



# Business Conduct Policy Compliance Rules

December 2017

## Preamble

In order to achieve lasting and sustainable success, the KRAIBURG-Group ("KRAIBURG") conducts its global business in compliance with all applicable laws and regulations. All employees are held to adhere to the rules of the legal system they work in. They must avoid violations of the law at all times, commit to act upon the highest ethical standards and treat others with respect and integrity.

An internal Business Conduct Policy (BCP) is designed to serve as a binding regulation for every KRAIBURG-employee in the world, helping them to master the legal challenges arising from their day-to-day work. The internal BCP is also available in English and Chinese language. Every employee is expected to carefully read this policy and conscientiously act in accordance with its rules. KRAIBURG does not tolerate violations of law. Employees who violate laws or regulations could face disciplinary action and criminal prosecution.

KRAIBURG's management board and executives admit their responsibility as role models for their employees. The management board will take measures to educate and support employees in abiding by the laws. KRAIBURG-employees who face legally sensitive tasks will receive periodical BCP-training in order to guide and support them with their daily work. Employees are expected to participate in these trainings.

The BCP cannot cover all questions that may arise in daily work life. KRAIBURG has therefore nominated a compliance-officer who advises the employees on all interrelated matters. The compliance-officer can be contacted with legal questions regarding the employees' own behaviour and with any incidents observed in their working environment. If desired, the compliance-officer will treat all questions and concerns reported to him/her as strictly confidential.

Additionally, the management board has arranged an external helpline at law firm Heuking Kühn Lüer Wojtek – partnership of attorneys under the phone number 0049 40 355 280 74.

If desired, the lawyers will treat all questions and concerns as strictly confidential and/or anonymous. KRAIBURG warrants that employees will not be disadvantaged or impaired for contacting the compliance-officer or third-party helpline.

Waldkraiburg, December 2017

The Management Board of KRAIBURG Holding GmbH & Co. KG



Daniela Schmidt-Kuttner   Ralph Uwe Westhoff   Max Westhoff   Fritz Schmidt   Dr. Andreas Starnecker

## A) Criminal law

In order to serve their own interest and the interest of KRAIBURG, all employees must respect and comply with criminal law.

Violations of the law will not only result in criminal prosecution of the employee involved but may also lead to excessive administrative fines at the expense of KRAIBURG as well as severe damage to KRAIBURG's reputation among customers, suppliers and the public.

The internal BCP is designed to help our employees to differentiate legal from illegal behaviour with regard to their daily work. In particular:

### 1. Corruption

Under German criminal law (as well as under foreign criminal law), corruption in the private sector and towards public officials is penalized. KRAIBURG will not tolerate any action that could be perceived as corruption.

Employees of KRAIBURG must not demand, allow themselves to be promised or accept a benefit for themselves or for a third person in return for the fact that they provide or will in the future provide improper advantages (receiving a bribe). Inversely, the offer, promise or granting of such a benefit (bribing) is not allowed. This especially also applies to public officials or persons entrusted with special public service functions in view of their official function (as long as they exceptionally do not have a legally effective permission of their supervisor).

It is allowed to grant or receive benefits that are reasonable and appropriate with respect to the specific business relationship. The value of benefits for KRAIBURG-employees should not exceed € 50. If benefits in excess of this amount are to be granted or received, approval from the compliance-officer or management board must be obtained in advance. Approval can only be granted if the benefit is not related to a specific business.

### 2. Other business related criminal offenses

#### a. Bid-rigging

KRAIBURG must not arrange or coordinate their tenders with other bidders, if the bid is subject to a formal tendering procedure. Bid-rigging is illegal in public and selective tendering as well as in public and private awarding procedures.

#### b. Fraud and abuse of trust

Business partners of KRAIBURG must not be misled upon facts that are obviously of note for their commercial and financial decisions. Employees are bound to give customers accurate, clear and detailed information.

Management board and employees are held to represent the commercial interests of KRAIBURG. Accordingly, they must not dispose upon KRAIBURG property or commit KRAIBURG (or its subsidiaries) towards third parties if this disposal or commitment is not related to an economic benefit of equal value. Discounts and bonuses for customers are to lie within the range predetermined by the management board. Individual cases, in which discounts or other benefits towards customer businesses exceed this range, have to be authorized

in advance by the supervisor.

### **c. Tax evasion/customs duties**

KRAIBURG files its tax declarations truthfully. All declarable goods are duly cleared.

## **B) Antitrust law**

Competition and free market economy are essential elements of a free society. Their protection is in the interest of our company. All directors, officers and employees who are in contact with competitors, customers or other business partners must comply to competition (antitrust) laws at all times.

Violation of competition laws may result in serious sanctions for KRAIBURG. In the past, antitrust authorities have imposed drastic fines upon companies that amounted up to 10% of their annual group turnover. Additionally, customers and suppliers can claim compensation for their damages. Under German law, drastic fines can also be imposed against individuals involved in the violation. In the U.S. and in some European countries misconduct can be penalized with imprisonment.

### **1. Restrictive agreements among competitors**

Restrictive agreements among competitors are usually violating competition (antitrust) laws and therefore prohibited. The term „agreement“ is interpreted extensively. Even informal conduct and mere exchanges of information are included. The most important restrictive agreements are:

- Fixing and coordination of prices, mark-ups or other pricing matters (e.g. discounts, allowances, terms of credit) with competitors
- Agreements among competitors that determine capacities or procurement quantities
- Partitioning of markets, particularly allocation of customers and territories
- Non-compete obligations, which restrain a company from supplying customers of a competitor
- Exchange of non-public sensitive industry information, as for example turnovers, prices, strategies, customer data or market shares

Provided that an economic cooperation among competitors is beneficial for the public, it may be exempt from competition (antitrust) regulations under strict conditions. Among others, this includes purchasing cooperations, research-, development- and production cooperations as well as agreements on technical standards.

### **2. Agreements with customers and suppliers**

Apart from agreements among competitors, agreements with customers or suppliers may be subject to competition (antitrust) legislation as well. Alongside the risk of the imposition of a fine, distribution and purchasing agreements that violate competition (antitrust) regulations are at risk of being invalid and thus unenforceable. The following agreements may be affected:

- Agreements that obligate the customer to resell at minimum or fixed prices

- Supply agreements that bind the customer to buy 100 percent of its demand of a certain product from a single supplier
- Exclusive distribution agreements
- Agreements that restrain customers or suppliers from buying certain products or supplying specified goods to ascertained companies

### **3. Abuse of a market dominant position**

Market dominant or strong companies must not abuse their position to weaken competition at the expense of competitors, customers or suppliers (as long as there is no objective justification). A market dominant position is usually supposed at 33%-40% market share.

The following examples may constitute an abuse of a dominant market position:

- Discrimination between similarly situated customers or suppliers
- Refusal to supply (e.g. delisting of customers)
- Demanding excessive prices
- Predatory pricing (i.e. pricing goods below costs)
- Loyalty rebates that reward the customer retroactively for pooling their purchases at a market dominating company

## **C) Miscellaneous**

KRAIBURG and its employees are committed to comply with all other applicable laws and ethical standards. The information below is meant to serve as brief overview of important obligations.

### **1. Compliance with environmental, health and safety regulations**

KRAIBURG's directors and employees are obligated to ensure a safe and healthy workplace at all times. They must always comply with applicable safety regulations. Any deficiencies are to be reported to the supervisor in charge and remedied.

KRAIBURG is committed to ecologically sustainable business practices. Thus, all employees are bound to protect ground, water, air, biological diversity and cultural assets. Environmental damages must be avoided by using appropriate environmental protection measures consistent with the applicable laws. Damage caused to the environment is to be reported to the supervisor in charge and remedied.

### **2. Equal opportunity, anti-discrimination and respectful conduct**

All KRAIBURG-employees treat all people, especially those with different origin and experience, with respect and integrity. Discrimination on the basis of race, gender, religion or ideology, disability, age or sexual orientation will not be tolerated. KRAIBURG admits to an open-minded, upright and tolerant business culture.

KRAIBURG is wholeheartedly committed to the protection of Human Rights. We will not enter into business

with any company that abuses these rights, e.g. by exploiting employees, adolescents or children.

### **3. Confidentiality and data privacy**

As a company, KRAIBURG owns valuable patents and know-how. All employees are bound to strict confidentiality with regard to KRAIBURG's intellectual assets as well as information that customers or contracting partners might regard sensitive. Such data and information must not be disclosed to third parties.

Personal information of employees and customers is protected by complying to privacy policies at all times. This obligation continues after the end of employment

## **D) Helpline**

In case of questions regarding these compliance rules and factual issues there is an internal helpline to the compliance officer and an external helpline to a law firm available for all KRAIBURG employees.