



# **Compliance Rules**

## **Business Conduct Policy**

**KRAIBURG Group**

**December 2020**

## 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 binding regulations may face disciplinary action and criminal prosecution.

KRAIBURG’s management board and executives acknowledge their special responsibility as role models for their employees. The management board will take measures to instruct 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 everyday work. Employees are expected to participate in these trainings.

The BCP is not able to cover every question that may arise in day-to-day work. Additional measures to prevent legal infringements therefore include the appointment of a compliance officer who will be able to advise employees on all relevant matters. Employees can contact the compliance officer with legal questions regarding their own behavior and with any legally doubtful incidents observed in their working environment. On request, the compliance officer will treat all questions and concerns reported to him/her as strictly confidential.

Additionally, the management board has set up an external email address ([compliance.kraiburg@heuking.com](mailto:compliance.kraiburg@heuking.com)) and an external helpline at the law firm Heuking Kühn Lüer Wojtek at phone number 0049 40 355 280 74. On request, the lawyers will treat all questions and suggestions as strictly confidential and/or anonymous.

KRAIBURG has given the assurance that employees will never be disadvantaged or otherwise discriminated against for contacting the compliance officer or using the third-party helpline/email address in good faith.

Waldkraiburg, December 2020

The Management Board of KRAIBURG Holding GmbH & Co. KG



Daniela Schmidt-Kuttner



Ralph Uwe Westhoff



Maximilian Westhoff



Dr. Adolf Zellner

## **I. Criminal law**

In their own best interests and the interests of KRAIBURG, all employees must respect and comply with criminal law.

Disregarding criminal law may in individual cases not only result in criminal prosecution of the employee involved but may also lead – in the case of business-related offenses – to severe fines at KRAIBURG's expense as well as substantial damage to KRAIBURG's reputation among customers, suppliers and the public.

The internal BCP is designed to help employees differentiate legal from illegal behavior in areas that are relevant to everyday 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 therefore not demand, allow themselves to be promised or accept any benefits for themselves or for third parties in return for promising to provide specific competitive advantages (receiving a bribe). Conversely, the offer, promise or granting of such a benefit (bribing) is not permitted either. This also applies in particular to public officials or persons entrusted with special public service functions in view of their official function, unless they have legally effective permission from their supervisor.

The granting or receipt of benefits that are reasonable and appropriate with respect to the specific business relationship is not liable to prosecution. The value of benefits of this type for KRAIBURG employees must 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. The compliance officer must be involved in advance whenever public officials are to be granted any benefits.

### **2. Other business-related criminal offenses**

#### **a) Bid-rigging**

KRAIBURG will neither arrange nor coordinate its 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. KRAIBURG employees are obliged 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 towards third parties if such disposal or commitment is not related to an economic benefit of equal value. Discounts, bonuses and allowances for customers must therefore lie within the range predetermined by the management board. Individual cases, in which discounts or other benefits granted to customer businesses are to exceed this range, must be authorized in advance by the supervisor.

c) Tax evasion/customs duties

KRAIBURG files its tax declarations truthfully. Employees duly clear all declarable goods.

## **II. Antitrust law**

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

Disregarding antitrust laws may result in serious sanctions for KRAIBURG. In the past, antitrust authorities have imposed drastic fines upon companies that could amount to up to 10% of their annual group turnover. Additionally, customers and suppliers can claim compensation for damages in such cases. Under German law, drastic fines can also be imposed on employees 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 include:

- 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 allocating customers and territories to each other and demarcating product ranges or series
- Non-compete obligations that restrain a company from supplying customers of a competitor

Exchange of non-public sensitive industry information, such as turnovers, prices, strategies, customer data or market shares

Provided that economic cooperation among competitors is beneficial to the public, it may be exempt from competition (antitrust) regulations under strict conditions. Among other things, this

includes purchasing groups, research communities, development communities and production communities as well as agreements on technical standards.

## 2. Agreements with customers and suppliers

Agreements with customers or suppliers may be subject to competition (antitrust) legislation as well. Companies not only run the risk of having fines imposed on them, but also the danger that distribution and purchasing agreements that violate competition (antitrust) regulations will be invalid and thus unenforceable. The following agreements may be affected:

- Agreements that oblige the customer to resell at minimum or fixed prices
- Supply agreements that bind the customer to buy 100 percent of its requirements for a certain product from a specified supplier
- Exclusive distribution agreements
- Agreements that restrain customers or suppliers from buying certain products from or supplying specified goods to specifically named companies

## 3. Abuse of a dominant market position

Market-dominating or strong companies must not abuse their position to weaken competition at the expense of competitors, customers or suppliers (unless there is an objective justification). Market domination is usually thought to exist at a market share of 33%–40% (defining correct individual market demarcations may be difficult). The following examples 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

## III. 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 overview of important obligations.

## 1. Compliance with health and safety regulations

KRAIBURG's staff members are obliged 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.

## 2. Environmental protection and animal welfare

KRAIBURG is committed to ecologically sustainable business practices. All employees are therefore obliged to protect the soil, water, air, biological diversity and cultural assets. Environmental damage must be avoided by using appropriate environmental protection measures consistent with the applicable laws. Damage caused to the environment must be reported to the supervisor in charge and remedied. All rules on animal welfare must also be complied with.

## 3. Product safety, traffic safety and consumer protection

KRAIBURG develops high-quality products that meet applicable legal and safety requirements. Quality management systems evaluate and control our products. The systems ensure that our products represent the "state of the art and science" and meet the relevant safety standards and specifications. This particularly applies to products used in sensitive areas of traffic safety.

KRAIBURG is responsible for detecting, reporting and remedying possible safety problems. We report defects to the responsible authorities, if necessary, and take all necessary measures to ensure product safety and consumer protection.

## 4. 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 stands for an open-minded, upright and tolerant company culture.

KRAIBURG is wholeheartedly committed to the protection of human rights. We will not enter into business with any company that violates these fundamental rights, e.g. by exploiting employees, adolescents or children.

## 5. Confidentiality and data privacy

As a company, KRAIBURG owns valuable patents and know-how. All employees are obliged to observe strict confidentiality in relation to this type of information and all other trade and business secrets. Information that contracting partners and customers regard as sensitive is also included in this obligation. Such data and information must not be disclosed to third parties.

The legal principles for protecting personal data must be complied with at all times. This obligation continues after the end of employment.

## 6. Prohibition of money-laundering and financing of terrorism

KRAIBURG complies with all applicable laws against money-laundering and financing of terrorism. Channeling money and other assets into the legal economic cycle to disguise the fact that they directly or indirectly originate from crimes constitutes money-laundering. Financing of terrorism means supporting terrorist organizations financially and in other ways. KRAIBURG therefore always checks the identity of customers, business partners and third parties. Our company's cash flows are transparent and open.

### **IV. Helpline**

All KRAIBURG employees may contact the compliance officer if they have questions regarding these compliance rules and specific circumstances. They can also send a written description of the circumstances to [compliance@kraiburg.com](mailto:compliance@kraiburg.com)

Additionally, the management board has arranged an external email address ([compliance.kraiburg@heuking.com](mailto:compliance.kraiburg@heuking.com)) and an external helpline at the law firm Heuking Kühn Lüer Wojtek at phone number 0049 40 355 280 74. On request, the lawyers will treat all questions and suggestions as strictly confidential and/or anonymous.

Employees will never be disadvantaged or otherwise discriminated against for making such queries or suggestions in good faith.