



# CODE OF CONDUCT

## 01 Purpose and Introduction

The KLINGER Code of Conduct is the embodiment of our commitment to the way we conduct our business. Business with the KLINGER Group was and is always characterized by high ethical business standards and practices.

The Code of Conduct describes some of the most important legal and ethical obligations we must meet in the conduct of our business. It also describes the practices and procedures that must be followed in meeting those obligations. It is the foundation for any and all commercial activities and decisions within the KLINGER Group. It shall be the basis for the morally, ethically and legally correct conduct of all employees of the KLINGER Group.

The KLINGER Group Management acknowledges without any reservation and with the full support of its Supervisory Board the principles of an ethical conduct of business. Compliance with all legislation, including anti-corruption and anti-trust rules, in every country in which KLINGER products are manufactured or distributed is, therefore, a main component of the KLINGER corporate policy. To protect the trust of employees, customers, business partners in quality and performance of our products and services.

Any employee who violates laws, regulations, internal guidelines, rules or instructions, or this Code of Conduct, will be subject to disciplinary measures. Furthermore, any such acts may result in criminal charges against and/or civil liability (such as indemnity or damage claims) against such person.

The standards outlined in our Code of Conduct are by no means exhaustive. They do not replace local Operating Guidelines, Policies & Procedures, or local laws. In case of conflict between this Code's standards and local legislation, the local legislation will prevail.

However, any such conflict will not impact the remainder of the Code. Failure to comply with the KLINGER Code of Conduct, Operating Guidelines or Policies & Procedures could result in disciplinary measures.

While local language translations of this Code of Conduct may be made, the original English version will remain the only official version. The electronic version will be renewed regularly with updates and amendments.

## 02 Scope and Application

This Code of Conduct applies to all employees within the KLINGER Group.

Moreover, it is in the interest of the Group that the Group companies bring this Code of Conduct to the attention of their business partners (customers, suppliers, consultants, etc.).

Each and every employee is responsible for complying with and implementing this Code of Conduct. Employees shall use common sense when interpreting this Code of Conduct and consider whether a specific act could give rise to criticism on the basis of reasonable ethical and moral standards. Every employee can seek advice and assistance from his or her direct superior in case of questions or confusion about the Code of Conduct. Before a potential breach of the rules, every employee has to turn to his or her Managing Director for further consulting and reconciliation. Every employee who does not comply with any law must, therefore, anticipate the consequences under employment law, including instant dismissal.

The Group Management shall be the final authority for disputes regarding the interpretation of this Code of Conduct.

The topic compliance is within the responsibility of the KLINGER Holding GmbH in Gumpoldskirchen. The main objectives are the monitoring of the compliance of these rules within the KLINGER Group companies and their support in legal and organisational questions and issues.

This Code of Conduct is addressed to the management and the following employees in all KLINGER companies worldwide:

- » Managing directors and senior employees
- » Employees in all levels of procurement, distribution, sales and export
- » Employees in marketing and product management
- » Employees in the field of research and development
- » Employees in finance and controlling

## 03 Responsibility for Implementation

We expect from all KLINGER employees that they acquaint themselves with the present Code of Conduct, that they respect all applicable legislation, wherever they are conducting business on behalf of KLINGER and that they are personally responsible for compliance with these rules in their areas of responsibility.

The Managing Directors of the Group shall be living examples for all employees in the implementation of this Code of Conduct. Compliance with these rules is within the own responsibility of every Managing Director. Every Managing Director of a KLINGER company is responsible for adapting the present Code of Conduct to the local legal environment in anti-trust and anti-corruption matters. They shall instruct, guide and supervise the compliance of the employees with this Code of Conduct. Proactive information and training of employees shall be organized.

## 03 Message from the Management

Gumpoldskirchen, July 2018

Ladies and Gentlemen,

Wherever liquid, gaseous or cryogenic media has to be sealed, KLINGER symbolizes proven expertise for various industry applications. The KLINGER product portfolio remains at the forefront of sealing technologies and we are proud to serve a global customer base. We are a globally active group totaling over 40 companies, more than 60 manufacturing, distribution and service hubs worldwide. As a reliable partner, we also feel responsible for the way how we conduct business. Ethical business standards and practices are part of our KLINGER company culture.

For this reason, we have developed a Code of Conduct to help our employees and conduct themselves responsibly in any business activity. Each of us has a personal obligation to uphold the standards of our Code and act ethically in our dealings with each other. It is also an essential element to inspire trust and confidence amongst all our business partners, and ensure the sustainability of our business. We rely on every one of us to make a careful and considered judgment of what is right and proper in any given situation.

Take the time to read through this Code carefully. If you have any questions or need support, you can contact Peter Müller ([P.Mueller@klinger-international.com](mailto:P.Mueller@klinger-international.com)).

KLINGER Group Management Board



Peter Müller



Daniel Schibli



Christoph Klinger-Lohr

Effective: 2014

Revised: 07/2018

## 04 Product Quality

KLINGER will never compromise on the quality and integrity of its products. KLINGER has a responsibility to its customers to provide the highest quality products. Therefore, you must comply with all relevant regulatory and legal requirements when manufacturing or distribution our products. In addition, we owe it to those who purchase our products to offer superior levels of customer service. It is our duty to meet or exceed our customers' expectations.

KLINGER delivers manufactured products of high quality by assuring quality throughout all stages of manufacturing, storage and distribution. Any significant issues must be brought to the Managing Director or the KLINGER Group Management.

## 05 Fair Competition

We expect from all KLINGER employees that they compete transparent and fairly in every market. Transparent and fair conduct in the market secures the interests of every Group company and its employees. A restriction on free competition or any violation of competition and anti-trust laws is irreconcilable with our KLINGER company culture.

The violation of national or international anti-trust regulations can have serious implications for us and affected employees. Violations may result in high monetary fines, damage payments and even imprisonment in some countries. Verbal agreements and concerted action to restrict competition are prohibited as are written agreements.

The following general principles apply to communications with competitors:

Do not discuss any aspect of KLINGER's business operations with competitors. This includes pricing, terms and conditions of sales or purchases, customers, suppliers, markets or any other commercial aspect of our business.

If you are engaged in a conversation or meeting with a competitor and sensitive or inappropriate commercial information is discussed, you must end the conversation. Do not seek or accept commercially sensitive confidential information from or about competitors, whether electronically, via mail, telephone, in meetings or otherwise. Express your disagreement with discussion of such topics, and leave the meeting immediately. Report the matter to your local Managing Director or the KLINGER Group Management.

## 06 Corruption, Bribery and Acceptance of Gifts

Offering or accepting, directly and indirectly, benefits meant to influence business transactions are strictly prohibited for all employees. The classical example of corruption is bribery where the independent decision solely based on objective criteria such as price, quality or lead time is corrupted for the interests of the corrupted person. Benefits that are offered to the employer - such as rebates or yearend bonuses - and which are not beneficial to the purchasing manager are not considered to be bribes.

### **Benefits from KLINGER to others**

The provision of other benefits is only allowable in so far as they conform to the usual accepted practice in business dealings and do not exceed an adequate economic value. Under any circumstances these benefits should not take any influence on the business decision of the recipient. Local laws and practices are to be observed.

### **Benefits from others to KLINGER employees**

The offer or receipt of money or benefits with a monetary value is always prohibited. Benefits or gifts of nominal value are only allowed if it is within the limits of ordinary business practice. Furthermore, the acceptance is only allowed if, under any circumstances, it will not have any influence on the business decision of the recipient.

## **07 Anti-Trust Law**

Transparent and fair conduct in the market secures the interests of every Group company and its employees, and protects the KLINGER Group as a whole. A restriction on free competition or any violation of competition and anti-trust laws is irreconcilable with our culture and philosophy.

Competition laws (often called 'anti-trust' laws) prohibit behaviour that restrains or limits competition. This includes agreements between competitors to allocate market shares or to fix prices. Anti-competitive behaviour is not limited to formal or written agreements. It can also include informal conversations.

In particular, the following important basic rules in anti-trust law shall be observed:

- » Do not discuss and coordinate any aspect of business operations with competitors. This includes pricing, terms and conditions of sales or purchases, customers, suppliers, markets or any other commercial aspect of KLINGER business.
- » No excessive restriction of customers and suppliers
- » No abuse of a dominant position in the market
- » Unfair business practices

### **Breach of Anti-Trust Law**

If an anti-trust authority has a justified suspicion about a violation of anti-trust law, it can order searches ('dawn raids') at the suspected companies' premises and, if appropriate, also at the homes of involved employees. In case of violation of anti-trust law, fines against the company and the involved employee can be applied.

Companies that violate European anti-trust law can be fined with up to 10 % of total sales of the corporate group. In addition to the sanctions on a company level, anti-trust authorities can also impose fines against the individual employees involved (for example in Germany the fine can be up to 500.000 Euro).

### **Leniency rules**

Companies which voluntarily contribute to uncover anti-trust violations, in which they participated, receive either no fine or only a considerably reduced fine for violating anti-trust laws. This rule only applies to the company which is the first company to approach the anti-trust authorities.

If you have or obtain knowledge about practices illegal under anti-trust law, please inform the Group Management at KLINGER Holding immediately.

### **Claims for damages**

Customers who have been harmed by violation of an anti-trust law are entitled to damages against the companies participating in the violation.

### Communication guidelines

Every meeting should have a clearly drafted and unambiguous agenda. Phrases such as 'experience on market developments' should be avoided. If discussions arise about topics which are in violation of anti-trust law, you must immediately protest about and insist that the discussion shall be immediately ended. A passive position in a discussion violating anti-trust law, makes every employee and also the company liable.

Internal and external correspondence has to be clear and unambiguous. Every written communication in a company may be read by authorities and therefore the communication needs to be clear and in line with our ethical and moral standards of business.

### Instructions in case of investigations by anti-trust authorities

In case of investigations by anti-trust authorities, follow these guidelines:

- » Review, copy and seize documents. If appropriate, ask personnel to explain the discovered documents (only valid for EU commission).
- » Inform your Managing Director and the Group Management at **KLINGER Holding** immediately.
- » There is no obligation to actively support the investigation.
- » Demonstrate cooperation with regard to technical support (e.g. helping to find rooms and copy facilities).
- » Do not try to get rid of documents under any circumstances.
- » Be truthful. Make only statements about matters of which you have definite knowledge and avoid speculations.
- » Have the search warrant given to you and check it.
- » Document the identity of the officials and their names.
- » Accompany the officials or make employees available to accompany them.
- » Mark the files which have been searched (as a practical step, first put them aside and then include it in a list).
- » Prepare your own copies of documents which have been copied or seized by officials.
- » Make absolutely sure that you object to the seizure of documents or other items.
- » Obtain a written record of the seized items.

## 08 Responsible Procurement

At KLINGER, we seek to establish mutually beneficial and healthy relationships with responsible suppliers. To this end, suppliers are selected objectively and impartially, rated on various factors, including integrity, quality, performance, commercial terms and commitment to safety, as well as environmental protection.

### Dealing with competitors (horizontal agreements)

No arrangements and agreements - written, oral or other understanding - between employees or representatives of at least two companies that could determine or influence competitive behaviour shall be concluded. This also applies to practices which restrict fair competition on the market.

In particular the following agreements are prohibited if they contain

- » agreements on prices (fixing of minimum prices, price increases, price targets, setting a price range, rebates, purchasing prices, ...),
- » terms and conditions of contracts used for customers or suppliers (payments terms, delivery period, guarantees, after-sales-service, ...)
- » market allocation rules (partition of market according to products, territories, type and volumes of customers, ...).

The exchange of information with regard to market relevant data between competitors can be prohibited if it represents the basis for coordinated conduct between competitors, even without any agreement.

Employees may exchange and cooperate with competitors in case of the supply of products to competitors, licence agreements and contracting with a competitor for the distribution of KLINGER's products.

#### **Dealing with customers and suppliers (vertical agreements)**

We act fairly with our business partners and no pressure shall be exerted on intermediate dealers.

- » Vertical fixing of prices and conditions are not permitted.
- » The supplier is not allowed to dictate to its customer the prices at which the customer can resell the delivered goods. This is valid also for rebates linked to the recommended price.
- » Our distributors, agents or wholesalers that get conditions of resale imposed by us, are requested to consult the Group Management at KLINGER Holding unless our market share is below 30%.

Territory restrictions in which the customer can further sell the purchased products or which limit the group of customers of the reseller, are generally not prohibited in the case of moderate market shares (below 30 %).

Granting exclusivity to a customer or distributor / agent is permissible when the companies concerned have joint markets shares below 30% and the degree of the binding restrictions or the duration do not reflect a market dominance.

#### **Abuse of dominant position in the market**

Market dominance is differently defined in different legal systems. The following aspects indicate market dominance and must be observed:

- » The company has a large market share.
- » Small market shares of the competitors
- » Weak power of the customers on the demand side
- » Market share above 25% is perceived as dominant position except for Germany where a market share beyond 33% defines market dominance.

Abusive conduct is prohibited, i.e. competitors may not be hindered in the market and customers or suppliers may not be otherwise harmed.