

KERN-LIEBERS

GROUP OF COMPANIES

Anti-Corruption-Policy of the KERN-LIEBERS Group

KERN-LIEBERS

ANTI-CORRUPTION-POLICY

We, the companies of the KERN-LIEBERS Group, firmly believe that the economic success of companies for the benefit of all is prevented or made considerably more difficult by corruption, because decisions then no longer depend on objective criteria such as price, performance, quality or reliability.

For this reason, a commitment to fighting corruption is part of our value system. We must pursue this goal directly in our company. The purpose of the anti-corruption policy of the KERN-LIEBERS Group is to define and prevent corrupt behavior. It applies to our employees and business partners alike, who we will also measure to establish whether and in what manner they support us in our efforts to achieve competitive conditions that provide equal opportunities to all.

From our executives, we expect a particular commitment to leading by example and translating the substance of this policy into their day-to-day business activities.

I. PREVENTING AND FIGHTING CORRUPTION

In many countries, corruption is endemic. But this is no justification for also being corrupt. The fact that certain things have always been done this way, and that this is how they are done by others, is also unacceptable.

Our goal must be to take the company forward through quality, innovation, cost consciousness and integrity. There is no place for corruption here, even if that means that orders are lost. Management is well aware of this and is prepared to accept the consequences. The management of the KERN-LIEBERS Group is resolute in its commitment to preventing and fighting corruption. It will not permit the misconduct of any individual employee to jeopardize the existence or reputation of the group. Corruption is contrary to our interests.

To protect the KERN-LIEBERS Group, every employee is obliged to make their contribution to the prevention of and fight against corruption. This policy is applicable worldwide and is designed to raise your awareness of the issue of corruption and provide you with guidelines on how you can act to prevent corruption.

II. WHAT IS MEANT BY THE TERM CORRUPTION?

There is no uniform legal definition of corrupt behavior. It includes certain criminal offenses defined under the various relevant legal systems, which are set out below in a simplified form designed to render them intelligible. The hallmark of corrupt behavior is the abuse by an individual of an official position entrusted to them for their own personal benefit, or the intention to do so.

1. Bribery and corruptibility

The term bribery refers to the person of the „giver,“ while corruptibility describes the process from the point of view of the „taker“. In everyday language, we talk about „kickbacks“ or „greasing somebody’s palm“. The term bribery denotes the offer or award of a personal benefit in order to elicit or encourage an inappropriate decision by the beneficiary in the conduct of official business. The term corruptibility, inversely, denotes the demand for or acceptance of a personal benefit for the inappropriate conduct of or failure to conduct official business.



The issue here is not the individuals involved. While such offenses are typically punished more severely when employees of government bodies are involved, such as civil servants or those in the public sector, this does not alter the fact that such conduct is also regularly prosecuted in the private sector or where no government bodies are involved.

A bribery offense does not always imply that economic advantages or disadvantages actually occur. It may be sufficient that they are merely conceivable, for example if the person who is bribed divulges „only“ internal company matters.

Moreover, it is often irrelevant whether and to what extent bribery offenses are concealed, for example through the involvement of third parties who are „above suspicion“ (such as spouses, relatives, acquaintances) and who act as an intermediary in the cash flow. The same applies to front companies or to indirect benefits through intermediary companies.

Practical experience shows that these offenses will ultimately be revealed after a certain period of time. One reason for this is that in most cases, there are several people involved in these processes.

2. Breach of trust

The term breach of trust denotes criminal offenses which impose sanctions on damaging dereliction of duties associated with the management of third-party assets. It is therefore of central importance in commercial life because individuals very frequently have powers of decision and disposal over third-party assets – namely the assets of the company.

The legal system expects individuals in positions of responsibility to treat third-party assets with due care. This includes not only adherence to the law, but also compliance with internal company guidelines, processes and approval requirements. What is more, breach of trust can also play a role in the context of bribery offenses, because here again it often also leads to damaging dereliction of the duties of individuals entrusted with the management of assets.

3. Tax offenses

Bribes cannot be deducted as operating expenses. If they nonetheless are, we are in the realm of tax offenses. Other forms of benefit payments (donations, promotional gifts, unusual invitations, consultants' or agents' fees etc.) must also be reviewed to establish whether these expenses are deductible for tax purposes.

Certain payment transactions – such as payments to persons in low-tax or otherwise suspect countries or to individuals of uncertain or dubious identity – are regularly reviewed during company audits. If there is no plausible explanation for the motive and reason for the payment, it must be expected that in addition to the payment of back taxes, such transactions will also be sent to the law enforcement authorities. The payment of any corresponding „slush fund“ payments may lead to the instigation of criminal proceedings for breach of trust.

Unlike in the past, tax offenses are now not only easier to trace, they can also be investigated across borders. They are also prosecuted much more systematically and punished more severely than in the past. Moreover, the limits for taxes not paid or not paid correctly, which are punishable by imprisonment without parole, are reached relatively quickly in the area of corporate taxation.

4. Penalties imposed for the above-mentioned offenses

For employees involved in the offenses set out above, there is a serious threat of punishment that depends on the circumstances of the individual case and the legal system concerned. In addition to fines, there is also the possibility of many years of imprisonment. In addition to the punishment of the employee, there is also a provision for fining the company itself in some cases. There may also be indirect consequences such as exclusion of the company from orders or invitations to tender. Furthermore, the employee concerned often loses their job.

Corruption can also compromise business relationships with banks and insurance companies. In addition, there is the risk of forfeiture of the revenue obtained through corruption, i.e. that the revenue acquired from the order will be withdrawn from the company. Then there is the substantial damage to the image of the company in the event of such cases becoming public knowledge.

Finally, it should be noted that such offenses may also be prosecuted by foreign authorities, which in particular may involve detention or arrest on arrival in the country in question. The rules in place in foreign countries are often much more far-reaching, and the severity of sentences and other conditions in particular can be significantly different (for example conditions in detention facilities, the handling of suspects by law enforcement authorities, draconian penalties etc.).

III. RULES OF THE KERN-LIEBERS GROUP FOR THE PREVENTION OF CORRUPTION

The description above is not intended to be exhaustive. Its aim is rather to convey a feeling of what is meant by corruption. We now move on to our rules for the prevention of corruption.

1. General requirements

a) Awareness of and prohibition of corruption; Duty to report

We expect our employees, and in particular our colleagues in sales and distribution, to be aware of the risks associated with corruption, to have a sense of the relevant processes, and not to engage either actively or passively in corrupt practices. This also involves a feeling for conduct or behavior that paves the way to corruption.

We require everyone working for the KERN-LIEBERS Group to reject any attempt at corrupt conduct by third parties. This may not apply in the event of danger to life, limb or freedom.



Attempts at corruption by third parties or information about corrupt behavior must be reported to your manager or the head of the internal auditing or legal department.

We also expect you to discuss cases of doubt with your manager and where necessary to clarify them with your manager or the head of the internal auditing or legal department.

b) Compliance with other company policies

We have introduced a number of internal company policies and processes which also have an inhibiting effect on corruption. These include for example the four-eyes principle, the signature rules, the declaration of commitment, the implementation and operation of an internal control system, internal auditing, the purchasing policy and the system of access rights, in particular for IT systems. These policies and guidelines apply in addition to this policy and must be adhered to at all times.

c) Aid to decision-making

In addition, the following questions can be used as an aid to decision-making in individual cases:

- Am I facing a conflict of interest or am I also acting in my own interest or the interest of a third party – instead of solely in the interest of the company?
- Is my behavior in the interest of the company?
- Is the behavior I call for in line with my values?
- Is my behavior in line with the company's goals and the Code of Conduct of the KERN-LIEBERS Group?
- Is my behavior legal?
- Is it okay for my colleagues or managers to become aware of my behavior?
- Would I want to be held responsible for my behavior?

If you answer no to any of the above questions or if you are in doubt as to whether any of the above questions should be answered with no, you must involve your manager and where necessary also the relevant central office in the decision-making process.

d) Prevention of corruption as part of the employee management process

Prevention of corruption is also one of the responsibilities of managers and executives in particular:

- Avoid the concentration of too many responsibilities in one person
- Decisions require more than one person
- Separation of duties, in particular in connection with monetary payments
- Avoid conflicts of interest and close personal relationships
- Request alternative offers, where appropriate by a different person
- Keep an eye out for irregularities – for example indispensability of one individual for particular activities, refusal of an individual to disclose the activities they have undertaken, disproportionate lifestyle

2. Situations that occur frequently in practice

a. Gifts, invitations, and other material benefits to customers

- aa) Material or other personal benefits to employees of other companies, in particular gifts, invitations to events, hospitality or accommodation, are permitted **if and to the extent that they are allowed under the policies and guidelines of the other company and socially acceptable in individual cases.** Allowance must be made for tax requirements.
- bb) It should be noted that automotive customers in particular forbid material benefits of any kind or amount for their employees. This should be given due consideration.
- cc) Furthermore, the specific circumstances of the individual case should not give the impression that any particular quid pro quo is expected from the recipient of the benefit. The aspects to be considered are as follows:
- What is the reason for the benefit?
There must always be an objectively justifiable case for the benefit.
 - What is the value of the benefit?
The higher the value, the more critical it is to ensure its social acceptability.

- Who receives the benefit?

Benefits must always be received directly by the person who is to benefit. Indirect benefits via third parties are not permitted.

- To what extent and with what frequency?

The more frequently benefits occur and the more removed they are from specific occasions, the more critically they should be questioned. A specific occasion is for example a meal after a business meeting or a festival celebrated by the public in a particular cultural environment (such as Christmas).

- What is the position of the recipient?

The lower the position of the recipient, the more attention must be paid to ensuring that the value of the benefit is appropriate.

- Is the benefit socially accepted or required?

- How is the benefit made?

Benefits must always be made openly and via the business address of the beneficiary. A secret or concealed approach – for example via the private address of the beneficiary – is not permitted.

- Are there general requirements in the company concerned?

These have priority and must be adhered to.

dd) The following are not permitted without the consent of local management

- the payment of cash amounts or the transfer of money to a person working for the customer who is not in a business relationship with us (e.g. an employee). The same applies to material benefits that can be converted directly into cash;
- gifts or material benefits, regardless of their value, to the private address of a person working for the customer (e.g. an employee);
- benefits to third parties, regardless of their value, with instructions to pass them on to a person working for the customer (e.g. an employee).

b) Gifts, invitations and other material benefits from suppliers

In addition to the purchasing policy of the KERN-LIEBERS Group, which takes precedence in terms of applicability, the above guidelines governing the relationship with the customer also apply in reverse to purchasing.



c) Payments to employees of public authorities and government institutions

With respect to representatives of public authorities, government institutions or state enterprises, it should be assumed that any direct benefit to an employee, regardless of its nature or value, is either illicit or ill-advised. Allowances in money or material benefits to public institutions require a legal basis.

d) Donations and sponsorship

Donations and sponsorship require the prior approval of local management in all cases.

e) Dealing with consultants and agents

Consultants and agents are often involved in corrupt practices. The rules that apply are therefore as follows:

- The origin and reputation of the consultant or agent must be adequately investigated and documented. Full business and contact information must be available.
- Business should be conducted only with persons whose legitimacy can be proved by an entry in a national register (e.g. commercial register).
- Cooperation should be on a documented basis, and the services provided must be clearly described.
- The benefit to KERN-LIEBERS from the service provided must be documented for third parties and stored in a place accessible to third parties.
- The services must be billed in a traceable form (date and type of activity, duration, hourly rate).
- Cash payments are not permitted. Advance payments should be avoided.
- The payment recipient and service provider must be the same. The place of business of the service provider and the place of business of their bank should be identical.

IV. Infringements

The rules set out above are binding for us all, management, executives and employees. Management will neither tolerate nor encourage any conduct or behavior that deviates from these rules.

Employees who report an infringement in an objective manner or express doubts will not suffer any disadvantages as a result of their actions. Employees who infringe our Code of Conduct and policies must expect, after examination of the individual case, appropriate responses or sanctions up to and including termination of their employment, in addition to government sanctions such as fines and imprisonment.

Please contact your manager to clarify any points that remain open or ambiguous. If you have information about possible misconduct and do not want to discuss it with your managers, you can also contact the internal auditing or legal department.

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