

# Compliance Policy

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*The distribution or reproduction of this Compliance Policy, as well as the use and disclosure of its contents to third parties, is prohibited unless expressly permitted in individual cases.*

*\* For the sake of readability, the neutral forms of male, female and various other genders have been used throughout. All personal references apply equally to all genders.*

## 1. Introduction

**Compliance** with the laws, ordinances, regulations and internal rules, policies and guidelines that apply to Franz Kessler GmbH and all affiliated companies (Kessler Group, hereinafter referred to as KESSLER) is a fundamental success factor for our company.

Governments in all parts of the world are increasingly regulating and controlling the activities of companies. In the event of misconduct, there is a risk of civil and criminal consequences that can have a significant impact on a **company's business activities** and **reputation**. Even if certain behaviour is "well-intentioned" in the interests of the company, it can have considerable **negative consequences** if it is illegal.

The KESSLER Compliance Policy integrates compliance even more effectively in our business processes.

The KESSLER Compliance Policy applies to all employees, all managers, the managing directors of all associated companies and the management of KESSLER.

It must be observed in day-to-day work and is intended to serve as a **practical guide** to lawful and ethically correct behaviour.

## 2. Tone from the top

For us at KESSLER, compliance is an integral part of our day-to-day business. Compliance means adhering to the laws, ordinances, regulations and internal rules, policies and guidelines that apply to KESSLER. We have zero tolerance for corruption and breaches of the principles of fair competition - and where these do occur, we respond decisively & consistently.

The KESSLER management sets the following principles with a "tone from the top" and provides the framework for responsible and lawful business conduct by all managers and employees with the KESSLER Code of Conduct and the KESSLER Compliance Policy.

- Compliance with all legal requirements, internal company regulations, policies and guidelines is a central management task at KESSLER and has absolute priority, even if it should have a negative impact on the business, be it with regard to financial targets or other business objectives.
- KESSLER expects all managers and employees to behave in a legally and ethically impeccable manner in their day-to-day business. The way in which tasks are carried out affects the reputation and economic performance of our company.
- The management declares that KESSLER is fully committed to compliance and will not engage in any business that violates compliance principles.

- The KESSLER Code of Conduct and the KESSLER Compliance Policy provide the framework for compliance at KESSLER and identify areas in which violations of applicable law can have particularly detrimental consequences for the entire company as well as for individual managers or employees.
- The principles set out therein are intended to guide managers and employees in their business activities and to protect them from misconduct.
- KESSLER offers support. Employees can contact their respective supervisors and the company lawyer for advice on legally compliant behaviour in certain business situations.

Management of the KESSLER Group

## 3. General points

Compliance is a fundamental success factor for KESSLER.

Compliance prevents misconduct within the company.

Through compliance, warning signs are recognised in good time and the necessary countermeasures can be initiated.

In the KESSLER Code of Conduct, the management has defined the basic principles of behaviour that are binding for everyone at KESSLER.

The **compliance structure** at KESSLER is defined by

- The **Code of Conduct**
- The **Compliance Policy**
- The **Export Controls Policy**
- The **Purchasing Policy** and
- Other **internal regulations** and **guidelines**

These also define how **compliance violations** are to be dealt with within KESSLER.

## 4. Compliance organisation

### 4.1. Composition

The **compliance organisation** consists of the Management Board of Franz Kessler GmbH, the Management Board of Franz Kessler Verwaltungsgesellschaft mbH, the CFO and the CHRO. These individuals form the Compliance Committee of the KESSLER Group.

The managing directors of the associated companies and the managing directors of the foreign KESSLER subsidiaries are also involved in the compliance organisation. These are the **Compliance Officers** at their respective locations for the affiliated company based there or for the **foreign KESSLER subsidiary** based there.

## 4.2. Compliance meetings

The members of the KESSLER compliance organisation based in Germany discuss the current status of compliance at KESSLER at least twice per financial year.

If necessary, the KESSLER compliance organisation may invite the compliance officers of the foreign KESSLER subsidiaries to these meetings; the relevant department heads or individual employees may also be invited as required.

This regular discussion includes a **risk assessment**, advice on possible compliance violations and the question of whether all relevant compliance issues at KESSLER are **adequately and appropriately covered**.

The KESSLER compliance organisation also meets at short notice in the event of significant compliance violations or suspicious cases.

## 4.3. Levels of action

The KESSLER compliance organisation provides for **three levels of action**:

1. **Prevention**
2. **Detection**
3. **Sanction**

These levels of action provide the members of the compliance organisation with comprehensive options for action to ensure that the KESSLER companies, managers and employees act in accordance with the legal requirements and the company's internal regulations and guidelines.

**Prevention** includes the communication and dissemination of the KESSLER Code of Conduct and the KESSLER Compliance Policy, as well as the implementation of suitable training measures (up to and including team leaders) to raise awareness of compliance risks and to minimise them.

For cases in which compliance violations are not readily apparent, KESSLER has set up and made available a whistleblower system for the **detection** and clarification of compliance violations, through which misconduct can be reported.

When **sanctioning** compliance violations, the KESSLER compliance organisation will take into account the severity of the violation and the degree of personal and organisational responsibility in the matter in question, before taking disciplinary measures, terminating employment or asserting claims for damages.

## 4.4. Local compliance officers and their responsibilities

The **Compliance Officers** of **KESSLER's affiliates or foreign subsidiaries** have the following local responsibilities in particular with regard to compliance

- Assessment of local compliance risks

- Implementation of the general compliance described in this handbook and further development of local compliance
- Investigating local compliance violations
- Reporting on the first three points above to the compliance organisation (at least once per financial year).

## 5. Procedure for reporting via the whistleblower system

In accordance with Section 17 of the German Whistleblower Protection Act (HinSchG), the following rules of procedure for KESLER's integrity line must be observed:

- Confirmation of receipt to the whistleblower within seven days at the latest
- Review whether the reported violation falls within the material scope of Section 2 HinSchG
- Maintain contact with the whistleblower, request further information if necessary
- Verify the validity of the report received
- Take appropriate follow-up action
- Provide feedback to the whistleblower within three months of confirming receipt of the report.
- The feedback should include an indication of the follow-up measures planned and already taken, as well as the reasons for them, provided that this does not interfere with internal inquiries or investigations and that the rights of the persons who are the subject of a report or who are named in the report are not prejudiced.
- All information received must be documented in a manner that respects confidentiality. This documentation must be deleted three years after the end of the procedure, unless it is necessary and proportionate to retain the documentation for a longer period in order to process the report or in accordance with other legal provisions.
- The KESLER Whistleblower Policy applies in all cases.

## 6. Fair competition

In a free market economy, anti-competitive agreements and collusion with competitors are prohibited. At KESLER we abide by the laws protecting fair competition.

We do not exchange **competitively sensitive information** with competitors or potential competitors. We do not collude with competitors and do not enter into any agreements with them, particularly with regard to

- Prices, terms and quantities
- The allocation of markets or territories
- The allocation of customers and suppliers
- Development or production strategies

## **A couple of examples**

- a) *You are attending a trade association meeting. An employee of one of KESSLER's competitors asks you to join him for lunch.*
- During lunch, he hands you a report that he has recently found on the Internet. The report contains statistical details about the industry, in particular the impact of some new compliance laws on overall sales results.*
- He assumes that you are interested in the report. He says that you can keep a copy of the report. Can you accept the copy and keep it?*
- ⇒ *In principle, you can. In case of doubt, you could have found and read this report yourself on the internet, even though it contains some sensitive information about expected sales results in the industry.*
- b) *One of your KESSLER colleagues approaches you in the office and tells you that he recently met a friend for a private drink. This friend happens to be an employee of one of KESSLER's competitors.*
- Although much of the conversation focused on family and everyday topics, your colleague says that the friend mentioned that his company and another competitor were changing the payment terms for customers to 30 days instead of the usual 90 days.*
- The friend also said that it would be easier for everyone if KESSLER did the same. Your colleague asks for your opinion.*
- What would you do?*
- ⇒ *This is a critical situation. Agreements - and concerted practices - on payment terms for customers are anti-competitive and therefore prohibited. Together with your colleague, you should talk to your line manager about the incident and, together with your line manager and the commercial director or CFO at KESSLER, ensure that the information received from your friend is not used as an opportunity to change the payment terms for KESSLER customers to 30 days. This should be documented. If in doubt, KESSLER should seek legal advice from an expert in competition and antitrust law.*

## 7. Rejection of bribery and corruption

Bribery and corruption are illegal and must therefore be strictly avoided. The most common form of corruption is unfairly favouring a person or company in the procurement of goods or services.

Whether the recipient of a personal advantage may be perceived as making decisions or behaving in a certain way **because of the advantage** depends on the individual case and, in particular, on the following factors

- Value of the personal benefit
- The frequency with which the personal benefit is granted or received
- The position of the recipient within the company

- The **social appropriateness** of the benefit granted (e.g. a bouquet of flowers for an invitation).

Personal benefits must never be given in secret; gifts or invitations must always be sent to the official business address, not to the recipient's home address.

Cash and cash equivalents (e.g. vouchers) are generally prohibited.

## **A couple of examples**

- a) *You and your spouse are invited by a supplier to the opening of the supplier's new plant. The opening party is followed by a dinner and dancing. This invitation has a limited financial value and is a one-off. Can you accept the invitation?*

⇒ *It is socially customary (and therefore socially appropriate) to invite spouses to evening events with dancing. The invitation can be accepted in principle, but the line manager should be informed to avoid the impression of secrecy.*

- b) *A supplier sends you a voucher for a family ticket to a well-known leisure and amusement park to your home address as a Christmas greeting. Can you accept the voucher?*

⇒ *The considerable value of the gift voucher, the possibility of exchanging it for cash and the fact that it is being sent to a private address make it inadmissible to offer and accept the gift. The voucher must be returned to the sender immediately, with reference to KESSLER's compliance regulations. Your supervisor must be informed and the procedure should be documented.*

## 8. Export controls

### 8.1. General points

The management of KESSLER is committed to the objectives of export controls, in particular the prevention of the proliferation of weapons of mass destruction and the destabilising accumulation of conventional arms in crisis regions.

**Foreign trade regulations** are complied with.

An export controls officer has been appointed at KESSLER.

The Export Controls Officer will be provided with the technical means to carry out his or her duties.

The Export Controls Officer at KESSLER must be consulted before any actions and instructions relating to export control requirements are carried out.

(Further details are regulated in the KESSLER Export Controls Policy).



## 8.2. Export controls officer

German companies must register an export controls officer with the Federal Office of Economics and Export Control (BAFA). This function is mandatory if the company has export projects involving **goods that require a licence**.

The BAFA will only process applications for export licences if the applicant company has appointed an export controls officer.

The export controls officer must be a member of the company management. It is not permitted to delegate this function to other employees of the company.

The export controls officer is responsible for establishing, maintaining and reviewing the company's internal export controls system and for selecting and training export controls personnel. The person responsible for exports monitors the export control system and takes all human and material precautions to ensure that the exporter/distributor complies with foreign trade regulations.

The person responsible for exports represents the company vis-à-vis the BAFA. In particular, the person responsible for exports is responsible for the correctness of all export applications.

## 9. Reference to the KESSSLER Code of Conduct

These points

- Sustainability
- Human rights
- Taxes
- Property and intellectual property
- Product safety, occupational health and environmental protection
- Data protection
- Documentation
- Conflicts of interest
- Other cultures and values and
- Communication

are dealt with in separate chapters of the KESSSLER Code of Conduct, to which explicit reference is made here.

## 10. Asking the right questions when in doubt

The KESSLER Code of Conduct and this Compliance Policy commit us all to principles that we want to adhere to. There are situations in which we may not be sure how to act in accordance with these principles. If we are unsure, we can and should ask ourselves the following questions

- What would I think if I read about my actions in the newspaper?
- What would I think if I had to tell one of my closest family members what I had done?  
What would that family member think?
- How would I feel if I had to explain my actions to my supervisor or the Board of Directors?

If the answers to these questions are still unclear, the action should be carefully considered and, if in doubt, not taken.