

General principles for ethically and legally correct conduct

Code of Conduct

“Our customers and business partners trust us. That is why it is our job to earn this trust every day, protect it, and never abuse it.”

As an international company with around 1,700 employees, we compete on a global level. Growing complexity, increasing numbers of variants, extremely short development and innovation cycles, digitalization: these are the challenges that we face in order to be competitive and successful over the long term. The faster everything moves, the more important it is for us to have reliable values and basic principles that our customers and business partners can depend on. In our Schmalz Code of Conduct, we have expressed the principles that determine our actions – both internal and external.

This Code of Conduct documents which rules determine ethical conduct within our company. It is binding and applies for all Schmalz employees worldwide. We expect that you will act in accordance with these principles and, in this way, protect Schmalz’s excellent reputation on the market.



Dr. Kurt Schmalz



Andreas Beutel

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1. Scope and area of application

The Code of Conduct applies for all employees of the Schmalz Group worldwide. Schmalz also expects all other persons who work with the Group (e.g. interns or consultants), as well as all persons or companies who act on behalf of Schmalz to comply with these standards.

This Code of Conduct constitutes a minimum standard that can be adapted by legal requirements or regulations. This standard is supported and substantiated by internal guidelines and instructions that are published and kept up to date on the company Intranet.

The provisions contained herein apply between the respective company of the Schmalz Group and its employees or persons who act on behalf of Schmalz; they do not establish any rights for third parties.

2. General principles

Every individual employee of Schmalz is personally responsible for complying with the standards of this Code of Conduct. The Managing Directors and management of the Schmalz companies play an important role in this process. They are responsible for communicating and implementing the Code of Conduct in their respective areas. At the same time, they are also responsible for exemplifying the meaning and content of this Code of Conduct in their everyday behavior.

a) Compliant behavior

We abide by the law in terms of all actions, measures, agreements and other processes. Every employee is personally responsible for complying with the law. Knowingly taking part in illegal actions or allowing third parties to undertake illegal actions is expressly forbidden.

Every employee must analyze the lawfulness of his or her actions at all times and, in the event of doubt, either inform a member of management or a Compliance Officer. Management is responsible for ensuring that legal regulations and internal guidelines comply in their respective areas and departments.

b) Behavior toward employees

We see diversity as an asset. We respect and protect the dignity of every individual. Our employees are committed to working together in a fair, partner-like manner. At Schmalz, no one may be harassed, discriminated against, or disadvantaged due to their race, skin color, nationality, ancestry, gender, sexual orientation, beliefs or world views, political views, age, physical constitution, or appearance.

c) Protection of assets

Schmalz requires its employees to protect the company's assets, both material and immaterial. Every employee is responsible for treating Schmalz property in a proper, careful manner in line with its intended purpose and for protecting it against loss, damage, misuse, theft, or destruction. Violations such as, for example, fraud, theft, embezzlement, or money laundering will be reported to the authorities and prosecuted. Moreover, the resources may not be used for the employee's personal gain or for non-work purposes.

d) Reporting

Our employees have the opportunity and the right to report suspected breaches or violations against the standards of this Code of Conduct to a member of the Compliance Organization or to the superior of their choice at any time.

3. Avoiding conflicts of interest

For Schmalz, it is important that employees do not enter into conflicts of interest or loyalty as a result of their work. For this reason, before an employee may take on any form of secondary employment in addition to their work at Schmalz, the company must review and approve of this position.

The involvement of an employee, his or her partner or spouse, or one of his or her close relatives in a company that is in competition with Schmalz, as well as any investments or forms of secondary employment in or for Schmalz's customers or suppliers, must be reported to HR.

We welcome our employees to get involved in any political, community, social or charitable work. However, they may only do so as a private individual. Conflicts of interest with the company must be ruled out in all cases.

4. Handling of information

a) Documentation and written documents

All Schmalz documents must reflect the relevant facts or the character of a business transaction in a true, complete, and explicit way, and this information must be recorded in a timely manner. If it is relevant and required for the task at hand, all employees are obligated to ensure a quick, smooth exchange of information within the company. In terms of the transfer of relevant knowledge, nothing may be unlawfully withheld, falsified, or shared selectively.

All business transactions, in particular oral and written agreements and contracts, must be documented and kept in accordance with legal and internal requirements.

b) Nondisclosure

Our inventions and our expertise are vital for the long-term success of our company. For that reason, keeping intellectual property secret and protecting it against unauthorized access by third parties is extremely important for our company. All employees are therefore required to comply with appropriate and required safety standards, both in terms of personal communication as well as in terms of electronic communication with third parties. This means that all information that is not to be made public must be treated confidentially and may not be shared with third parties while an employee is working for Schmalz or after the employment relationship has been terminated. It is forbidden to use confidential business information for one's own benefit, for the benefit of third parties, or to the disadvantage of Schmalz.

The same applies to information that is provided to us by third parties as confidential.

c) Data and information security

In addition to protecting the privacy of individuals when using personal data, the safety of all business data must be ensured in all of our business processes, taking into account all applicable legal data protection requirements.

5. Power of representation and signature authority

In the interest of a good working relationship with our partners and for our own protection, Schmalz must always be properly represented when a contract is signed. For this reason, every employee must review his or her authority before signing a contract. The authorizations are determined in the signature guidelines of each individual Schmalz company.

6. Behavior toward business partners and third parties

Our partners (customers, sales partners and suppliers) and employees are at the heart of what we do. For this reason, our relationships with our partners and employees are shaped by mutual reliability and sustainability. Business relationships are only entered into on the basis of objective and economic criteria. We are honest, respectful and fair in our actions. This includes the fact that decisions are made, documented, and communicated in a transparent, understandable manner.

Agreements with customers and suppliers are made in writing and are complete and explicit; any subsequent amendments or supplements must be documented accordingly. This also applies to rules such as payment of bonuses, marketing, and sales promotions.

a) Competition and antitrust laws

Regulations aimed at protecting fair competition are an indispensable aspect of a free market economy. Nearly every country in the world has passed laws to this effect. In accordance with the statu-

tory standards, all of our employees are therefore obligated to comply with the rules of fair competition.

Discussions with competitors, dealers, representatives, or similar persons regarding prices, terms of delivery, customer and supplier relationships, marketing information such as marketing of products, and positioning and distribution strategies are not permitted.

Any formal contracts, coordinated behavior, informal discussions, or informal agreements that are intended to or effectively restrict competition are forbidden. Agreements for research and development projects may be permitted in limited exceptional cases after thorough examination.

b) Corruption, gifts and other favors

We want to do business in an ethically correct way. That is why we support all internal and external activities aimed at preventing bribery and corruption. Any agreements or side agreements related to the advantage or preferential treatment of individual persons or companies in conjunction with the procurement, allocation, delivery, processing and payment of orders are prohibited.

Employees, their partners or spouses or close relatives may not receive or accept any gifts, loans or other services from customers, suppliers or other persons that would prevent the employee from making business decisions in an objective, fair and uninfluenced manner or could even appear to influence business decisions.

Excluded from this provision are gifts of low value, general standard occasional or promotional gifts, and gifts that are customary and a sign of politeness in the country in question and which are permitted in accordance with the local statutory provisions. Moreover, our employees may not offer customers any favors, tips, rebates, gifts, or similar services or objects. As a rule, acceptance or granting of monetary gifts or cash equivalents (e.g. vouchers) is not permitted.

Accepting direct or indirect bribes from employees of customers, suppliers, competitors or others, as well as offering direct or indirect bribes to employees of customers, suppliers or competitors for the purpose of upholding business relationships with our company and obtaining business-related advantages is strictly forbidden.

Only the services that have actually been rendered may be compensated. Compensation must be provided in line with normal market conditions.

c) Donations and sponsorships

Donations are made in a transparent manner. This means that the recipient and the concrete purpose must be known.

In terms of sponsorships, it must be ensured that there is an appropriate relationship between the financial contribution and the agreed-upon return service.

Donations and sponsorships may not be issued within the same time frame as or within the context of issuing of orders by or for a company that is part of the Schmalz Group.

7. Compliance with export control and customs regulations

The Schmalz Group is a global group of companies that must observe and comply with regulations that limit the free movement of goods as part of its international business activities.

The import, export or domestic trade of goods, technologies or services, as well as capital and payment transactions are limited or forbidden by various national and international laws or embargoes. The limitations and bans may originate from the nature of the goods in question, the country of origin or intended destination, or be based on the business partner in question. When goods or services are purchased, procured, manufactured or put on the market or when technologies are transferred or accepted, every employee is responsible for observing these control provisions. Whether or not official authorizations are required must be determined before carrying out the business activity in question.

Every Schmalz company and their respective employees must comply with the relevant, applicable customs provisions in terms of import and export business.

8. Product quality and safety

As a company, we feel it is our duty to meet the strict quality and safety standards of our customers by continually improving our processes and training our employees. For that reason, all employees must observe the valid technical standards and may not make any compromises that would negatively impact product safety or quality. We will not tolerate deliberate or negligent conduct that results in diminished safety or quality.

9. Working conditions

Schmalz offers its employees in every country fair working conditions that comply with all legal requirements. We therefore do not tolerate any form of child labor or exploitation of children or young people. We reject any form of forced labor or exploitation. No employees may be forced to work for the company as a result of direct or indirect violence and/or intimidation. Corporal punishment or psychological or physical coercion are forbidden.

10. Work safety, health and environmental protection

Schmalz is subject to various national and international statutory provision in terms of workplace safety, health protection and environmental protection. The legal and internal regulations and provisions on workplace safety as well as health and environmental protection must always be strictly complied with during processes and in terms of operating equipment.

a) Work occupational safety and health protection

We expect our employees to comply with safety regulations, elevated risk awareness, and thinking ahead during all safety-relevant activities. For that reason, every employee is jointly responsible for safety in his or her working environment. Dangerous situations or a lack of workplace safety must be reported to the respective superiors or managers. The managers must immediately resolve these issues as soon as they are made aware of them.

To determine and evaluate risks and strains for the employees involved, all managers are obligated to carry out regular risk assessments that identify and evaluate the risks for the employees and their health at their respective workplaces.

b) Environmental protection and sustainability

Conserving already-scarce resources and living up to our responsibility towards future generations are two particular areas of focus in terms of Schmalz's business activities. Our employees are obligated to act in an environmentally conscious way when it comes to their day-to-day work. It is the responsibility of every employee to avoid endangering other humans and the environment. This also includes careful, sparing use of resources, as well as recycling and disposing of materials in accordance with regulations.

Schmalz attaches great importance to the careful use of materials and energy: that is why we try our best to preserve a healthy environment when it comes to development and design, the manufacturing process, when operating our products, in terms of packaging and shipping, during recycling, as well as in terms of improving internal processes and introducing new systems.

11. Implementation of the Code of Conduct

a) Compliance organization

The Schmalz Group has established a Compliance Committee to monitor the implementation of the Code of Conduct. The Committee names the Chief Compliance Officer responsible for the entire Schmalz Group. A Compliance Officer is named for every subsidiary for the implementation of the provisions of the Code of Conduct.

b) Reporting system

All employees who become aware of any violations of legal, official, or internal regulations at Schmalz or who have reasonable doubts of such violations are encouraged to report their suspicions and/or knowledge. The information received will be treated confidentially and with the required care and diligence. Schmalz will ensure that this kind of reporting will not result in any disadvantages for the person submitting the report as long as they have done so in good faith regarding the accuracy of their report. In every individual case, Schmalz will, if required, implement measures to protect the

employee in question against these kinds of disadvantages. If possible and legally permitted, Schmalz will keep the identity of the person who submitted the report, as well as any persons involved in the investigation of the suspected case, confidential.

Suspected cases of compliance violations can also be reported to the following persons or offices:

1. Direct superiors
2. Any and every manager
3. The Managing Directors of the company
4. Any Compliance Officer
5. The Chief Compliance Officer
6. Members of the Compliance Committee

Employees can find the Members of the Compliance Organization and their contact information on the Compliance page on the company Intranet or on flyers posted on the information boards in their departments.

Moreover, any suspected violations or breaches can be reported to compliance@schmalz.de.

c) Information

Employees can find further information and additional guidelines and instructions on the topic of compliance on Schmalz's Intranet.

The Schmalz Group's Code of Conduct will be published in different language versions on www.schmalz.com. Should these versions contain any divergences or contradictions, the German version is to be considered authoritative.

Should you have any questions about the Code of Conduct, please contact:

Jan Schumacher
Chief Compliance Officer (global)
T: +49 7443 2403 7379
jan.schumacher@schmalz.de

Stefan Stockburger
Compliance Officer (Germany)
T: +49 7443 2403 7382
stefan.stockburger@schmalz.de

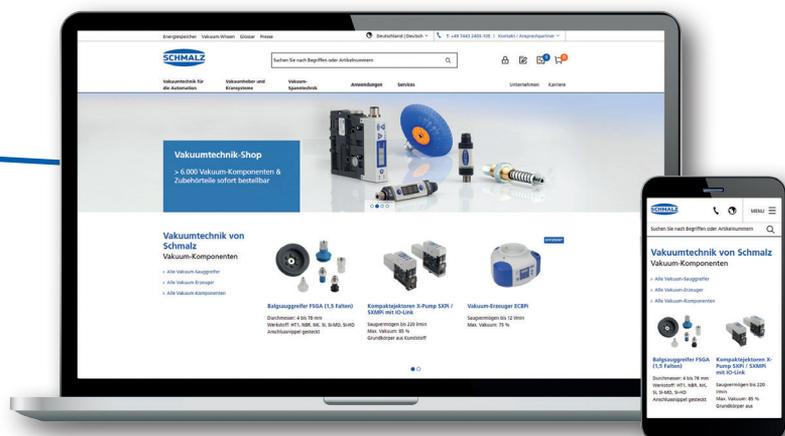
Manfred Becker
Compliance Office (ISCs)
T: +49 7443 2403 455
manfred.becker@schmalz.de

Numerous certifications.

• DIN EN ISO 50001 ENERGY MANAGEMENT | since **2012**

• DIN EN ISO 14001 ENVIRONMENTAL MANAGEMENT | since **1997**

• DIN EN ISO 9001 QUALITY MANAGEMENT | since **1994**



J. Schmalz GmbH
Johannes-Schmalz-Str. 1
72293 Glatten, Germany
T: +49 7443 2403-0
schmalz@schmalz.de
WWW.SCHMALZ.COM

