Agent, in principle, OBT Personnel shall ensure, by including anti-bribery terms in the contract with the Third Party Agent or by requiring the Third Party Agent to submit a written pledge that the Third Party Agent will not engage in bribery prohibited under Anti-Corruption Policy.***

10.1 What is Due Diligence?

Due diligence is a procedure in which the role, necessity, and suitability of a Third Party Agent, its relationships with Public Officials and the reasonableness of the remuneration paid to it are assessed prior to entering into a business relationship with the Third Party Agent. Based on the assessment, a decision is made as to whether to engage in business with the Third Party Agent, and measures required to minimize the risk of bribery (if any).

10.2 Conducting Due Diligence

Please conduct due diligence with regard to Third Parties in accordance with the following procedures, and confirm whether there is any risk that they will provide improper Benefit prohibited under Anti-Corruption Policy:

- (i) Due diligence is to be conducted by filling out the due diligence checklist set out in Schedule 2;
- (ii) Anti-Corruption Officer shall review the completed checklist and decide whether to engage in business with the Third Party Agent;
- (iii) If the result of the due diligence uncovers a particular risk factor indicating that the Third Party Agent may engage in bribery prohibited under Anti-Corruption Policy, such Third Party Agent cannot be retained without the approval of Anti-Corruption Officer;
- (iv) In the case of (iii), Anti-Corruption Officer may conduct additional due diligence, including a background search by using an external vendor and interviews with officers and employees of the Third Party, and implement necessary measures to mitigate the risk of corruption; and
- (v) If Anti-Corruption Officer decides to proceed with a business transaction with such Third Party even where a particular risk factor has not been cleared, it must keep a record of the additional due diligence (if conducted) and the reason for deciding that the risk is reasonably acceptable.

10.3 Contractual Obligations

Anti-Corruption Officer is responsible for ensuring that anti-corruption matters are appropriately addressed in contractual agreements with Third Parties. The contractual provisions that apply in a particular case will be determined in terms of the nature of the Third Party, the corruption risks that the Third Party poses, and the nature of the transaction.

The contractual provisions may include:

- (i) representations that the Third Party Agent has not engaged in unlawful conduct;
- (ii) obligations of the Third Party Agent to comply with applicable anti-bribery and anti-corruption laws;
- (iii) disclosure obligations where relevant unlawful conduct is detected;
- (iv) in the event suspicions arise concerning the Third Party's violation of applicable anti-bribery and anti-corruption laws, the Company will be able to inspect the Third Party Agent's books and records; and
- (v) in the event the Third Party Agent engages in a violation of applicable anti-bribery and anti-corruption laws, OBT will be entitled to immediately terminate the contract.

Samples of contractual provisions that can be included in contracts with Third Party Agents are set out in Schedule 3.

11. Joint Ventures and M&A

In the case where OBT forms joint ventures or other collaborative business relationships with other companies or carries out mergers and acquisitions (M&A), OBT Personnel shall fully acknowledge the possibility of OBT assuming bribery risks borne by counterparties in deals, other participants in joint enterprises and M&A target companies.

OBT Personnel shall take necessary measures to mitigate such bribery risks associated with joint ventures or M&A by consulting with Anti-Corruption Officer.

12. Recordkeeping

- (1) ***All OBT Personnel - not limited to those who are directly involved in accounting and bookkeeping - shall prepare and retain proper and accurate accounting records (payment vouchers, accounting ledgers, etc.) that include parties to transactions, payment arrangements, details and purposes of transactions.***
- (2) ***OBT Personnel shall not engage in off-balance sheet transactions, fictitious transactions, transactions which are otherwise false, or transactions which may be misconstrued as such transactions.***

12.1 Purpose

Since funds raised through accounting manipulation can be used as sources for bribery, timely and appropriate accounting is essential for anti-corruption purposes.

Accounting irregularities that are aimed at concealing bribery shall not be tolerated. For example, it is not permitted to book a payment that was actually a bribe as a "commission", "sales promotion cost", "consulting fee" or the like.

12.2 In appropriate accounting treatments

Please pay particular attention to avoiding the following:

- failure to record expenses and payments in the books;
- recording in an inappropriate account or mischaracterizing the nature of the expense/payment;
- maintaining inaccurate records of expenses and payments;

- using documentations (e.g., receipts or account information) that contain false/erroneous information that is misleading; and
- using off-the-books funds, etc.

As a general rule within OBT, any and all payment to third party can only be approved and processed upon receipt of official invoice and issuance of receipt

13. Discipline

OBT Personnel who violate the Anti-Corruption Policy shall be subject to strict disciplinary measures, up to and including termination, in accordance with the work rules and other rules of OBT.

The disciplinary measures do not prevent the filing of a civil claim for damages or a criminal complaint by the Company against OBT Personnel who violated applicable anti-bribery laws.