



# **Standards of Business Conduct**

**May 2019**

## Table Of Contents

<b>Letter from the CEO .....</b>	<b>2</b>
<b><u>Introduction.....</u></b>	<b>3</b>
<i>Company Ethics Policies.....</i>	3
<i>Reporting a Violation.....</i>	3
<i>Investigation and Non-Retaliation .....</i>	3
<i>Requests for Waivers.....</i>	4
<i>Special Responsibility of Supervisors.....</i>	4
<i>Overview of General Principles of Ethical Conduct.....</i>	4
<b>1. <u>Employee Environment.....</u></b>	<b>5</b>
<i>Equal Employment Opportunity.....</i>	5
<i>Discrimination, Harassment and Retaliation Prevention .....</i>	5
<i>Reporting Procedures.....</i>	7
<i>Bystander Responsibility.....</i>	7
<i>Accommodation of Individuals with Disabilities.....</i>	7
<b>2. <u>Protecting Company Records; False Statements; Corruption .....</u></b>	<b>8</b>
<i>Financial Records of the Company.....</i>	8
<i>False Statements.....</i>	8
<i>Corruption, Fraud and Other Illegal Conduct.....</i>	8
<i>Applicability to Company Investments and Joint Ventures .....</i>	9
<b>3. <u>Confidential and Proprietary Company Information .....</u></b>	<b>9</b>
<i>Company Information / Confidential and Proprietary Information.....</i>	9
<i>Safeguarding Confidential Materials.....</i>	9
<i>Disclosure of Trade Secrets .....</i>	10
<i>Corporate Communications.....</i>	10
<b>4. <u>E-Communications and Information Security.....</u></b>	<b>10</b>
<i>No Expectation of Privacy.....</i>	10
<i>Network Security.....</i>	11
<i>Non-Business Use.....</i>	11
<i>Acting Responsibly in Company Communications.....</i>	11
<i>Safeguarding Confidential Electronic Information.....</i>	11
<b>5. <u>Handling Personal Data and Privacy Protection .....</u></b>	<b>12</b>
<b>6. <u>Company Intellectual Property (IP) .....</u></b>	<b>12</b>
<i>Company Work Product/IP/Employee Content Creation.....</i>	12
<i>Protecting Company IP.....</i>	12
<b>7. <u>Conflicts Of Interest .....</u></b>	<b>12</b>
<i>Actual and Potential Conflicts of Interest; Clearance of Conflicts.....</i>	12
<i>Gifts and Entertainment .....</i>	13
<i>Investment Interests in Other Companies; Definition of Partner/Competitor Companies.....</i>	14
<i>Providing Services to Other Companies .....</i>	15
<i>Working with Family Members and Romantic Relationships .....</i>	15
<i>Corporate Opportunities; Balancing Company Property and Personal Benefits .....</i>	16
<i>Honorariums for Speeches and Use of Company Content by Other Organizations .....</i>	16
<b>8. <u>Conducting Business in a Global Marketplace .....</u></b>	<b>16</b>
<i>Relationships with Intermediaries.....</i>	17
<i>Foreign Corrupt Practices Act.....</i>	17
<i>Antitrust Laws .....</i>	18
<i>Shipments, Export, Import and Anti-boycott Laws.....</i>	19
<i>Political Activities and Solicitations .....</i>	20
<b>Summary of the Standards .....</b>	<b>21</b>
<b><u>Addendum .....</u></b>	<b>22</b>



**Michael Pietsch**  
Chief Executive Officer

December 2016

Dear Colleagues,

Our success as a global publisher relies on our commitment to maintaining the highest level of integrity, which includes acting ethically and complying with the law in all aspects of our business.

This commitment is reflected in our Standards of Business Conduct, which have served as a guide to the Company for many years. These guidelines are amplified by the Lagardère Code of Conduct and the Hachette Livre Anti-Bribery Policy that have been adopted by all Hachette Livre companies.

Protecting the Company's reputation for acting ethically and fairly wherever we do business is the responsibility of each one of us, and the Company relies on you to maintain the highest ethical standards. Please familiarize yourself well with our Standards of Business Conduct and these other policies, so you know what the Company expects of all employees.

If you have any questions or would like to report a concern, please contact a member of the HBG Compliance Office or send an email to [BusConduct@hbgusa.com](mailto:BusConduct@hbgusa.com).

*Thanks,  
Michael*

# **Introduction**

## **Company Ethics Policies**

The Hachette Book Group (“HBG” or “Company”) Standards of Business Conduct (sometimes called the “Standards”) reflect the commitment of HBG and its management and staff to conduct business with the highest standards of integrity and ethics. The Standards, along with the 2012 Lagardère Code of Conduct and the Hachette Livre (“HL”) Anti-Bribery Policy (all three are collectively referred to in these Standards as the “Ethics Policies”), set forth the Company’s expectations for ethical and lawful workplace behavior.

Please read the Lagardère Code of Conduct and HL Anti-Bribery Policy located on the Bookends website under Policies (<http://bookends.hbgusa.com/about/policies/>), together with these Standards of Business Conduct. They focus on broad principles, applicable to employees across all units of the Company, as well as third parties and independent contractors providing services to HBG, and additional information and hypothetical scenarios are set forth in the Addendum to the Standards starting on page 21. All employees are expected to familiarize themselves with the Ethics Policies and to refer to them on Bookends during their tenure at HBG, as they may be updated from time to time. Accordingly, you may be asked periodically to review and acknowledge that you have read and understand the current version of the Ethics Policies. Please keep in mind that the Ethics Policies remain applicable to all employees regardless of whether an acknowledgement is signed and a violation may result in disciplinary action, up to and including termination.

Acting ethically is every employee’s responsibility. It is your obligation to seek guidance when unsure about a difficult situation, and to report any suspected or actual violation of the Ethics Policies or laws that apply to our business. If you have a question, speak to your Human Resources (HR) representative.

## **Reporting a Violation**

Employees are expected to promptly report any actual or suspected violations of any of the Ethics Policies. As a general rule, you may contact your supervisor, the Legal Department, a Human Resources representative, or the HBG Compliance Office (described below) with questions or concerns. The HBG Compliance Office consists of (i) Carol Ross, General Counsel, (ii) Stephen Mubarek, Chief Financial Officer, and (iii) Andrea Weinzimer, Senior Vice President, Human Resources.

You always have the option to report a violation anonymously if you choose, but please note that if you don’t identify yourself when making a report, HBG may not be able to make as thorough an investigation as it otherwise might. If you do choose to identify yourself in the report, HBG will seek to keep your identity confidential to the extent practicable. To make a report to the Compliance Office, you may:

- speak to a member of the HBG Compliance Office
- send an e-mail to: [BusConduct@hbgusa.com](mailto:BusConduct@hbgusa.com)
- send a fax to (212) 364-0934, Attention: Compliance Office
- send a letter to: Compliance Office, Hachette Book Group, 1290 Avenue of the Americas, 4<sup>th</sup> floor, 4-299, New York, NY 10104

## **Investigation and Non-Retaliation**

The Compliance Office will promptly and thoroughly investigate any report it receives, and take appropriate corrective action based on the findings of the investigation. The investigation and outcome will be treated as confidential to the extent feasible under the circumstances.

Any employee who in good faith reports suspected misconduct is doing the right thing! The Company will not tolerate retaliation by anyone, regardless of position, against an employee who raises a compliance or Ethics Policy issue in good faith. Anyone engaging in retaliation may be subject to disciplinary action, which may include termination of employment.

### **Requests for Waivers**

The particular facts and circumstances of each matter will determine how the Standards will apply. Any requests for a waiver of a Standard must be addressed to the Compliance Office. Only the Compliance Officer may grant a waiver. The Compliance Office may consult with your manager in making its decisions.

### **Special Responsibility of Supervisors**

Supervisors are expected to foster an environment where employees feel comfortable asking questions and reporting concerns. Supervisors must ensure that their staff members are aware of their obligations under the Ethics Policies. All managers are responsible for monitoring and promoting employee compliance. While all employees have a duty to report suspected violations, supervisors have the additional responsibility to be alert to possible fraudulent or illegal conduct in their area, and to maintain effective procedures or controls to deter and discover wrongdoing. Supervisors are expected to report all serious violations to the HBG Compliance Office as soon as possible. No one may justify misconduct by claiming it was ordered by someone higher up or in another area -- no one at any level or position has the authority to direct conduct that is illegal or violates our Ethics Policies.

### **Overview of General Principles of Ethical Conduct**

At all times, you are expected to:

- Engage in and promote honest, ethical and respectful conduct.
- Cultivate a respectful and fair work environment, free from discrimination and harassment.
- Maintain materially accurate and complete financial records.
- Do not tolerate fraud, corruption or other illegal conduct.
- Safeguard HBG's confidential and proprietary information, its assets and resources.
- Avoid actual or perceived conflicts of interest between personal and professional interests whenever possible.
- Comply with all applicable laws, regulations and Company policies.
- Seek guidance where necessary from a supervisor or a member of the Compliance Office.

When making business decisions, consider the following questions:

- Does it feel like I am doing the right thing?
- How would the person I respect the most view this decision?
- How would this look to my family and people I respect if my decision were reported in the newspaper?

If you are not sure about something, ask someone from the Compliance Office, HR or Legal.

# **1. Employee Environment**

## **Equal Employment Opportunity**

HBG is committed to maintaining a work environment in which fairness, equity, trust and individual responsibility are valued. HBG believes that talented and dedicated employees are our most valuable asset. At HBG, everyone is given an equal opportunity to succeed.

HBG is committed to equal opportunity in employment and to creating, managing, and valuing diversity in its workplace. HBG does not discriminate with respect to hiring, promotion, compensation, benefits, training, access to facilities and programs, assignment of job responsibilities, employee activities, termination or any other aspect of the employment relationship on the basis of race, color, national origin, citizenship status, ancestry, religion, sex, age, sexual orientation, marital status, physical or mental disability, gender identity or expression (including transgender status), genetic information, pregnancy, military service or veteran's status, or membership in any other class protected by applicable law ("protected categories"). Furthermore, in all other matters relating to employment or any of the other ways HBG and its employees interact, HBG is committed to compliance with the many laws that are applicable to the workplace. Contact your HR representative to learn more about the Equal Employment Opportunity policy.

Reports of discrimination in connection with matters affecting the employment relationship generally based on an individual being in one of the protected categories should be made to your supervisor or your HR Representative so that we can investigate thoroughly and address the matter appropriately. All supervisors or managers to whom these matters are reported must notify an HR representative. We will not allow any form of retaliation against employees who raise issues of equal employment opportunity in good faith. To ensure our workplace is free of artificial barriers, violation of this policy may result in disciplinary action, up to and including discharge.

## **Discrimination, Harassment and Retaliation Prevention**

Hachette Book Group does not tolerate and prohibits discrimination or harassment of or against our job applicants, contractors, interns, volunteers, or employees by another employee, supervisor, vendor, customer, or any third party on the basis of race, color, creed, religion, national origin, ancestry, citizenship status, age, sex or gender (including pregnancy, childbirth and related medical conditions), gender identity or gender expression (including transgender status), sexual orientation, marital status, military service and veteran status, physical or mental disability, protected medical condition as defined by applicable state or local law, genetic information, or any other characteristic protected by applicable federal, state, or local laws and ordinances (referred to as "protected characteristics"). The Company also prohibits retaliation as defined below.

The Company is committed to a workplace free of discrimination, harassment and retaliation. These behaviors are unacceptable in the workplace and in any work-related settings such as business trips and Company sponsored social functions, regardless of whether the conduct is engaged in by a supervisor, co-worker, client, customer, vendor or other third party. In addition to being a violation of this policy, discrimination, harassment or retaliation based on any protected characteristic is also unlawful pursuant to applicable federal, state, or local laws and ordinances. For example, sexual harassment and retaliation against an individual because the individual filed a complaint of sexual harassment or because an individual aided, assisted or testified in an investigation or proceeding involving a complaint of sexual harassment are unlawful.

***Discrimination Defined.*** Discrimination under this policy means treating differently or denying or granting a benefit to an individual because of the individual's protected characteristic.

**Harassment Defined.** Harassment generally is defined in this policy as unwelcome verbal, visual or physical conduct that denigrates or shows hostility or aversion towards an individual because of any protected characteristic when:

- Submission to that conduct is made either explicitly or implicitly a term or condition of an individual's employment; or
- Submission to or rejection of the conduct by an individual is used as the basis for employment decisions affecting the individual; or
- The conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.

Harassment can be verbal (including slurs, jokes, insults, epithets, gestures or teasing), visual (including offensive posters, symbols, cartoons, drawings, computer displays, text messages, social media posts or e-mails) or physical conduct (including physically threatening another, blocking someone's way, etc.). Such conduct violates this policy, even if it is not unlawful. Because it is difficult to define unlawful harassment, employees are expected to behave at all times in a manner consistent with the intended purpose of this policy.

**Sexual Harassment Defined.** Sexual harassment can include all of the above actions, as well as other unwelcome conduct, such as unwelcome or unsolicited sexual advances, requests for sexual favors, conversations regarding sexual activities and other verbal or physical conduct of a sexual nature when:

- Submission to that conduct or those advances or requests is made either explicitly or implicitly a term or condition of an individual's employment; or
- Submission to or rejection of the conduct or advances or requests by an individual is used as the basis for employment decisions affecting the individual; or
- The conduct or advances or requests have the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.

Examples of conduct that violates this policy include:

- unwelcome sexual advances, flirtations, advances, leering, whistling, touching, pinching, assault, blocking normal movement
- requests for sexual favors or demands for sexual favors in exchange for favorable treatment
- obscene or vulgar gestures, posters, or comments
- sexual jokes or comments about a person's body, sexual prowess, or sexual deficiencies
- propositions, or suggestive or insulting comments of a sexual nature
- derogatory cartoons, posters, and drawings
- sexually-explicit e-mails or voicemails
- uninvited touching of a sexual nature
- unwelcome sexually-related comments
- conversation about one's own or someone else's sex life
- conduct or comments consistently targeted at only one gender, even if the content is not sexual
- teasing or other conduct directed toward a person because of the person's gender

**Retaliation Defined.** Retaliation means adverse conduct taken because an individual reported an actual or perceived violation of this policy, opposed practices prohibited by this policy, or participated in the reporting and investigation process described below. "Adverse conduct" includes but is not limited to: any action that would discourage an employee from reporting discrimination, harassment or retaliation; shunning and avoiding an individual who reports discrimination, harassment or retaliation; express or implied threats or intimidation intended to prevent an individual from reporting discrimination, harassment or retaliation; and denying employment benefits because an applicant or employee reported discrimination, harassment or retaliation or participated in the reporting and investigation process described below.

## **Reporting Procedures.**

The following steps have been put into place to ensure the work environment at the Company is respectful, professional, and free of discrimination, harassment and retaliation. If an employee believes someone has violated this policy or our Equal Employment Opportunity Policy, the employee should promptly bring the matter to the immediate attention of their department head, their supervisor or the SVP, Human Resources. Written complaints can be submitted internally using the [Sexual Harassment Complaint Form](#) on Bookends. If the employee makes a complaint under this policy and has not received a satisfactory response within five (5) business days, the employee should contact the General Counsel immediately.

Every supervisor who learns of any employee's concern about conduct in violation of this policy or our Equal Employment Opportunity Policy, whether in a formal complaint or informally, or who otherwise is aware of conduct in violation of this policy must immediately report the issues raised or conduct to the Head of Human Resources or to any other member of Human Resources.

**Investigation.** Upon receiving a complaint, the Company will promptly conduct a fair and thorough investigation into the facts and circumstances of any claim of a violation of this policy or our Equal Employment Opportunity policy to ensure due process for all parties. To the extent possible, the Company will endeavor to keep the reporting employee's concerns confidential. However, complete confidentiality may not be possible in all circumstances. Employees are required to cooperate in all investigations conducted pursuant to this policy.

During the investigation, the Company generally will interview the complainant and the accused, conduct further interviews as necessary and review any relevant documents or other information. Upon completion of the investigation, the Company will determine whether this policy or our Equal Employment Opportunity policy has been violated based upon its reasonable evaluation of the information gathered during the investigation. The Company will inform the complainant and the accused of the results of the investigation.

The Company will take corrective measures against any person who it finds to have engaged in conduct in violation of this policy, if the Company determines such measures are necessary. These measures may include, but are not limited to, counseling, suspension, or immediate termination. Anyone, regardless of position or title, whom the Company determines has engaged in conduct that violates this policy or our Equal Employment Opportunity policy will be subject to discipline, up to and including termination. This includes individuals engaging in discrimination, harassment or retaliation, as well as supervisors who fail to report violations of this policy, or knowingly allow prohibited conduct to continue. Individuals who engage in conduct that rises to the level of a violation of law can be held personally liable for such conduct.

## **Bystander Responsibility**

Remember, we cannot remedy claimed discrimination, harassment or retaliation unless you bring these claims to the attention of management. Please report any conduct which you believe violates this policy or our Equal Employment Opportunity policy.

## **Accommodation of Individuals with Disabilities**

In accordance with the Americans with Disabilities Act and applicable state or local laws, the Company will not discriminate against any individual who is physically or mentally disabled, has been disabled in the past, or is perceived to be disabled, but who is qualified to perform the essential functions of a job with reasonable accommodation.

HBG will endeavor to make reasonable accommodations that are not an undue hardship on the Company to permit a qualified person with a known disability to perform the essential functions of the job.

The Company will engage in an interactive dialogue with an employee requesting an accommodation and will consider whether an accommodation requested is reasonable, consistent with applicable law. If you have questions, please speak to your HR representative.



## **2. Protecting Company Records; False Statements; Corruption**

### **Financial Records of the Company**

Our financial records serve as a basis for managing our business and are important in fulfilling our responsibilities to our parent company, and others with whom we do business. They also are necessary for preparing our financial statements, tax filings and other important documents. We are committed to maintaining materially accurate and complete financial records and to full, fair, accurate, and timely disclosure in material respects in reports and documents that the Company makes publicly available. Maintaining accurate and complete financial records is as much a legal obligation as a business necessity.

If you believe that a financial, tax or accounting record, statement or filing is inaccurate or misleading (including by omission) or that it fails to conform to applicable accounting standards or other Company policy, promptly bring it to the attention of the Compliance Office or to HBG's CFO Stephen Mubarek. This also applies if you have any question about the integrity of an employee involved in financial functions, or any concerns regarding accounting, financial reporting, internal controls or auditing matters. To be clear, we are not referring to matters of judgment over which reasonable people may differ. But if you feel that the wrong decision is being made and is likely to result in materially misleading or inaccurate financial reports, you should discuss it with your supervisor or one of the people listed above. Employees are expected to cooperate with the Company's internal and external auditors, and not to conceal information or take any action to fraudulently influence or mislead any such auditors.

### **False Statements**

All HBG reports and documents (whether on paper or in electronic form), ranging from job applications, resumes, time sheets, expense reports, and financial statements and reports, must be prepared honestly, and should present an accurate and complete picture of the facts. No false, artificial or misleading statement or entries should be made to HBG books and records, account documents, or financial statements in any context, and doing so may result in termination of employment.

### **Corruption, Fraud and Other Illegal Conduct**

HBG is committed to a culture that does not tolerate corruption, fraud and other illegal conduct. Corruption is the act of directly or indirectly offering or receiving a benefit in return for obtaining or securing a favor or benefit. Benefits can include monetary payment or something of value, such as goods, services, gifts, hospitality, promise of future employment, etc. Corrupt or illegal conduct can take many forms, including:

- Theft or other misappropriation of assets of our company, our customers and suppliers.
- Unauthorized expenditures or revenue.
- Questionable payments to agents, vendors, consultants or professionals who have not been properly retained by the Company, or have overbilled or underperformed.
- Misstatements and other irregularities in preparation or audit of Company books, records, and financial statements.
- Forgery or other alteration of documents.
- Billings made higher or lower than fair value, at a customer's request.
- Intentionally misclassifying transactions to false accounts, departments or accounting periods.
- Payments made for any purpose other than that described in supporting documents.
- Non-compliance with accounting control procedures.
- Bid rigging.
- Bribery, kickbacks and "facilitation" payments to foreign officials. A "kickback" is something of value provided for the purpose of improperly obtaining favorable treatment in connection with the award of a contract, such as a vendor making a payment secretly to a HBG employee in order to influence the employee to award business to the vendor or secure more favorable terms. "Facilitation" payments are payments made to foreign officials to secure or expedite routine

government actions, such as processing a visa, clearing products through customs and connecting utilities.

- Influencing someone to do the above.

Violations of these practices may also constitute violations of state, federal and international law and may result in forfeiture and other civil and criminal penalties for you, your supervisors and/or the Company. These are discussed in additional detail in the HL Anti-Bribery Policy and the Lagardère Code of Conduct available on Bookends, and it is your responsibility to familiarize yourself with those documents. For more information, please see the Addendum.

### **Applicability to Company Investments and Joint Ventures**

Acquisitions or creations of joint ventures require in depth legal and financial investigation of all parties involved in the transaction. Misconduct or corruption in any division of the target company or joint venture partner may expose the Company to liability: (i) even if the actions occurred before the joint venture was formed or the company was acquired by HBG, and (ii) even if the parties involved in the misconduct or corruption do not become part of HBG.

If you have questions about accuracy of Company financial records, reports and documents, about anti-corruption, or about misconduct by related entities of joint venture parties, consult the Compliance Office.

## **3. Confidential and Proprietary Company Information**

### **Company Information / Confidential and Proprietary Information**

All information and data pertaining to the Company constitutes Company information, is the sole and exclusive property of the Company, and may include confidential materials or information. No one may disclose or use any such information, other than in connection with services for the Company or as required by law. It also applies to any other individuals or entities performing services for the Company. Confidential information includes but is not limited to business plans, unpublished material (drafts, research, notes, correspondence and files), non-public financial information, contract details, computer files, e-mail, and information about current or prospective customers, suppliers, business partners or clients. Proprietary information includes but is not limited to business ideas, projects, plans, major contracts, processes, and activities, even if these are widely discussed within the Company or with our partners or others. Confidential and proprietary information belongs to the Company, and may not be disclosed or used other than for Company business, or as required by law. This obligation applies both during an employee's employment and at any time after an employee leaves the Company.

***Confidential Information About Other Companies:*** In addition, no employee or service provider shall disclose or use for his or her own benefit, any non-public information about another company that is learned during the course of HBG business. This includes information about products, services, or finances of companies with whom HBG does business.

***High Security Projects:*** From time to time, you may work on a highly confidential project or embargoed book. In such circumstances, you may be required to sign a non-disclosure agreement and/or promise to follow special procedures or security measures.

### **Safeguarding Confidential Materials**

In order to protect confidential Company information from inadvertent disclosure, employees should be especially cautious with potentially sensitive documents, and secure access to computers, files, and computer networks. (Please see the Standard below on E-Communications and Information Security.)

In addition, care should be taken to avoid disclosing confidential Company information inadvertently in casual or social conversations. Employees should not discuss confidential or non-public internal matters or developments with anyone, even family and friends, other than HBG employees who have a legitimate

business need to know the information in the performance of their job duties. If you need clarification about the appropriateness of sharing certain information, ask your supervisor.

Upon termination of employment, or otherwise upon request by the Company, employees must return all Company property, including confidential and proprietary information (originals and all copies).

### **Disclosure of Trade Secrets**

Under the U.S. Defend Trade Secrets Act of 2016, companies may bring legal action if their trade secrets are stolen or improperly disclosed. Simply put, a trade secret is business information that derives economic value from not being generally known to the public and that has been kept confidential by the owner of the information. A trade secret can be a process, a projection, future plans or any other information that is kept confidential and not generally disclosed to the public. Individuals who disclose trade secrets can face criminal and/or civil penalties, with the following exception for so-called “whistle-blowers.” An individual who discloses a trade secret will have immunity if the disclosure is made: (i) in confidence to a government official or attorney solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a court document filed under seal in a lawsuit or other proceeding.

### **Corporate Communications**

All corporate communications on behalf of HBG are to be issued by Sophie Cottrell, SVP, Corporate Communications, or another appropriately designated officer or employee. If you receive any inquiries from the media or others for statements on behalf of the Company about our business, you should decline comment and refer the inquirer to Sophie Cottrell.

## **4. E-Communications and Information Security**

Employees should use the highest level of care and professionalism when utilizing the Company’s electronic information facilities, including but not limited to the HBG hardware, software, electronic devices, its electronic services such as e-mail, and its proprietary systems such as PubTracker, the Vault, OTC, PDS, Prism and others. Remember that electronic communications like email are not ephemeral and can create a fixed record of conduct.

### **No Expectation of Privacy**

Employees are reminded that all communications generated at or in connection with work, including e-mail, voice mail, memos and the like, are the property of the Company, and users cannot expect that their communications or any other electronically stored information will remain private.

The Company reserves the right to monitor use of e-mail, voice mail or any other electronically stored information in conjunction with an approved investigation or in order to ensure compliance with Company policies and legal requirements. In addition, operational needs may require the Company to access employees’ e-mail, voice mail and other electronically stored information, or the Company may be required to share such information with third parties pursuant to legal proceedings or investigations. From time to time, the Legal Department may ask you to preserve (and not destroy) all records (including documents, memos, emails, computer files) in connection with a particular matter. This may arise in the course of the Company having an existing or anticipated dispute with a third party. If you get such a notice, please search your records and respond promptly to the Legal Department request. If the Legal Department must access your records, it will return them to you when they are no longer needed and they will try to respect any personal or confidential information that might be included with such materials. Any attempt to delete or destroy documents (including e-mails) which are the subject of a request for preservation or production is absolutely prohibited and may subject you and the Company to civil and criminal penalties. All employees shall cooperate in authorized Company investigations. Keep in mind that when an employee leaves the Company, management will be given access to his or her e-mail, electronic files, and other electronically stored information.

## **Network Security**

The Company's electronic information facilities are critical to our daily operations, and all employees must protect the integrity of our systems and information. To maintain security, employees must:

- Dispose of sensitive material by secure means, such as shredding paper documents and erasing or overwriting electronic media and other portable memory devices.
- Report all theft of Company devices and information immediately to the HBG Helpdesk.
- Use only approved software and hardware to access Company systems and networks.
- When using a personal device for e-mail or to transact any other Company business, be cognizant of security issues and take precautions to ensure Company information is not compromised.

Please refer to the Company's [IT Policies](#) on Bookends for more detailed information and instructions that all employees are obligated to follow in order to ensure compliance.

## **Non-Business Use**

We recognize that employees may need to send a personal email while on the job from time to time, but, as previously noted, you should not have an expectation of privacy with regard to such emails and remember that they may be discoverable in a legal proceeding. Also, while you are at work, you are being compensated for your time and effort dealing with Company business, so you should limit non-business use and remove personal messages from mailboxes on a regular basis.

## **Acting Responsibly in Company Communications**

When communicating via the Company's electronic systems:

- Write all e-mails to current or prospective customers, suppliers, business partners or clients carefully. Do not share confidential or proprietary information. If you need clarification as to what is appropriate to include, ask your supervisor.
- Be professional and conscientious with all email communications, even casual ones, in order to avoid later misinterpretation about the email's tone or content.
- Follow the [HBG Social Media Policy](#).
- Do not send unsolicited bulk e-mail or chain e-mails.
- Use HBG distribution lists carefully; be clear about who is on a distribution list and do not send distribution lists outside of the Company unless required to do so for Company business.
- Adhere to [HBG's Information Security Policy](#).
- Delete unnecessary e-mail messages as soon as possible (preferably on a daily or weekly basis) to avoid clutter of electronic systems, unless the email is needed for business (consult the [HBG Document Retention Policy](#) on Bookends) or preserved per HBG Legal Department requests.

## **Safeguarding Confidential Electronic Information**

We all know how easily electronic information can be shared. All users must take reasonable measures to protect confidential and proprietary Company information. In particular:

- Where appropriate, consider marking communications with the label "confidential," "proprietary information" or "do not forward or re-transmit."
- Communications that are attorney work product or privileged communications between Company employees and its attorneys should be clearly identified as "Privileged and Confidential." If you receive a communication marked as "Privileged and Confidential," you should not forward it to anyone outside the Company, nor to anyone within the Company who does not have a need to know what is discussed in the communication. If you have any questions about whether a communication may be privileged, please call the HBG Legal Department.
- Respect for personal privacy is a paramount concern. Ensure that any individual's personal information, including credit card numbers, are safeguarded and are shared only with appropriate personnel.

- Electronic communications must not include any statements that may imply that the Company is undertaking contractual obligations, unless you have followed the regular steps for entering into contractual documents.

## **5. Handling Personal Data and Privacy Protection**

All employees are requested to take special measures to protect against potential security breaches involving personal data. Personal data means any information that identifies a living person, including names, addresses, email addresses, phone numbers, dates of birth, credit card information, social security numbers, and other personal information. All employees collecting, handling or using the personal data of authors, employees, or any other third parties, must handle all such data with the highest level of care and in accordance with [HBG's Information Security Policy](#). In addition, employees should not retain personal data any longer than necessary for legitimate business purposes, and should regularly purge the data in accordance with [HBG's Document Retention Policy](#).

## **6. Company Intellectual Property (IP)**

### **Company Work Product/IP/Employee Content Creation**

The Company is the sole owner of all work product, inventions, ideas, concepts, suggestions, systems and designs (collectively, “intellectual property” or “IP”) created or developed by employees in the course of their work with the Company or as a result of using Company information or resources. Employees may also volunteer to participate in content creation, IP development or creative brainstorming sessions for the Company or the Hachette Innovation Program (HIP). We welcome your enthusiasm and participation in these endeavors, but please understand that all resulting IP shall remain the exclusive property of the Company (or the HIP entities) and no individual employee will have the ability to claim it as that employee's own property. From time to time, employees may be asked to execute documents to confirm the Company's or HIP's ownership of such IP rights, but whether or not such a confirmation is obtained, all work product is and shall remain the Company's intellectual property. These rules remain in effect during and after your employment with HBG.

### **Protecting Company IP**

HBG intellectual property, including trade secrets, patents and copyrightable works, are created through significant effort and investment by the Company. Examples of IP include logos, trademarks, copyrights, software, and inventions. Use the highest level of care in electronic transmissions of Company IP.

Piracy is the unauthorized copying of digital files, such as books, music, movies and other copyrighted work. Piracy cheats, is unlawful, and wrongly deprives creators (authors and publishers) of rightful compensation for their labors. Piracy is a serious threat to our business. Do not send digital files of HBG intellectual property to third parties without prior authorization.

## **7. Conflicts Of Interest**

### **Actual and Potential Conflicts of Interest; Clearance of Conflicts**

The Company expects that employees will perform their duties conscientiously, honestly and in accordance with the best interests of the Company. We must avoid any relationship or activity that might impair, or even appear to impair, our ability to make objective and fair decisions when performing our jobs. At times, we may be faced with situations where the business actions we take on behalf of the Company may conflict with our own personal or family interests. Each employee has a duty of loyalty to the Company to advance its best interests, and we must not use Company information or property for personal gain or to take for ourselves an opportunity that is discovered through our position with the Company. It is also important to avoid the appearance of such conflicts because perceived conflicts of interest can be as damaging as actual ones.

This Standard applies to you and to any relative, friend, or anyone acting on your behalf or in a way that directly or indirectly benefits you.

We cannot list every possible circumstance that could give rise to a possible conflict of interest, but this section sets forth policies related to several areas that may cause an actual or perceived conflict. In all cases, employees should not use their positions or knowledge gained as a result of their work at the Company for their own personal advantage.

Before engaging in any activity, transaction or relationship that might give rise to a conflict of interest, you should speak to both your supervisor and the Compliance Office. The Compliance Office may clear the conflict on the condition that you relinquish some duties to other staffers who have no apparent or real conflict (provided that the department has the resources to reasonably accommodate the adjustment in responsibilities), and/or confirm that you will not share Company information and that you will take other reasonable steps in order to avoid conflicts. If the Compliance Office clears the conflict, be mindful to make all decisions only on objective and fair grounds. If there is any doubt as to your ability to make an objective and fair decision because of a potential conflict, avoid being the decision-maker and exclude yourself when issue with the potential conflict is discussed. Also note that the circumstances may be reviewed from time to time to assure that no conflict exists.

### **Gifts and Entertainment**

From time to time, you may receive or give gifts that are meant to show friendship, appreciation or thanks from or to people who do business with HBG companies. You should never accept or offer gifts or entertainment when doing so may improperly influence, or might appear to influence your or the recipient's business decisions. If you are involved in any stage of a decision to do business with another company or person, you must refrain from accepting or giving any gift that may influence or appear to influence the decision to do business. Here are some helpful tips when considering whether to accept or give a gift:

- Examples of appropriate gifts include: flowers, t-shirts, mugs, or other nominal items; consumable items to be shared with co-workers; tickets to a cultural, sporting or entertainment event to be attended without a representative of the giver, not exceeding \$500 in value.
- Follow the \$500 Rule: Expensive gifts are more likely to cause a conflict of interest. Gifts should be of a low or reasonable value, given infrequently, justified from a business perspective, appropriate to the recipient's position and the companies' relationship and business sector practices. The advance approval of both your supervisor and the Compliance Office are required in order to give or accept more than \$500 worth of gifts to or from a single source in any twelve-month period. Among the factors that will be considered in determining the appropriateness of any gift over \$500 will be whether the gift is customary or industry appropriate, and openly given without any expectation or realization of special advantage. This rule applies whether or not we are currently doing business with the other party.
- Keep in mind: A "gift" is made with "no strings attached," for example, to build a business relationship or express thanks. A "bribe" occurs if you accept or give something of value to someone *in return for* something else, such as the award of business or the exercise of the other's influence. You should not accept a gift if it could cause you to feel an obligation. If you are offered a bribe, you should report it immediately to your supervisor and the Compliance Office.
- Cash gifts are never appropriate.
- Do not accept a gift from a vendor if it may give other suppliers or subcontractors the impression that they have to provide similar gifts or favors in order to obtain Company business.

***Accepting Entertainment Invitations:*** Functions such as business dinners, drinks, receptions, sporting and entertainment events in a social context are appropriate if a significant purpose of the event is business related and your participation is infrequent enough to suggest a valid business purpose. If travel accommodations are included in any invitation, you must receive pre-approval by your supervisor.

**Governmental Authorities:** Special rules apply to dealing with federal and many states, local and foreign governmental authorities. These are likely to be more restrictive than the general guidance so you should contact the Legal Department for guidance before considering any gifts to/from governmental authorities. Consult the Hachette Livre Anti-Bribery Policy for more information on dealing with such authorities.

### **Investment Interests in Other Companies; Definition of Partner/Competitor Companies**

**Partner/Competitor/Vendor Companies:** HBG employees may buy stock or hold investments in other companies, including companies that compete, do business with, are negotiating to do business with or reasonably likely to do business with HBG, subject to the approval requirements below for certain investments. Investment decisions should never involve or be based on use of confidential or proprietary information about the other company gained through your employment with HBG. A “Partner” is a company that is negotiating or has a contract or business relationship with HBG that involves a term of one year or longer, such as Amazon, Barnes & Noble, Apple, HBG distribution clients and licensees. HBG “Competitors” include (but are not limited to) Penguin Random House, HarperCollins, Simon and Schuster, Macmillan, Scholastic and/or their parent companies. A “Vendor” is a company that provides goods or services to HBG, such as publishing licensors, service providers, agents, printers, photo houses, freight companies and the like. Partners, Competitors and Vendors are collectively referred to in these Standards as “Partner/Competitor Companies.” If you have questions about whether a company is a Partner, Competitor or Vendor, please contact the Compliance Office.

**Relatives with an Interest in a Partner/Competitor:** If you, on behalf of HBG, do business with any Partner/Competitor Company in which you or a family member has a personal or financial interest or stake, this could create a conflict of interest. Any such situation should be reported to the Compliance Office for approval.

**Approval Requirements for Investments:** Because the nature of one’s job responsibilities affects whether a conflict of interest is likely to occur, different standards apply to investments in Partner/Competitor Companies by certain employees. For all employees, acquiring or selling a substantial interest in Partner/Competitor Companies will require pre-approval from the Compliance Office. A substantial interest is an investment of more than \$100,000 that represents (or would represent) either more than 5% of your total net assets or more than 1% of the value of the other company. In addition, officers of HBG (at the level of Vice President or higher) must obtain written approval from the Compliance Office before making any investment decision in Partner/Competitor Companies. Other investments do not require prior approval, however you are required to avoid real and apparent conflicts of interest and to comply with the Prohibited Investments policies listed below. Conflicts are more likely to occur if you are involved in negotiations or in managing a relationship with a company in which you (or someone close to you, such as your spouse) have invested. Many other situations can cause a conflict of interest to occur, and you should discuss any questions or concerns with your supervisor and the Compliance Office.

**Exempt Investments:** The following types of investments generally will not give rise to a conflict of interest and, therefore, do not require approval, as long as they do not cause an actual or apparent conflict of interest:

- “Grandfathered” investments that you held before you started work at HBG
- Investments in mutual funds (even funds that invest in HBG competitors, vendors, etc.)
- Portfolio investments, such as limited partnership interests or venture fund investments, as long as you do not make or influence individual decisions regarding the securities held

**Prohibited Investments:** You may not invest in a company if, by virtue of your position with HBG, you (1) have access to a Partner/Competitor Company’s material, nonpublic information or (2) may be able to influence HBG’s decision to do business with the Partner/Competitor Company, without a written waiver from the Compliance Office. Some of the criteria in determining whether your investment would create an actual or potential conflict of interest are: your job function as it relates to the other company; your

access to HBG's or the other company's nonpublic information; your ability to make or influence HBG's decisions affecting the other company; and any personal relationship you or your family have with the other company.

### **Providing Services to Other Companies**

From time to time, you may have the opportunity to provide service to another company as a volunteer or paid representative, or as a general consultant for a particular project.

***Board of Director Positions:*** There are serious responsibilities and obligations associated with becoming a member of any company's board of directors. These could include potential financial liability, time and travel commitments, public relations issues, and potential expectations of helping to make contacts within Hachette Livre. Therefore, you should not accept an invitation to become a board member (including an advisory board member) of any for-profit company or private company unless you have received written pre-approval from your supervisor and the Compliance Office. Serving on the board of not-for-profit organization generally does not present a conflict of interest and does not need to be cleared.

***Providing Services to a Partner/Competitor Company:*** Working for a Partner/Competitor company as a freelancer, consultant, or employee could create a conflict of interest. In order to protect HBG from any actual conflict or the appearance of impropriety, it is important that you disclose any such proposed work assignment to your supervisor and that, prior to accepting the assignment, you receive approval from your supervisor for such work. Your supervisor may confer with the Compliance Office in making the decision whether to grant approval. A grant of approval for one assignment is not a blanket approval, and the approval process should be repeated for each assignment. Your supervisor will notify HR if approval is granted, and the record will be kept with your personnel file. Some of the criteria that will be used to determine whether your service would create an actual or potential conflict of interest are:

- your job function with the other company, including whether your work will involve competition with HBG publications or business
- time and travel commitments and possible compromised ability to perform your job
- possible public relations issues
- access to the other company's nonpublic information
- your ability to make or influence HBG's decisions affecting the other company

Employees who are granted approval to accept an assignment with a Partner/Competitor/Vendor company may not perform such work during HBG work hours, on HBG premises or by using HBG equipment (e.g., e-mail, computers or phones).

***Providing Services to Other (Non Partner/Competitor) Companies or Organizations:*** If there is no actual or apparent conflict of interest or violation of any written agreement you may have with HBG, and you continue to meet the performance standards of your job with HBG, you may provide services in any capacity not covered above. This additional work may not be completed during your regular work schedule with HBG, and must take place outside of HBG offices. You may not receive any compensation from outside sources for work performed in connection with your job with HBG.

### **Working with Family Members and Romantic Relationships**

Members of an employee's immediate family or those with whom an employee has a romantic relationship will be considered for employment on the basis of their qualifications. Immediate family includes spouse, parent, child, sibling, in-law, aunt, uncle, niece, nephew, grandparent, grandchild, and members of household. This policy applies to romantic relationships whether or not a household is shared.

The Company will not permit employment of such individual if the employment would:

- create a direct or indirect supervisor/subordinate relationship with the individual



- have the potential for creating an adverse impact on work performance
- create either an actual conflict of interest, or the appearance of one

This policy will also be considered when assigning, transferring, or promoting an employee.

Employees are expected to notify their HR Representative if they are in a romantic relationship with another employee in the same or related department where it might present a potential conflict of interest. Employees who become immediate family members or establish a romantic relationship may continue employment as long as it does not involve any of the above conflicts. If one of the conditions outlined should occur, reasonable attempts will be made to change the reporting relationship or find a suitable position to which one of the employees will transfer. If accommodations of this nature are not feasible, the individual employees generally will determine which of them will resign. If the employees cannot make a decision, HBG at its sole discretion may decide who will remain with the Company, although the Company will have no obligation to pay severance to the resigning individual.

### **Corporate Opportunities; Balancing Company Property and Personal Benefits**

As employees of HBG, each of us owes a duty to the Company to advance the Company's legitimate business interests when the opportunity to do so arises. Employees may not take for themselves (or direct to a third party) a business opportunity that is discovered through the use of Company information or position, unless the Company has already been offered the opportunity and turned it down and such personal use will not conflict with the Company's best interests. More generally, employees are prohibited from using corporate property, or information obtained from their position with the Company, for purposes of personal gain or for competing with the Company.

Sometimes the line between personal and Company benefits is difficult to draw, and certain activities may benefit both the individual and the Company. Before making personal use of Company property, information or services, you should first report the situation to the Compliance Office to obtain approval.

### **Honorariums for Speeches and Use of Company Content by Other Organizations**

In addition, from time to time an outside company may ask you to provide services, participate in an event, or supply HBG content for that outside company's purposes. By way of example, this may take the form of an honorarium or payment for speaking at an industry-related event about projects you were involved in at HBG. Or an outside company may offer you a fee to reproduce a Company design or content something you worked on at HBG (such as logos, designs, and marketing materials). While honorariums are often cleared by the Compliance Office, employees generally may not accept outside payment for services performed within the scope of employment and for which the salary was paid. In no event should you authorize reproduction of Company files without approval of your supervisor.

## **8. Conducting Business in a Global Marketplace**

We wish to promote a culture throughout the Company of integrity, honesty, incorruptibility and fair dealing in everything we do. We do not seek competitive advantages through illegal or unethical business practices. Each of us should deal fairly with our customers, suppliers, competitors and fellow employees and in all our business dealings. Employees should not take unfair advantage of anyone through manipulation, misrepresentation of material facts, or any unfair dealing practice. All sales and marketing activities should be conducted in a lawful, ethical and fair manner. HBG will not tolerate unfair practices, including lying, deception, improper certification or other similar activities obfuscating the truth.

Examples of unfair business practices that will not be tolerated by HBG include: making untrue or deceptive statements in order to induce a party to enter into a contract or take any action; making false, misleading or untruthful comments about competitors' products or services; or making unfounded or misleading claims about HBG or its products.

HBG is part of a multi-national organization conducting operations in countries with laws prohibiting unethical conduct abroad. Because authorities sometimes pay particular attention to large organizations when they fail to implement compliance actions to prevent unethical or illegal actions, we must adhere to the highest standards of ethical business.

### **Relationships with Intermediaries**

Relationships with third parties who act on behalf of or alongside HBG (“Intermediaries”) may give rise to risks. Intermediaries include agents, consultants, middlemen, subcontractors, joint venture partners, suppliers, distributors, licensees and the like. HBG may be held liable for actions conducted on our behalf by these Intermediaries even if we have little control over their conduct.

All employees looking to engage a third party Intermediary to act, negotiate or speak on behalf of HBG, must investigate and be comfortable that such Intermediary conducts its business in an ethical and lawful manner. This includes confirmation that the Intermediaries meet HBG’s compliance requirements in areas such as child labor laws, wage requirements, health and safety regulations, IP rights, environmental laws, trade and customs regulations and anti-corruption laws. In conducting such investigation, you should gather relevant and sufficient information, including as to the Intermediary’s history, shareholders and management, reputation on the market, range of activity and clients, financial conditions, and licenses. Negligent, unethical or illegal behavior by Intermediaries may also expose the Company to liability and loss of reputation. The Addendum includes tips on dealing with Intermediaries.

All relationships with Intermediaries must be formalized in a written contract, detailing the parties’ relationship, specifying payments, and containing appropriate language to protect HBG from liability for the Intermediary’s actions. If you have any questions about entering into agreements with Intermediaries, contact the Legal Department.

### **Foreign Corrupt Practices Act**

The Foreign Corrupt Practices Act is a criminal bribery law. It was enacted into law to (i) prohibit bribery and (ii) impose accounting and recordkeeping requirements. The FCPA makes it illegal to pay, authorize, promise or offer a corrupt payment (or anything of value) to a “foreign official” for the purpose of causing the foreign official to act or fail to act or otherwise use his or her influence to assist HBG in obtaining, retaining or directing business. The FCPA is a complex law that is interpreted quite broadly. There are significant criminal penalties for individuals and companies that violate FCPA, and foreign countries may impose additional sanctions. The Lagardère Code of Conduct and HL Anti-Bribery policy address this topic in more detail and should be read carefully in conjunction with these Standards.

You are required to contact HBG’s Customer Financial Services (CFS) Department, which reports to the CFO, to get clearance before hiring any foreign agent, consultant, or representative outside the US for any matter that may involve foreign governmental officials or contacts. It may be necessary to perform due diligence concerning the proposed agent’s integrity and capabilities, to scrutinize carefully any warning signs (“red flags”) indicating that the proposed agent may become involved in payments proscribed by the FCPA. CFS has access to an international monitoring database to research our trading partners to confirm they are not sanctioned. Prior approval from CFS is required for any new international account, agent, representative, or other Intermediary seeking to do business with the Company. You will also need a written contract for each engagement specifically ensuring the proposed agent’s compliance with the FCPA, and the Legal Department can guide you on obtaining the contract with acceptable terms.

Without the advance written approval from CFS, employees are not permitted to promise, authorize, offer or make any payment, including for travel, lodging or entertainment, in money, products or services, directly or indirectly, to any foreign government official. A “foreign official” includes: officers or employees of a foreign government, department, agency or instrumentality, or of a public international organizations, or anyone acting on their behalf.

Please note that sales and licenses with government entities may implicate the FCPA and should be

discussed in advance with the Legal Department.

Under the FCPA, you are free to dine with a foreign government official. If there is no corrupt intent, it's permissible to pay for his or her dinner as long as the cost is modest, there is no hint that you are attempting to secure an improper advantage, and the cost is accurately reported on HBG's books. Of course, you must also comply with local (foreign) laws that may regulate or even prohibit such a dinner. You should consult with the Compliance Office or Legal Department if you have questions. The FCPA criminalizes corrupt payments to any person, including, for example, a sales agent, if HBG knows (or has reason to expect) that a payment will ultimately reach a foreign government official. "Knowledge" may be inferred from a failure to make a reasonable inquiry or a conscious disregard, or deliberate ignorance, of facts.

**Red Flags:** Some examples of factors that could indicate that payments to an agent may involve violating the FCPA are:

- The country has a history of widespread corruption, bribery or FCPA violations
- The agent refuses to certify that he will abide by the FCPA
- An agent has family or business ties to a government official
- An agent insists that his identity not be disclosed (anonymity)
- It is illegal under local law for the agent to act as an agent
- The agent says that a particular amount of money is needed to "make the necessary arrangements"
- The payment or commission requested by the agent is substantially above the market rate
- The agent requests that payment be made by indirect means or in cash or requests false invoices or documentation, or requests that payment be made in a third country

**Exclusions:** Certain reasonable and *bona fide* expenditures are excluded from the FCPA. And it may be permissible to make a facilitating or expediting payment in order to expedite or secure the performance of a routine governmental function, although this exception applies only to very small payments to government functionaries if it is clear that they are performing ministerial, and not discretionary, tasks. You should not attempt to determine on your own whether the FCPA applies. Even excluded payments must be approved in advance by the Compliance Office or the Legal Department.

**Summary of the FCPA Accounting Provisions:** Under the FCPA, HBG must keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions, and establish accounting controls that provide reasonable assurances that the transactions are executed in accordance with generally accepted accounting principles and to maintain accountability for assets.

### **Antitrust Laws**

Antitrust laws are laws designed to protect fair trade, avoid manipulation of markets, and prohibit unreasonable restrictions on competition. Antitrust laws can be complex and vary country by country and sometimes state by state. Violating these laws can have very severe consequences, resulting in civil and criminal penalties for the Company as well as the individual employees involved in the activities. To ensure compliance, you should engage in conduct that provides for vigorous and fair competition against our competitors, and reasonable and fair treatment of our suppliers and customers.

**Agreements Among Competitors:** You should always consult with the Legal Department before entering into any agreement, or even sharing information, with competitors. You should consult the HBG Protocols for Competitor Interactions on Bookends (under Policies-Antitrust Policies). The following types of agreements between competitors are almost always illegal:

- **Setting prices** – You should not agree with competitors about the prices we charge. You should also not even exchange price, or other competitively sensitive information, with competitors without first checking with counsel.

- **Allocating markets & customers** – You should not divvy up markets or customers where we would otherwise be in competition with our competitors – for example, by saying that we will sell product “x” to customers in one area, while our competitors will sell competing product “y” in other areas.
- **Boycotting** – You should not agree with competitors to exclude other competitors from the market. You should also not agree with competitors to boycott or refuse to deal with suppliers or customers.

**Agreements Between Us and Our Customers or Suppliers:** Agreements between the Company and our suppliers and between the Company and our customers can raise antitrust issues. In particular, the following agreements may be illegal:

- **Fixing resale prices** – You should not agree with customers on the minimum price at which they will re-sell our product or service, without prior approval of the Legal Department.
- **“Tying” products** – You should not require a customer to purchase a product that it does not want in order to buy the product that it does want.

**Unilateral Action:** In addition to the agreements discussed above, it may be unlawful for us to take certain actions on our own. Specifically, you should not use unfair means to help the Company acquire monopoly power. Even if the Company has lawfully acquired monopoly power, you should not abuse that power to limit competition.

#### **Other Antitrust Obligations**

More detailed discussion of Antitrust Policies are at <http://bookends.hbgusa.com/about/policies/>.

#### **Shipments, Export, Import and Anti-boycott Laws**

International transactions, including shipments of products and software, are subject to a variety of laws and regulations of the United States and other countries, including rules on export, import, embargoes and boycotts. Such rules may prohibit or require certain conduct and can result in civil and/or criminal penalties if violated. To ensure compliance with all applicable laws, employees should consult with the Legal Department or HBG’s Customer Financial Services Department in advance of proceeding with any international transaction or shipment that may implicate these laws.

**Shipments:** There are various laws applicable to the shipment of non-book products throughout the world, which can result in stiff financial penalties to the Company and/or the individual. Employees should not export any software outside the country, nor send any liquids, potentially flammable or hazardous substances/materials without checking with Legal, as stated above.

**Export:** The laws of the United States, the European Union and other countries restrict exports of “dual-use” items that have both commercial and military uses, including physical goods, software and technology (i.e., technical know-how). Such restrictions also apply to re-exports from one country to another and cover international transfers of technology through interactions with foreign nationals. In addition, particularly strict rules apply to exports (even if not involving a dual-use item) to countries that are subject to sanctions or to certain “prohibited parties.” Finally, an export may require completion of certain documentation for shipment or transfer.

**Import:** International import laws are generally less restrictive than export laws, although various countries restrict import of encryption items, and import paperwork and custom duty requirements are often stricter than export paperwork requirements.

**Encryption:** Numerous countries (including the US and Europe) restrict the export of encryption software, hardware and technology. Various countries, including China, France and Russia, impose restrictions on import, distribution and or use of encryption items. Employees who travel internationally with laptops should be familiar with restrictions on export and import of encryption products.

**Trade Embargoes:** US and European law impose trade restrictions and sanctions on transactions with companies and individuals from or associated with certain countries. At present, the US Department of Treasury's Office of Foreign Assets Control ("**OFAC**") maintains broad trade sanctions on various countries including Cuba, Libya, Iran, North Korea, Sudan and Syria. The US imposes other, narrower sanctions on a number of countries, and European nations apply some or all of the European Union (EU) and United Nations sanctions on other countries. Violating embargo control laws may result in civil fines and criminal penalties. For more information, check OFAC's list of sanctions programs (<https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>) and prohibited individuals and companies (<https://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx>), as well as the EU's list of consolidated sanctions ([https://eeas.europa.eu/topics/sanctions-policy/8442/consolidated-list-of-sanctions\\_en](https://eeas.europa.eu/topics/sanctions-policy/8442/consolidated-list-of-sanctions_en)). To ensure compliance with all applicable laws, employees should consult with the Legal Department or HBG's Customer Financial Services Department in advance of proceeding with any individual, company and/or country on OFAC's lists.

**Anti-Boycott:** US companies and individuals (and their foreign affiliates) may not participate in the Arab League boycott of Israel, or other international boycotts. US law prohibits accepting a request not to do business with Israel, to provide certain information on business relationships with Israel, or otherwise to comply with the boycott. You should report any such requests to your Legal Department or Compliance Office.

### **Political Activities and Solicitations**

Employees are free to engage in personal volunteer political activity and contribute personal resources to candidates and parties in any manner consistent with federal, state, and local laws. Employees may not use Company resources (e.g., telephone, photocopiers, fax machines) or coercive solicitations to further their own personal political activities. The Company does not contribute to federal candidates, national political party committees or to other political committees (including state party committees).

# Summary of the Standards

In summary, all employees are expected to:

- **Abide by and be personally accountable for adherence to these Ethics Policies.**
- **Cultivate a respectful and fair work environment, free from discrimination and harassment.**
- **Protect the confidentiality of non-public information about HBG (including its business and associated parties) that is learned by you from your job; and prevent the disclosure of such information via discussion or electronically (except as required by law).**
- **Protect the privacy of all personal information obtained in connection with your job.**
- **Avoid conflicts of interest and disclose any material transaction or relationship that reasonably could be expected to give rise to or may be interpreted as such a conflict.**
- **Assure that Company records are materially accurate and complete.**
- **Seek guidance where necessary from a supervisor, HR Representative or a member of the Compliance Office.**

# Addendum

## Hypothetical Scenarios

### **Conflicts of Interest:**

Is there a potential conflict in the following scenarios:

- Is there a conflict if Helen, an employee in the procurement dept. of XYZ Publishers, is considering vendors for XYZ's office equipment? She selects a vendor she worked with for several years.  
*NO, if the decision was made on objective and fair grounds*
- What if this vendor happens to be Helen's uncle?  
*Potentially YES, even if the decision is made on objective and fair grounds; Helen should therefore seek confirmation of her decision by her managers*
- George, who works at XYZ, forwards one of the editors a brochure of a resort in Cape Cod with a popular restaurant run by his cousin Nick. The editor's division is publishing a cookbook and George offers that Nick would write a blurb for the book if the attribution includes his name and the restaurant's name. Is this a conflict?  
*NO, anyone is free to send a recommendation, but should explicitly mention that the brochure is sent merely for informational reference*
- What if George is a senior executive at XYZ?  
*Then potentially YES, because the editor may feel obliged to go along with George's suggestion because of his position. George should send his suggestion to the publisher of the division rather than to the editor working on the cookbook*
- Is there a conflict of interest if John, an employee of QRX Publishers, oversees the book review section in his college's alumni magazine?  
*NO, as long as his manager has been informed of such activities and it does not interfere with its interests*
- Is there a conflict if Julia, an employee of QRX, is on the board of a non-profit organization that regularly purchases books for literacy programs?  
*Potentially YES, and Julia should inform the organization of her position within QRX and abstain from voting when the choice of books is made*
- Is there a conflict if Margaret, an employee of QRX, is asked to judge in a book awards organization?  
*Potentially YES, and Margaret should disclose this proposal to QRX and to the awards organization and refer to the latter's conflicts policies*

### **Bribery: Gifts/Entertainment:**

Is potential bribery present in the following scenarios:

- ... John, a senior salesperson, offers to take a good client to a game in the World Series?  
*Offering a game ticket to a client is an acceptable practice as long as the ticket is of a reasonable value, proportionate to the employee's position and justified from a business perspective*
- ... John pays for the tickets out of his own pocket to avoid any potential appearance of conflict on the part of the Company?  
*The fact that he uses his own money will not change anything*

## **Indicators of Possible Corruption in Dealing with Third Parties**

### *Abnormal Payments/Gifts*

- Abnormal cash payments, abnormally high commission
- Payment made through a third-party country
- Invoices being agreed in excess of the contract without reasonable cause
- Payment of, or making funds available for, high value expenses on behalf of others

### *Abnormal behaviors*

- Employees never taking holidays, or insisting on dealing personally with specific contractors
- Making unexpected or illogical decisions accepting projects or contracts
- Agreeing contracts not favorable to the organization
- Unexplained preference for certain contractors

### *Pressures or abuses*

- Pressures exerted for payments to be made urgently or ahead of schedule
- Abuse of the decision process or delegated powers in specific cases
- Bypassing normal tendering or contracting procedures
- Company guidance or guidelines not being followed

### *Indications of a cover-up*

- Raising barriers around specific departments which are key in a contracting process
- Missing documents or records regarding meetings or decisions
- Avoidance of independent checks on the tendering or contracting process

## **Possible Warning Signs of Corrupt Intermediary or Business Partner**

### *Identity of the intermediary*

- A public official has purely personal interests in the proposed Intermediary/ business partner
- Existence of proceedings against the Intermediary/ business partner
- The Intermediary/ business partner refuses to disclose the identity of its owners, directors, senior managers or employees
- The Intermediary/ business partner does not appear to be a *bona fide* professional
- The Intermediary/ business partner's legal entity is a shell company or an inappropriate corporate structure
- The Intermediary/ business partner is registered in an offshore country or tax haven

### *Unclear References*

- The Intermediary/ business partner's business and financial references are unclear or incomplete
- The Intermediary/ business partner was recommended by a public official who holds a discretionary power or an influence over the project
- Research shows that the Intermediary/ business partner may have close links with politicians, competitors, criminals or activists
- Information obtained from the Intermediary/ business partner differ from information obtained from third-parties
- Some reservations are expressed as to the Intermediary/ business partner's financial integrity

### *Suspicious Behavior*

- The Intermediary/ business partner has a reputation for business practices inconsistent with federal, state, local or foreign law or practices.
- Payment instructions include payments to entities that have no links with the Intermediary/ business partner or to accounts held in offshore countries or tax havens



- The Intermediary/ business partner refuses to sign a formal declaration whereby it agrees to comply with domestic and international anti-corruption legislation

#### *Specificities of the Transaction*

- The Intermediary/ business partner will deal with public officials
- The Intermediary/ business partner or the project is located in a country that has a reputation for corruption (see the Transparency International Corruption Perceptions index)
- The Intermediary/ business partner or the project is located in a country against which trade restrictions are enforced

### **Examples of Global Corruption Prosecutions and Investigations**

#### *Corruption of Public Officials through Intermediaries*

- Siemens: €1 billion fine for bribing public officials through slush funds and a system of business consultants and intermediaries in about 20 countries
- Alcoa: \$384 million fine for bribing Bahraini public officials through the letterbox company of a consultant closely connected to the Bahrain royal family to secure aluminum contracts
- Weatherford: \$152 million fine for authorizing bribes in the Middle East and Africa, including kickbacks in Iran to win oil-for-food contracts, to be paid by agents and third parties. The main agent had notably insisted on having the FCPA clause omitted from its consultancy agreement
- Total: \$398 million fine for bribing, through two consultants suggested by a public official, employees of the National Iranian Oil Company to secure contracts regarding the world-largest gas field in Iran.

#### *The Avon Case*

- 2008: The US Department of Justice (“DOJ”) and US Securities and Exchange Commission (“SEC”) opened an investigation into possible acts of corruption by cosmetics maker Avon Products in China
  - Authorities suspected that Avon provided gifts and money to Chinese government officials to obtain the first license to sell cosmetics products directly (via independent promoters) to Chinese consumers, after authorities lifted the 7-year ban on direct sale businesses in 2005
- 2014: Avon agrees to settle with both US authorities
  - Three-year deferred prosecution agreement
  - \$135 million payment to the US authorities
  - Guilty plea by the Chinese branch of the company
  - Daily operations under the US authorities’ surveillance for 18 months
  - Total costs of the investigations for the company are estimated to be over \$500 million

#### *The Macmillan Publishers Limited Case*

- 2009: The World Bank transmitted a report to the UK Serious Fraud Office (SFO) implicating an agent of Macmillan Publishers Limited accused of having paid “a sum of money with the view in mind of persuading the award of a World Bank funded tender to supply educational materials in Southern Sudan”
- The SFO opened an investigation against Macmillan Publishers Limited concerning potential corrupt practices in East and West Africa
- Macmillan offered full cooperation throughout the process
  - conducted an independent investigation into publicly tendered contracts won by the company in Rwanda, Uganda and Zambia between 2002 and 2009
  - reported the case to the SFO in March 2010
- Macmillan was ordered to pay £11.26 million by the UK High Court
- Macmillan was also banned from taking up any contracts financed by the World Bank for six years

#### *The Oxford University Press Case*

- 2013: Oxford University Press was ordered to pay nearly £1.9 million after two subsidiary companies bribed government officials for contracts to supply school textbooks in East Africa

- The two wholly owned subsidiaries, based in Kenya and Tanzania, were suspected of having made payments to obtain contracts on a number of projects, including two financed by the World Bank
- The two subsidiaries were excluded from competing for World Bank contracts for three years
- In addition to this debarment, Oxford University Press agreed to pay \$500 thousand to the World Bank as part of the settlement and £1.9 million to the SFO as part of a negotiated civil settlement

#### *The GlaxoSmithKline (“GSK”) Case*

- 2013: Chinese authorities opened investigations into possible corruption practices by GSK
- GSK was suspected of having bribed doctors and hospitals to have its products promoted to patients
- September 2014: GSK was found guilty by a Chinese Court and fined \$490 million
  - Estimated illegal profits: \$150 million
  - Head of Chinese operations: three year jail sentence and deportation ordered back to the UK
  - Four other GSK senior executives: two to four year prison sentence

#### *The US and UK Alstom Cases*

- The DOJ opened a probe into Alstom regarding a possible violation of the FCPA’s provisions in the awarding of a boiler services contract to a power plant in Indonesia
- According to the DOJ, Alstom provided money, via an intermediary, to an Indonesian member of the Parliament and to other local public agents of a state-owned company
- The DOJ extended its investigation to 10 other energy projects in Indonesia, India and China
- Several individuals were indicted or agreed to plead guilty
- In December 2014, Alstom pleads guilty and agrees to pay \$772 million criminal penalty to resolve foreign bribery charges. It is the highest penalty ever applied in an FCPA case.
- In 2010, UK’s SFO opened a probe into Alstom Network UK and in 2014 charged the company with corruption and conspiracy to corrupt in relation to large transport projects located in Tunisia, Poland and India
- According to the SFO, the company offered bribes to some of the agents involved in such projects around the world
- Several individuals were interviewed by the SFO and were charged in December 2014
- The SFO indicated that its investigation revealed possible irregularities in relation to the awarding of the Delhi metro transport contract and formally alerted the Indian Central Bureau of Investigation

#### *The Total S.A. Case*

- 2003: The United States SEC and DOJ opened an investigation into potential corrupt practices carried out in Iran by Total S.A. (a European-based oil and gas company) between 1995 and 2004.
  - US authorities suspected Total of bribing a public official from the National Iranian Oil Company, through two intermediaries designated by the Iranian official, to gain access to oil and gas fields
  - The corrupt payments (estimated total value of \$60 million) were presented as consulting agreements and labeled in the books as “business development expenses”
  - Total was caught by the US FCPA’s provisions as an “issuer”, since it had American Depositary Shares traded on the New York Stock Exchange
- May 2013: Total pays \$398 million to settle charges
  - Criminal penalty: \$245 million
  - Disgorgement of ill-gotten profits: \$153 million

#### *The BNP Paribas Case*

- 2007: investigation into potential violations of US embargoes by BNP
  - BNP was suspected of having sent transaction orders on behalf of Sudanese, Cuban and Iranian entities (dollar clearing services for an estimated aggregate value of \$190 billion) through its New York operations as of 2002 and until 2012
  - BNP was also accused of having forged and altered documents to conceal these violations
- June 2014: BNP pleaded guilty and agreed

- to pay a \$8.9 billion penalty
- to be barred from some dollar transactions for the year 2015

## Trade Embargoes/Sanctions

### *U.S. Sanctions*

- Applicable to any US person (individuals or corporations) or any person located in the US and to any transaction conducted in US dollars
- Unilateral US sanctions and restrictive measures promulgated by several governments agencies
- Heavy penalties

### *EU Sanctions*

- Applicable to any action conducted within EU territory, any person located on EU territory (nationals or not), any EU citizen anywhere in the world, any corporation incorporated in any Member State
- Autonomous EU sanctions in the framework of the Common Foreign and Security Policy (CFSP)
- Directly applicable in all EU Member States

### *EU Member States Sanctions*

- EU Member States may impose unilateral sanctions
- For matters outside EU competence

### *United Nations Sanctions*

- Applicable to the Member States
- Transpose into national law / EU Regulations
- Not legally binding

## **Trade Sanctions Hypothetical Scenarios:**

Is there a risk of violating US embargo/ sanction laws in the following scenarios:

- What if a US division ships books to schools located in North Korea?  
*NO, publications are “information and informational materials” and as such, an exception to US restrictions on trade with North Korea*
- What if it sells some of these books to local booksellers?  
*NO, for the same reason*
- What if it contributes to a small marketing campaign implemented by a local association of booksellers?  
*NO, creating, or contributing to, a marketing campaign to promote a written publication is considered a “transaction necessary and ordinarily incident to publishing” and is authorized by the US embargo control laws*
- What if given the success of these books, it opens a local distribution office in North Korea, in order to supply the whole country?  
*YES, operating a publishing house, sales outlets or other offices in North Korea is prohibited by US embargo control laws*
- What if a division is willing to publish in the US a book from an Iranian author?  
*NO, books are “information and informational materials” and as such, an exception to US restrictions on trade with Iran*
- What if this division agrees to contract with the author and to pay advances for the creation of this new book?

*NO, contracting and paying advances for the creation of a publication is considered a “transaction necessary and ordinarily incident to publishing” and is authorized by the US embargo control laws*

- **What if the Iranian author also happens to be a high-ranking Iranian official?**  
*YES potentially, as he may be considered a representative of the Iranian government or may be directly and personally concerned by trade sanctions*
- **What if the document sent actually happens to be a 200 year-old Syrian manuscript, which was exhibited in the National Museum of Aleppo until the crisis’ outbreak?**  
*YES, as well as the EU trade restrictions*