

## EMPLOYEE ETHICS AND CONDUCT POLICY

<b>INITIATION DATE:</b> July 31, 2006	<b>REVISION DATE:</b> November 2011, March 18, 2011
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### PURPOSE

LAPP Corp. values adherence to the highest principles of fairness, honesty and integrity in the conduct of its business. It is vital that employees maintain the highest standards of conduct in all their activities. To maintain high standards means that not only improper conduct, but even the appearance of impropriety must be avoided. This policy is designed to help employees meet appropriate standards.

### APPLICATION and ADMINISTRATION

This policy applies to all LAPP Corp. employees, including the President and Chief Executive Officer (CEO). This Policy is administered by the CEO in relation to employees and by the Board Chair in relation to the CEO. Where the policy refers to an obligation of or prohibition against an employee, with a reporting requirement to the CEO, the same applies to the CEO, reporting to the Board through the Chair.

Employees must not participate or acquiesce in conduct involving family members that would indirectly contravene this policy. Family members include spouse, parents or children regardless of residence, and any other person living in the household.

### ETHICAL STANDARDS

The following is a summary of the obligations and prohibitions of each employee of LAPP Corp. Each obligation and prohibition is illustrated further under "Specific Situations":

**Compliance:** Employees must comply with all federal and provincial laws and regulations related to LAPP Corp. activities, and must follow the spirit and intent of the laws and regulations.

**Honesty:** Every employee is under a duty to act honestly, in good faith and in a consistent manner with a view to the best interests of LAPP Corp. while performing their duties.

**Fairness:** Employees must avoid any unfair practices and strive for impartiality in all forms of business practice.

**Disclosure:** Where applicable, employees must disclose relevant information and/or secure LAPP Corp. approval concerning their activities and financial dealings which may bear upon their LAPP Corp. responsibilities.

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**Notification:** Employees must notify the CEO before acting in any public capacity on behalf of LAPP Corp. Employees must receive advance clearance from the CEO before publishing any work about LAPP Corp.

**Records – Cooperation:** To ensure integrity of LAPP Corp. corporate records employees must maintain accurate records with respect to their areas of responsibility. Every employee must cooperate fully with any authorized investigation of LAPP Corp. operations.

**Self – Dealing:** Employees must not act on behalf of LAPP Corp. in the approval or administration of any transaction in which they have a personal interest. No employee of LAPP shall use his or her position or the knowledge gained therein in such a manner which is, or likely to be, in conflict with the interests of LAPP Corp., or for personal gain.

**Impropriety:** Employees must not accept any form of remuneration, other than their compensation, for doing business on behalf of LAPP Corp. An employee may not give gifts or other favours as an inducement for preferential treatment. No employee of LAPP Corp. shall accept any payments, gifts, entertainment or any other favours that might reasonably be viewed as likely to interfere with or influence the exercise of independent and objective judgement by the individual in the best interest of LAPP Corp.

**Misuse of Information:** Employees must not make any use of any proprietary or confidential information, acquired in the course of their employment with LAPP Corp., for personal gain or for their personal benefit.

### **Privacy**

Employees must protect the confidential nature of all personal information of any individual that is acquired in the course of their duties, and must not release the personal information to any person other than to those who are authorized to deal with the information in accordance with the *Freedom of Information & Protection of Privacy Act*.

### **FREEDOM TO REPORT CONDUCT**

If an employee believes that an ethical standard has not been followed by another individual, the employee is encouraged to bring the concern to the attention of the individual, the appropriate supervisor, CEO, Board Chair or Vice-Chair. LAPP Corp. will support employees who, acting in good faith, bring forward a concern, even if the concern is later determined to be unfounded.

### **DISCLOSURE**

Employees are required to disclose to the CEO all information directly relevant to avoiding problems in relation to this policy.

Employees are required to annually submit an Ethics and Conduct Certificate (Appendix 1) to the CEO. Information contained in the certificate will be kept confidential in the employee's personnel record and will not be used for any purpose other than to detect actual or potential violations of the policy.

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Where actual violations or potential violations of the policy are indicated in the certificate, an investigation will be conducted by the CEO. Employees will be encouraged to and are expected to participate in rectifying and resolving any compliance problems. The solution of actual or potential problems may take the form of action to eliminate the violation, action to avoid the potential violation, realignment of job functions, reassignment of the employee or other appropriate action. Suspension or termination of employment may be considered, if appropriate.

Employees whose activities violate this policy or who willfully fail to report violations and potential violations in their certificate, or who make false reports in their certificates, or who fail to participate in resolving any actual or potential compliance problems are subject to appropriate disciplinary action to be determined by the CEO, which may include termination for serious breaches.

## **SPECIFIC SITUATIONS**

The following examples illustrate how the obligations and prohibitions apply in specific situations.

**1. You are offered, or are encouraged to give money, a gift, loan or some other sort of favour in connection with your LAPP Corp. activities...**

An employee should not give or accept any gift, loan, or other favour unless the circumstances are such that its receipt would not reasonably be seen by others to influence the judgement or actions of the recipient with respect to transactions with or by LAPP Corp. and such receipt would not reasonably be interpreted by others so as to discredit LAPP Corp. An employee should return any gift received which may be viewed as going beyond this Guideline.

Gifts of insubstantial value which cannot be reasonably interpreted by others as offering an improper inducement to the recipient are not prohibited. It is permissible to accept favours which constitute generally accepted good business practices or social courtesies which have no special significance attached if reasonable in nature, frequency and cost. For example, an employee may entertain at business meals and receive reimbursement from LAPP Corp. for the reasonable expense thereof subject to the Expense Claim Policy.

**2. You are in a position to approve an application or contract for yourself, a member of your family or a friend....**

Inform your supervisor and ask that the matter be handled by someone else.

**3. You hear about a business opportunity while on the job....**

An employee may not appropriate to his or her own benefit, without the prior approval of the CEO, any business venture or opportunity which the employee

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discovers or develops in the course of LAPP Corp. employment and which is related to any business in which LAPP Corp. is engaged or may intend to engage. For example, an employee may not, without such prior approval, invest in real estate property which the employee knows the Local Authorities Pension Plan (LAPP) is considering acquiring.

#### **4. You have a substantial interest in another business enterprise....**

An employee (or any family member, to the employee's knowledge) shall not participate in any transaction involving LAPP Corp. and another business organization in which the employee has a substantial interest without the prior approval of the CEO. An employee is considered to have a substantial interest in another business if:

- such employee (or any family member, to the employee's knowledge) holds 1% or more of the stock or other comparable financial stake in such other business, or
- such employee (or any family member, to the employee's knowledge) is a director, officer, trustee, partner or holds any principal position in such other business.

#### **5. You are in a position to know confidential information about LAPP's investments or other transactions in the marketplace...**

An employee may not trade for his or her own account in the securities of a business on the basis of material information which is gained in the course of employment and which has not been made known to the general public. In this connection, material non-public information is any information about another corporation or the market for its securities that has not been made public and that a reasonable person would consider important in deciding whether or not to buy or sell securities of that corporation.

Employees who know or have reason to believe that LAPP is purchasing, selling or actively negotiating with respect to a particular security or their investment in a business may not purchase or sell for their own account, directly or indirectly, the securities of that business. Similarly, employees are prohibited from communicating to any other person, other than in the necessary course of business, their knowledge concerning LAPP's intentions or activities with respect to securities or other investment in a business.

#### **6. You are considering supplementary employment...**

An employee's employment loyalty is to LAPP Corp. It is recognized that employees may have supplementary employment. Employment with another business enterprise could create a conflict of interest with the employee's responsibilities to LAPP Corp. or be detrimental to LAPP Corp. This is particularly true where the other business enterprise has business transactions with LAPP Corp. or is engaged in a business transaction with LAPP Corp. or is

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engaged in a business similar to the business of LAPP Corp. Therefore, before undertaking supplementary employment, an employee must obtain the approval of the CEO, which will not be unreasonably withheld.

Employees must not take supplementary employment, including self-employment, should such employment:

- cause an actual or apparent conflict or interest, or
- be performed in such a way as to appear to be an official act, or to represent the opinion or policy of LAPP Corp., or
- unduly interfere through telephone calls, or otherwise, with regular duties, or
- involve the use of LAPP Corp. premises, equipment, or supplies, unless such use is authorized by the CEO.

Employees may teach courses at institutions during working hours provided that:

- acceptable arrangements can be made with the CEO for the employee to perform all regular duties, and
- course preparation and marking is done on the employee's own time, and
- no other conflict arises, and
- he or she first agrees that any fees received are to be paid to the LAPP Corp.

#### **7. You are asked to become a director or equivalent of another business, union or professional association...**

Before undertaking to act as a director, officer, trustee or partner of any other business enterprise, union or professional association, an employee must obtain the approval of the CEO.

No approval is necessary if the position is with a personal or family firm not doing business with LAPP Corp. and such service does not interfere with the employee's duties at LAPP Corp.

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**8. You are considering accepting a civic or political position....**

LAPP Corp. recognizes that its employees may wish to participate on their own time, on an entirely voluntary basis, in civic and political affairs. No employee shall hold any civic or political position which would interfere with the performance of the employee's duties at LAPP Corp. Before undertaking any such position an employee must notify the CEO of his or her intention to accept a civic or political position. Care must be exercised by the employee to make it clear that he or she is acting in an individual capacity and not as an employee or agent of LAPP Corp.

**9. You are questioned about your job in connection with an investigation of LAPP Corp. operations...**

From time to time, authorized inspections of LAPP Corp. operations are conducted. These may include audits by outside bodies such as the Canada Revenue Agency or LAPP Corp. auditors. Your supervisor will advise you in advance of any such authorized inspections. If you are asked for information about your areas of responsibility or to make books and records available in connection with any authorized inspection, employees should refer the matter, prior to any disclosure, for prior approval to the CEO. Requests by outside inspection teams to copy or remove books and records must be specifically authorized by the CEO.

**10. You are asked by a person outside of LAPP Corp. about information which you have acquired in connection with your job...**

Information which is received in the course of employment or which is available from LAPP Corp. records (unless generally available to the public) is to be treated confidentially. Such information must not be disclosed to outsiders, unless LAPP Corp. duties require such disclosure, the Board's Disclosure Policy allows the disclosure, or unless the CEO has given prior approval in accordance with any applicable laws and regulations.

The responsibility for maintaining the confidentiality of information or documents includes the responsibility for ensuring that such information or documents are not directly or indirectly made available to unauthorized persons.

**11. You are involved with development of, use of, or access to computer software...**

Standard contractual provisions in agreements by which LAPP Corp. obtains computer software usually restrict the use of such software and prohibit its duplication for any purpose other than to serve as a replacement for the original. This misappropriation or unauthorized use, disclosure or duplication of software developed by LAPP Corp. or acquired from a third party is prohibited.

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### **12. You are writing an article or book about your work ...**

An employee who is writing an article or book about LAPP Corp. or their work at LAPP Corp. must obtain advance clearance from the CEO.

### **13. You are contacted by media for a comment in connection with your work...**

When an employee is contacted or asked for a comment by the press or other media concerning an area of his or her responsibilities at LAPP Corp., such requests must be referred to the CEO (or his or her designate).

### **14. You are in direct contact with stakeholders...**

All LAPP Corp. employees share an obligation to:

- treat stakeholders fairly;
- be responsive to stakeholders' needs;
- be prompt and accurate in all transactions with stakeholders;
- constantly improve knowledge of LAPP and the industry so that communications are courteous and helpful and stakeholder inquiries are handled appropriately.

### **15. You are working with LAPP Corp. employees.....**

All LAPP Corp. employees are required to:

- act fairly towards co-workers;
- be respectful of co-workers; act professionally.

**ETHICS AND CONDUCT POLICY**

**Compliance Certificate**

I certify that I am familiar with the requirements of the LAPP Corp. Ethics and Conduct Policy, and that for the year ending December 31, \_\_\_\_\_, I have conducted myself in full compliance with that Policy except as noted below:

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