



# COMPLIANCE@KAEFER

## KAEFER'S COMPLIANCE MANAGEMENT SYSTEM

### INTRODUCTION

As a worldwide operating company, KAEFER's image and reputation are linked to the conduct of each employee. All KAEFER employees, regardless of their position, are expected to respect laws and internal rules of the various countries and cultures in which KAEFER does business.

KAEFER does not allow any compromises in business ethics. Inappropriate behaviour is never in KAEFER's interest and violations will not be tolerated. Compliance is an integral part of KAEFER's business processes.

### GENERAL PRINCIPLES

KAEFER's Executive Board has the organisational and supervisory responsibility for compliance in the KAEFER Group. To address this responsibility, the corporate compliance function designed a risk-based compliance management system (CMS).

Under the leadership of the Group Chief Compliance Officer (GCCO), KAEFER has established a group-wide organisation with Local Compliance Officers (LCO) in the business units and the central function Corporate Group Compliance (CGC).

The GCCO and CGC both manage the group-wide compliance activities by considering the principles prevention, detection, response, and continuous improvement. The different tasks and responsibilities are clearly defined.

CGC coordinates the group-wide training activities, monitors compliance with applicable law, internal and external regulations and supports the development and implementation of globally binding internal rules and procedures regarding compliance. Compliance issues are regularly reported to, discussed, and agreed with KAEFER's Executive Board and the Audit Committee of KAEFER's Administrative Board.

KAEFER's Management Boards (MB) / Managing Directors (MD) are responsible for compliance within their respective business units. KAEFER's LCO help the MB / MD fulfil their duty.

KAEFER's compliance organisation aims to ensure compliance with applicable laws and internal rules. KAEFER's CMS addresses several compliance risk areas, in particular anti-corruption, and fraud / asset abuse. In addition, the management of fair competition and sanctions risks are coordinated for the Group.



KAEFER's CMS has been established considering generally accepted standards and applicable legal requirements. KAEFER's CMS is implemented in all KAEFER business units that are controlled directly or indirectly by KAEFER SE & Co. KG and which run operational business.

In the following, KAEFER's CMS is described for the areas of anti-corruption, fraud/asset abuse, fair competition, and sanctions as of 01 March 2023 in accordance with the basic elements of a CMS as defined in IDW Assurance Standard (AsS) 980 and considering ISO 19600.



## I. CULTURE

Violations of internal rules or laws are usually prevented through the right mindset, appropriate training, awareness, controls as well as effective countermeasures.

KAEFER believes that a positive and lasting compliance culture is crucial for a CMS. It is KAEFER's goal to meet the highest ethical standards which is also reflected in the KAEFER Values.

The basic principles of compliant behaviour are explicitly laid down in KAEFER's Code of Business Conduct. It is based on the fundamental understanding that, in the event of conflict, compliance always takes precedence over business objectives.

The KAEFER Compliance Essentials summarise the key principles of integrity and are intended to help all employees to act in a compliance manner in their daily work.



## KAEFER COMPLIANCE ESSENTIALS:

1. Follow the law and KAEFER's internal rules and guidelines
2. Act with honesty, integrity and show respect to others
3. Be an example for others
4. Reject corruption and bribery
5. Ensure gifts and hospitality are appropriate
6. Avoid conflict of interests and act in the best interest of KAEFER
7. Protect KAEFER's assets and data
8. Report suspected breaches

Every KAEFER employee must adopt the attitude that compliance is a must for employment at KAEFER and an explicit requirement for further employment. Employees who lack ethical judgment or do not take the KAEFER Code of Business Conduct seriously will not succeed at KAEFER.

Positive compliance culture starts with the top management. KAEFER's managers play a key role in terms of compliance. Due to their position, they bear a special responsibility as role models. They are expected to act in a recognisably ethical and legally correct matter so that compliance can be a principle for all employees. In addition, they are also expected to always support KAEFER's CMS with appropriate tone from the top. Compliance is a standing item at management meetings.

To maintain and improve the compliance culture, various measures have been taken by the compliance organisation and other supporting functions.

Online as well as face-to-face training courses are of central importance and are mandatory for employees at KAEFER. The compliance eLearning sessions cover many compliance topics using practical examples, with a focus on ethical behaviour, anti-corruption, conflicts of interest, anti-fraud, and fair competition.

Compliance culture requires that compliance incidents are handled in a transparent, fact-based and impartial way. In the event of violations, KAEFER follows a zero-tolerance approach. This includes the proper investigation of every possible breach of compliance rules and the corresponding sanctioning. Sanctions extend not only to warnings and fines, but also to termination of employment. In serious cases, KAEFER will file a criminal complaint to hold the perpetrator liable for the damage.

To fulfil their compliance duties, MBs and MDs must remain informed about current compliance matters. This is done by LCO throughout the year on a regular basis as needed. At least quarterly, LCO are tasked with providing a compliance report to local management, to CGC and the Executive Board.



Transparency in the reporting of violations as well as the lessons learned internally from such cases are part of KAEFER's compliance culture. CGC regularly provides internal statistics to relevant stakeholders.

KAEFER regularly conducts a worldwide compliance culture survey among its employees to evaluate the perception and knowledge of compliance within the organisation and to take appropriate actions, depending on the result. Detailed results are provided to employees, local management and presented to both, the Executive Board and Administrative Board of the KAEFER Group.

## II. OBJECTIVES

KAEFER strives to completely avoid compliance violations. There is consensus that KAEFER's business objectives can only be achieved through lawful business conduct, especially in the areas of anti-corruption and fair competition.

As a general principle, actions are compliant if they are legal. Compliance however also considers KAEFER's integrity and reputation. Situations in daily business are not always clearly compliant or clearly non-compliant. When confronted with a matter LCO are expected to perform a thorough fact finding, to identify remaining uncertainty and to flag the risks that different options of action imply. LCOs are encouraged to take risk-based decisions themselves as appropriate as well as to develop compliant solutions to enable the business.

CGC has developed compliance objectives. These are based on the three pillars prevention, detection, and response. These objectives are proposed to and approved by KAEFER's Executive Board. The objectives are updated yearly, and the achievement of these objectives is monitored.

KAEFER's current compliance strategy is clearly focused on the further development of KAEFER's CMS including appropriate training and communication.

## III. RISKS

A risk-based approach is the core of KAEFER's CMS. KAEFER thoroughly analyses compliance risks that may arise from its specific global businesses and activities.

In 2018, KAEFER conducted an initial horizontal risk assessment for 30 risk areas to lay the foundation for KAEFER's current CMS structure. This horizontal risk assessment will be updated every five years so that the right focus is set.

Subsequently, a detailed vertical compliance risk assessment is undertaken, focussing on potential risks in the areas of anti-corruption, fair competition, and anti-fraud. This software-based analysis is carried out at least once a year for all business units with operational activities.

CGC provides all LCO with specific guidance including on methodology and risk scenarios on how to perform compliance risk assessments in line with corporate requirements.



The LCO is responsible for the appropriate evaluation considering impact, occurrence, and existing mitigating elements in their business units. Risk assessments usually consist of bilateral assessments with relevant stakeholders or of an assessment workshop including all relevant stakeholders.

The result of this evaluation is a risk prioritisation which is approved by the MB/MD of each business unit. So called Level 1 and 2 risks need to be addressed with priority and actions need to be developed.

The results of the risk assessment are evaluated and aggregated by CGC for the KAEFER Group and presented to KAEFER's Executive Board.

Based on the results, specific group-wide measures and actions are developed, such as training initiatives for high-risk areas, which are then implemented by the compliance organisation itself.

#### IV. PROGRAMME

KAEFER has defined globally binding guidelines of conduct in its KAEFER Code of Business Conduct, which have been detailed in several further KAEFER Group Policies and KAEFER Rules.

The KAEFER Code of Business Conduct contains general corporate principles that help employees to act appropriately when faced with ethical or legal challenges. It applies to all employees and is supplemented by detailed KAEFER Rules that provide instructions to employees on how to handle situations that arise in business e.g., involving conflicts of interest, gifts, invitations, donations, sponsoring, competition law and business partner due diligence.

These KAEFER Rules emphasise the strict prohibition of all forms of bribery and unfair business practices. These rules are a core part of KAEFER's CMS and were developed by CGC supported by additional material, such as checklists and manuals provided to the LCO. They intend to be concise, practical, easy to read and easy to understand.

Other KAEFER Group Policies and KAEFER Rules deal with specific issues such as trade compliance, fraud prevention and detection, whistleblowing, health, safety, environmental and social standards, human rights, segregation of duties, and public relations among others.

This entire written framework on group-level is made available to all business units through the KAEFER Rules System. KAEFER Rules define binding requirements for all KAEFER business units. They must be implemented in the local management systems considering local jurisdiction and requirements. The implementation is monitored.

The KAEFER Code of Business Conduct, applicable Rules and other guidelines are made available and communicated to all employees worldwide (e.g., through onboarding process, line managers, integrated management systems or respective face-to-face or online trainings).

KAEFER's compliance programme also includes the KAEFER Compliance Helpline (<https://www.bkms-system.com/kaefer>), a highly secured web-based whistleblowing



system, which has been set up to allow employees to (anonymously) report violations of the KAEFER Code of Business Conduct, KAEFER Rules or law if they do not wish to contact their line managers or their LCO in person. This system is also available for third parties. The KAEFER Compliance Helpline is operated by an external provider and is available worldwide in several languages.

In training courses and general compliance-related communication, employees are made aware of the possibility to use this system, but also to approach their line managers or their LCO for assistance in compliance-related matters including possible compliance incidents.

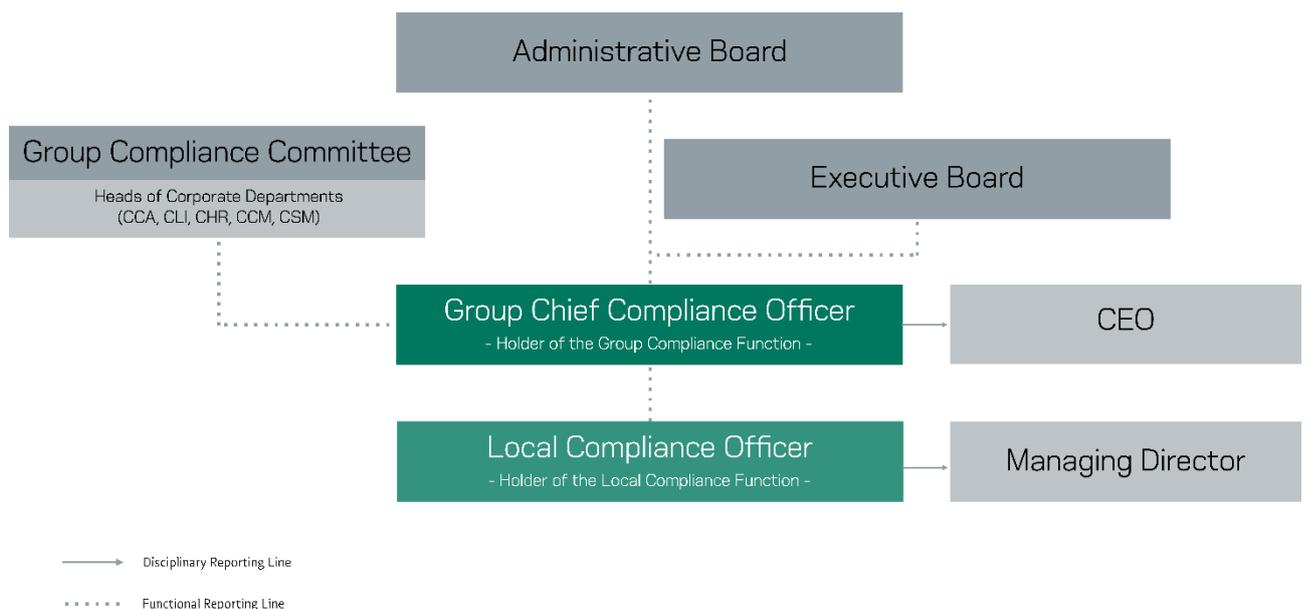
Reports received via the KAEFER Compliance Helpline are validated by CGC and then typically assigned to the relevant functions. Typically, LCO will manage standard compliance incidents. Reported cases and statistics on the use of the KAEFER Compliance Helpline are part of the standard quarterly compliance reporting.

Moreover, part of KAEFER's approach is implementing preventive and detective controls for compliance risks performed by both, the LCO and other functions (e.g., finance).

## V. ORGANISATION

KAEFER's compliance organisation, headed by the GCCO as shown below, ensures that all markets in which KAEFER operates are adequately covered by a competent LCO. As a matter of principle, each operational business unit has an LCO.

There are currently about 25 employees worldwide acting as LCOs, excluding deputies, with a functional reporting line to the GCCO. CGC has 2,5 FTEs.





Each LCO is expected to have a proximity to the respective MB/MD, typically as a direct report and to regularly align compliance matters with the MB/MD closely, e.g., in the context of regular jour-fixes.

The GCCO is a decisive stakeholder in the selection process for new LCO. The appointment of an LCO will be based on proposal made from the MB/MD of the specific business unit. The filling of positions of LCO, as well as their dismissal, is subject to pre-alignment with the GCCO. All compliance officers (GCCO/ LCO) are appointed by the CEO of the KAEFER Group.

CGC includes new LCO in the regular communication cycle and provides an on-boarding training at the start.

KAEFER's LCO are protected against retaliation and have a standing within their business unit's organisational structure that ensures that necessary independence from operating units is maintained.

LCO exercise a set of activities. This comprises the following general tasks:

- > Promoting a culture of integrity
- > Providing compliance training and communication
- > Providing advice
- > Establishing compliance principles and procedures
- > Investigating and maintaining a reporting mechanism
- > Monitoring compliance with applicable laws and regulations

Specific tasks of LCO are:

- > Performing the compliance risk assessment
- > Performing controls
- > Providing regular and ad hoc compliance reporting
- > Compliance Incident handling and crisis management

CGC oversees the proper implementation of the CMS in the business units. CGC at the same time supports the LCOs by institutionalised compliance video conferences four times a year (quarterly compliance calls), during which information exchange between CGC and the LCO takes place and measures to be implemented are discussed.

Furthermore, CGC performs country visits to discuss current compliance questions and to assess the status of the local CMS together with the LCO and the local management (so-called quality assurance visits).

KAEFER's GCCO reports directly to KAEFER's CEO. In addition, the GCCO reports regularly to relevant bodies at KAEFER, including the Executive Board, and KAEFER's Administrative Board.

The GCCO is supported with his tasks by the Group's Compliance Committee which is a monitoring and advisory body for the handling of certain compliance incidents.



## VI. COMMUNICATION

Communication is key to facilitate effective compliance culture and to inform about how compliance is implemented at KAEFER. Compliance communication has a wide range and scope.

As a general principle, employees are informed about the KAEFER compliance programme as well as the defined roles and responsibilities so that they can sufficiently understand and properly fulfil their tasks in the CMS. Following tone-from-the-top and -middle-communication coming from local management, KAEFER business units disseminate compliance awareness through various local communication formats.

Compliance Rules are communicated to KAEFER employees on several levels. To avoid uncertainties or conflicts in everyday work, compliance trainings and communication measures are tailored to the risk profile of KAEFER's business and activities. This includes briefing every new employee by introducing them to KAEFER's Code of Business Conduct, applicable KAEFER Rules and guidelines as part of the initial onboarding process.

KAEFER employees receive regular training, particularly on the topics of the KAEFER Code of Business Conduct, fraud prevention, anti-corruption, conflicts of interest and fair competition. The training is tailored to the respective target group; for example, special training on antitrust law is provided for employees from purchasing or sales.

CGC creates these various compliance trainings which are offered worldwide. Such online trainings are based on real-life cases. Participation in the classroom and/or online trainings is mandatory. For operational employees on projects, in-person-trainings are offered on site. Training content is reviewed and updated regularly. LCOs develop, as part of their general tasks, additional local communication initiatives.





Furthermore, internal knowledge transfer on compliance includes CGC's quarterly compliance newsletters that are distributed globally. In addition, CGC provides posters with compliance key messages which are used in offices or on sites. Detailed information about compliance can be found in the ONE Intranet.

The further development of the compliance trainings is a top priority for KAEFER's compliance organisation and is fully supported by management.

## VII. MONITORING AND IMPROVEMENT

Various instruments are used to improve and further develop the CMS and in particular the dedicated compliance risk areas. KAEFER's CMS is designed to systemically prevent compliance risks from materialising. These requirements and their implementation must be monitored and improved regularly. For that reason, ongoing communication, and alignment between LCO and CGC is necessary. CGC itself regularly conducts country visits for quality assurance purposes.

In addition, regular compliance audits by Corporate Internal Audit ensure the adequacy and effectiveness of the CMS, in particular compliance with the KAEFER Compliance Rules. Corporate Internal Audit derives its audit plan from a risk-based approach and takes compliance risks into consideration.

It is the task of an LCO to implement appropriate controls and processes to reduce compliance risks. In addition, LCOs themselves also do checks. The identification of control deficiencies and the implementation of appropriate remediation is part of KAEFER's compliance reporting.

The continuous improvement of the compliance organisation reinforces KAEFER's commitment to meeting the highest standards in the ethical and legal conduct of its global activities. As part of the corporate culture, KAEFER encourages all employees to speak up and openly address (suspected) misconduct or violations of the KAEFER Code of Business Conduct or KAEFER Rules to their line manager, the LCO or the KAEFER Compliance Helpline.

Reports received via the KAEFER Compliance Helpline are validated by CGC. Typically, LCOs will manage standard compliance incidents and Corporate Internal Audit plans and conducts internal investigations for major cases at KAEFER on behalf of CGC.

## FINAL REMARKS

As described, compliance and ethical behaviour are management priority at the KAEFER Group. With this CMS description, we aim to give you a general impression of the efforts KAEFER makes to be the reliable and good partner you want us to be.

When it counts, count on us.