

Anti-Corruption Policy of the SAUTER GROUP



I. PREVENTING AND COMBATING CORRUPTION

Corruption is everywhere in many countries. That, however, is no excuse for being corrupt yourself. The statement that certain things have always been done this way and that others do it too is also unacceptable.

The aim must be to drive the company through quality, innovation, cost consciousness, and integrity. There is no place for corruption here, even if that means potentially losing orders. The management is entirely aware of this and accepts this. The management of Sauter is determined to prevent and combat corruption. It will not be tolerated for the misconduct of a single employee to endanger the existence or reputation of the group. Corruption violates our interests.

In order to protect Sauter, every employee must contribute to preventing and combating corruption. This globally valid policy aims to raise your awareness regarding the topic of corruption and provides instructions on how to prevent corruption.



II. WHAT IS CORRUPTION?

Corrupt conduct has a standard legal definition. Depending on the respective legal system, it comprises certain statutory offenses that are explained below in a simplified and easy-to-understand manner. Corrupt conduct is marked by a person misusing their entrusted professional position to achieve a private advantage, or intending to do so.

1. Bribery and corruptibility

The term "bribery" relates to the "giving" person, whereas the term "corruptibility" refers to the process from the perspective of the "taker". The colloquial terms for this also include "to grease the palm" and "to take the bribe". We understand bribery to be the offering or granting of a personal advantage to initiate or promote an improper professional decision by the recipient. On the other hand, corruptibility is the requesting or accepting of a personal advantage in return for the improper performance or non-performance of a professional activity.



The group of persons involved is irrelevant in this case. Such offenses typically carry heavier sentences if they involve government employees, such as civil servants or employees of government agencies. However, this does not change the fact that such conduct is also regularly punished in the private economic sector and without the involvement of government agencies.

Bribery offenses do not always require for an economic advantage and disadvantage to be created. It could be enough for such matters to be intangible, e.g. if the bribed person "merely" discloses internal company information in return for a personal advantage.

In addition, it generally does not matter if and to which extent bribery offenses are obscured, e.g. by involving "unsuspicious" third parties (such as spouse, relatives and acquaintances) who are used as the face and/or middleman for payment flows. The same applies to bogus companies or only indirect favors given via intermediate companies.

Experience shows that these offenses are uncovered "after all" after a certain period of time. One of the reasons for this is that usually several persons are involved in the processes.



2. Embezzlement

The term "embezzlement" refers to statutory offenses that sanction damaging violations of duty in connection with the management of third-party assets. They are of crucial importance in business as often persons make decisions about and manage third-party assets – namely company assets.

The legal system expects for those responsible to diligently handle third-party assets. This includes compliance with the law as well as internal company guidelines, processes, and approval requirements. Embezzlement may further play a part in connection with bribery offenses as it also often involves damaging violations of duty by persons who manage assets.



3. Criminal offenses under tax law

Bribes cannot be deducted as company expenses. If such action is nevertheless performed, it violates tax law. Even for other types of advantages granted (donations, promotional gifts, unusual invitations, consulting or broker fees etc.) it has to be checked if such expenses are tax deductible.

Certain payment transactions, such as payments to persons in low-tax or otherwise suspicious countries or to persons of unclear or dubious identity, are regularly checked during tax audits. If there are no plausible explanations regarding the reason and cause of the payment, the result is a tax back payment and it is also to be expected that the process is forwarded to the law enforcement agencies. If such payments are made through "slush funds", criminal proceedings for embezzlement may be initiated.



Unlike in the past, tax offenses are easily traced today and can be resolved across borders. They are also investigated much more consistently and punished much harder than in the past. In addition, the limits for unpaid and/or incorrectly paid corporate taxes that result in imprisonment without parole are comparatively low.

4. Sanctions for violations of the above offenses

Employees who are involved in the above offenses face considerable penalties which depend on the individual case and respective legal system. Fines as well as long prison sentences are the possible outcome. Sometimes, the company is fined in addition to the punishment of the employee. These offenses may also create indirect disadvantages, such as exclusion of the company from contracts or tenders. The affected employees will also often lose their job.



Corruption can further damage business relationships with banks and insurance companies. There is also the risk of loss of revenue generated through the act of corruption, i.e. the company loses the revenue generated from the contract. Such cases that are published also create significant damage to the company's image.

Finally, it has to be remembered that the investigation of such offenses can also originate from foreign government agencies, which may particularly result in arrest and/or detention on entry in the corresponding countries. Foreign countries often have much tougher regulations, and particularly penalties and other general conditions can differ significantly (such as condition of prisons, the criminal investigation agencies' handling of suspects, draconic punishment etc.).



III. REGULATIONS OF THE SAUTER GROUP FOR THE PREVENTION OF CORRUPTION

The above text does not claim to mention all of the aspects of this topic. It rather aims to give an idea of the nature of corruption. Please find below our regulations for the prevention of corruption.

1. General specifications

a) Awareness and prohibition of corruption; reporting obligation

We expect for our employees, particularly those colleagues working in Purchasing and Sales, to know the risk relating to corruption, to have a feel for corresponding processes, and to refrain from actively or passively engaging in corrupt activities. This also includes a feel for behaviors that pave the way for corruption.

We demand for all employees of Sauter to reject any attempt of corrupt conduct by third parties. This may be different if there is a danger to life, limb, health or freedom.



Attempted corruption by third parties or information on corrupt conduct must be reported to the supervising manager. We also expect employees to talk to their supervising managers, if in doubt.

b) Compliance with other company guidelines

We have introduced a number of internal company guidelines and processes that also help to inhibit corruption. These include the principle of dual control, signature policy, declaration of obligation, implementation and realization of an internal control system, purchasing guidelines, and access authorizations, particularly for IT systems. These specifications apply in addition to this policy and must be complied with at all times.



c) Decision-making aid

The following questions also serve as a decision-making aid in individual cases:

- Is my conduct legal?
- Do I have a conflict of interest and/or am I acting in my own interest or the interest of a third party at the same time as the interest of the company?
- Am I acting in the interest of the company?
- Does the conduct required by me correspond with my values?
- Does my conduct comply with the company's targets and the Code of Conduct of the Sauter Group?
- Are my colleagues or supervising managers permitted to find out about my conduct?



- Would I want to be held responsible for my conduct?

If the answer to any of the above questions is "no" or if there is doubt if any of the above questions should be answered with "no", the supervising manager and, if necessary, the responsible central unit must be involved in the decision-making process.

d) Preventing corruption within the scope of employee management

The prevention of corruption is primarily also the responsibility of managers and executives:

- Avoidance of pooling too many competences with one person
- Principle of dual control
- Separation of responsibilities, particularly in connection with monetary payments



- Avoidance of conflicts of interest and close personal contact
- Obtaining alternative offers, if necessary by another person
- An eye for irregularities, such as indispensability of a person for certain activities, refusal by a person to review their actions, inappropriate lifestyle

2. Common constellations in practice

a) Gifts, invitations and other benefits in kind to customers

aa) Benefits in kind or other personal advantages to employees of another company, particularly gifts, event invitations, hospitality or accommodation are permissible if and insofar as they are permissible in accordance with the guidelines of the other company and are socially acceptable in the individual case. The tax specifications must be complied with.



bb) Especially for automotive customers, it has to be established that they prohibit benefits in kind of any kind and amount for their employees. This rule must be complied with.

cc) For the rest, the specific circumstances of the individual case must not give the impression that a certain consideration is expected from the recipient of the service. The following aspects are important in this respect:

- What is the reason for the consideration?
There must always be a factually justifiable reason for the consideration
- What is the value of the consideration?
The higher the value, the more critically the social acceptance must be questioned
- Who is receiving the consideration?
Considerations must always be given to the person who is to be the beneficiary.
Indirect considerations via third parties are impermissible.



- Which scope and frequency?
The more frequent the considerations occur and the more detached they are from specific events, the more critically they have to be questioned. A specific event is, for instance, a meal after a business meeting or a generally celebrated occasion within a certain cultural group (e.g. Christmas).
- What is the position of the recipient?
The appropriateness of the consideration also depends on the position of the recipient.
- Is the benefit in kind the social norm and/or socially acceptable?
- How is the consideration executed?
Considerations must always be given openly and via the business address of the recipient. Secret or obscuring conduct, such as sending considerations via the private address of the recipient, is impermissible.
- Does the affected company have general regulations?

These take precedence and must be complied with.



dd) The following actions are impermissible without the consent from the respective local managements:

- Cash payments or payment transfers to a person acting for the customer but not engaged in any business relationship with us (e.g. employee); the same applies to benefits in kind that can be directly converted into cash;
- Gifts or benefits in kind of any value to the private address of a person acting for the customer (e.g. employee);
- Considerations to third parties of any value with the order to forward it to a person acting for the customer (e.g. employee).



b) Gifts, invitations and other benefits in kind by suppliers

In addition to the overriding purchasing guidelines of Sauter, the above guidelines for the relationship with customers also apply vice versa on the purchasing side.

c) Considerations to employees of government authorities and government bodies

In the case of representatives of government agencies or government bodies and/or companies, it is to be assumed that all considerations, of any kind and value, given directly to an employee are either impermissible or inopportune. Cash benefits or benefits in kind to public institutions must have a legal basis.



d) Donations and sponsoring

Donations and sponsoring must always be approved by the local management.

e) Dealing with consultants and brokers

Consultants and brokers are often involved in corruption events. The following rules therefore apply:

- The background and reputation of the consultant or broker must be sufficiently clarified and documented. A full set of business and contact details must be available.



- Cooperation should only be entered into with persons whose existence as a business can be proven with an entry in a government register (such as commercial register).
- The cooperation should be based on a documented basis and the services must be clearly described.
- The use derived from the services by Sauter must be documented so that it can be traced by third parties and stored so that it is accessible to third parties.
- The services must be invoiced in a traceable format (date and type of activity, duration, hourly fee).
- Cash payments are impermissible. Advance payments should be avoided.
- Payment recipient and service provider must match. The head office of the service provider and head office of the bank should be identical.



IV. VIOLATIONS

The above rules are binding for us all - management, executives and employees. The management will not tolerate nor promote any deviating conduct.

Employees who report a violation to us in a factual manner will not incur any disadvantages by doing so. Employees who violate our Code of Conduct and guidelines can expect to be investigated and incur reactions or sanctions that appropriately reflect the individual circumstances, up to the termination of their employment contract in addition to government sanctions such as fines and imprisonment.

Please contact your supervising manager to clarify any unclear or open points.



Anti-Corruption Policy of the Sauter Group

The full spectrum from
the innovation factory



Metzingen, April 17, 2019

The Management

A blue ink signature of Michael F. Rudloff, consisting of a large, sweeping loop followed by a horizontal line.

Michael F. Rudloff
Managing Director

A blue ink signature of Felix Schöller, featuring a large, stylized 'F' and 'S'.

Felix Schöller
Head of Sales
and Customer Service

A blue ink signature of Thomas Eggers, with a cursive 'T' and 'E'.

Thomas Eggers
Head of Finances
and Controlling

A blue ink signature of Manfred Leibfarth, with a cursive 'M' and 'L'.

Manfred Leibfarth
Head of Purchasing
and Procurement

A blue ink signature of Martin Töpler, with a cursive 'M' and 'T'.

Martin Töpler
HR Manager

A blue ink signature of Günter Hacker, with a cursive 'G' and 'H'.

Günter Hacker
Quality Manager

A blue ink signature of Andy Schäfer, with a cursive 'A' and 'S'.

Andy Schäfer
Head of Operations

The Works Council

noted

Manuela Dankesreiter
Chairperson of the Works Council



The performance
spectrum from the think
tank



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