

Code of Conduct



Message from the Management

Ladies and Gentlemen,

Wherever liquid, gaseous or cryogenic media has to be sealed; KLINGER symbolizes proven expertise for various Industry applications. The KLINGER Sealing and Fluid Control 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 to conduct 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 each one of us to make a careful and considered judgment of what is right and proper in any given situation.

Klinger Management Board

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Gumpoldskirchen, Dec 2013

I. ANTI CORRUPTION

I.1. Introduction

- **Corruption**
 - Any activities that have as their goal to take undue influence on decisions or actions in the course of business.
- **Examples**
 - The classic 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
 - Is the advantage beneficial to the employer, such as rebates or year-end bonuses and not beneficial to the purchasing manager for example then there is **no bribery**.

I.2. Directions for all employees

- **Granting of 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
- **and from others to Klinger staff**
 - The provision of other benefits is only allowable in so far as they conform to the usual accepted practice in business dealings, do not exceed an adequate economic value and cannot, under any circumstances, be expected to take any influence on the business decision of the recipient.

2. ANTI-TRUST LAW

2.1. Important basic rules in antitrust law

Prohibited conduct - Stay away!

- Coordination between competitors
- Excessive restriction of customers and suppliers
- Abuse of a dominant position in the market

2.2. Consequences of violation of antitrust law

- **Fines against the company**
 - Cartel. Violation of European antitrust law can be fined with up to 10 % of total sales of the corporate group, thus – in our case – up to 40 m€.
- **Consequences for employees**
 - In addition to the sanctions against the company, antitrust authorities can impose fines against the individual employees involved, for example in Germany up to EUR 500,000.
- **Claims for damages**
 - Customers who have been harmed by a violation of antitrust law are entitled to damages against the companies participating in the violation.
- **Searches / enforcement measures.**
 - If an antitrust authority has a justified suspicion about a violation of antitrust law, it can order searches ("dawn raids") at the suspected companies' premises and, if appropriate, also at the homes of involved employees.

2.3. Leniency rules

- **What is leniency?**
 - Companies which voluntarily contribute to uncovering violations in which they participated receive either no fine or only a considerably reduced fine.
 - Only that company receives a release from the fine which is the **first** company to approach the antitrust authorities. .
- **Advice to all employees**
 - If you have or obtain knowledge about practices illegal under antitrust law, inform the Group Compliance Officer at KIM immediately. Please note that you are required to do so under your employment agreement.

2.4. Dealing with competitors („horizontal agreements“)

- **Agreements and concerted practices**
 - An agreement is any written, oral or other understanding between employees/representatives of at least two companies about a practice which restricts competition.
- **Agreements which are always 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 sharing (partition of market according to products, territories, type and volumes of customers, ...)
- **Exchange of information between competitors**
 - 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
- **Forms of cooperation with competitors that are permitted**
 - Supply of products to competitors
 - Contracting with a competitor for the distribution of Klinger's products
 - License agreement

2.5. Dealing with customers and suppliers („vertical agreements“)

- **Vertical fixing of prices and conditions**
 - 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.
 - For our distributors, agents or wholesalers that get conditions of resale imposed by us prior consulting of Compliance Officer at KIM is requested unless our market share is below 30%.
- **Resale restrictions**
 - Restrictions on the territory 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 %)
- **Exclusivity**
 - 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

2.6. Abuse of a dominant position in the market

- **Definition**
 - Market dominance is defined differently in different legal systems. The following indications must be observed
 - The company has a large market share
 - small market shares of the competitors;
 - low power of the customers on the demand side;
 - Nowhere market share below 25% is perceived as dominant position
 - In Germany market share beyond 33% defines market dominance
- **Abusive conduct**
 - Competitors may not be hindered in the market or customers or suppliers may not be otherwise harmed

2.7. Conduct in associations of companies and other business organizations

- **Basic rules**

- 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 antitrust law, you must immediately protest about this and insist that the discussion be immediately ended.
- Even when remaining passive in discussions violating antitrust law you and the company are liable.

2.8. Internal and external correspondance

- **Basic rules**

- Everything, which is recorded in writing in a company, may one day be read by an antitrust authority, be it during the course of searches or be it because the documents must be presented to the authorities.
- Therefore attention must always be paid to clear and unambiguous language.

2.9. Instructions on conduct in the case of on the-spot investigations by the antitrust authorities

- **Authorisation of antitrust officers**

- Review, copy and seize documents
- If appropriate, ask personnel to orally explain the discovered documents.
(Only valid for EU commission)

- **Instructions for conduct**

- Inform your Managing Director and the Compliance Officer at KIM 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 under any circumstances to get rid of documents.
- Make only truthful statements. Only make statements about matters of which you have definite knowledge and avoid speculation.
- Have the search warrant given to you and check it.
- Make written note 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 them 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.

3. COVERAGE

- **Commitment of Board and Supervisory Board**

The KIM 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 antitrust 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/ services.

The responsibility of a „Compliance Officer“ will be within Klinger International GmbH in Gumpoldskirchen. The main objectives are the monitoring of the compliance of these rules within the Klinger independent companies and their support in legal and organisational questions and issues.

- **Employees**

The present 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
- We expect from all employees mentioned above 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.
- Every Managing Director of a Klinger independent company is responsible for
 - Adapting the present Code of Conduct to his legal environment in antitrust and anticorruption matters
 - Information and training of his employees concerned
 - Compliance with these rules within his own responsibility
- Every employee who does not comply with any law must, therefore, anticipate the consequences under employment law, including instant dismissal.
 - Granting of benefits from Klinger to others and from others to Klinger staff
 - The provision of other benefits is only allowable in so far as they conform to the usual accepted practice in business dealings, do not exceed an adequate economic value and cannot, under any circumstances, be expected to take any influence on the business decision of the recipient.
 - Before a potential breach of the rules of this Code of Conduct, every employee has to turn to his MD for further consulting and reconciliation