

# CODE OF CONDUCT

March 2016

# ILLIES GROUP CODE OF CONDUCT<sup>1</sup>

- 1 WELCOME / INTRODUCTION ..... 2**
- 2 OUR GUIDING PRINCIPLES ..... 4**
- 3 INTEGRITY AND RELIABILITY ..... 5**
  - 3.1 INTEGRITY TOWARDS CUSTOMERS ..... 5
  - 3.2 INTEGRITY TOWARDS THE COMPANY: AVOIDING CONFLICTS OF INTEREST... 5
  - 3.3 INTEGRITY TOWARDS BUSINESS PARTNERS AND THIRD PARTIES: AVOIDING ABUSE OF INSIDER INFORMATION ..... 5
  - 3.4 INTEGRITY TOWARDS TO OUR BUSINESS PARTNERS: ACKNOWLEDGEMENT OF THE CODE OF CONDUCT ..... 6
  - 3.5 INTEGRITY TOWARDS EMPLOYEES ..... 6
- 4 FAIRNESS AND COMPETITION ..... 8**
- 5 TRANSPARENCY ..... 9**
- 6 BUSINESS PRACTICE ..... 10**
- 7 IMPLEMENTATION AND COMMUNICATION ..... 11**

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<sup>1</sup> ILLIES includes the C. ILLIES & CO. HANDELSGESELLSCHAFT MBH as well as all associated and subsidiary companies

## 1 WELCOME / INTRODUCTION

“It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.”

Warren Buffett

Dear Colleagues,

The success of ILLIES as a worldwide operating sales and service company is based on the confidence and trust of its business partner. This we get only by reliability, professionalism and credibility shown in our daily business.

Due to a number of published cases, the subject “Compliance”<sup>2</sup> is very much on the corporate agenda, and has received significant public attention. Companies have had to suffer significant damages, both financially and in terms of reputation. Many companies have reacted by implementing processes, introducing tighter controls and better communication processes.

For us as ILLIES Management this is a positive development. We want to continue taking precautions to avoid that such incidents could happen in our company.

Management and all employees have a common responsibility towards the company group ILLIES as you are close to our business partners, and can put the necessary measures into action.

In this Code of Conduct you will be made aware of potential conflict situations and risks in your daily working life

We will ensure a regular update of the Code of Conduct by ongoing reviews and adjustments.

This Code of Conduct provides a framework for the Compliance activities within the ILLIES group. In various areas it is complemented by already existing directives. These rules of behaviour will create a better transparency and security for you, our colleagues.

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<sup>2</sup> General term for all measures relating to guaranteeing adherence to laws, regulations and other external or internal guidelines.

We are asking you to consider these rules as an aid to act according to existing laws and regulations and therefore to make your contribution to achieve sustained success as ILLIES Group.

C. Michael Illies

Dr. Wolfgang Flügel

Gerd Knospe

Jan Rundshagen

## 2 OUR GUIDING PRINCIPLES

Our strengths are the **engagement, reliability and competence** of our employees. We aim to meet the expectations of our **customers** and continually strive for the highest level of achievement. **Integrity and sustainability** mean much more to us than short-term success. We are always conscious of our responsibilities towards business partners, employees, and other stakeholders. Our goal is the creation of **added value** at any time.

In order to reach this goal, we promote innovative technologies and offer a comprehensive **range of services**.

As a worldwide operating sales and service company, ILLIES relies on the **trust of all our business partners** and customers to be successful. Our integrity and international **reputation as a reliable partner** ensure our success and credibility. We therefore expect every employee and business partner of the ILLIES Group to **respect national and international laws and regulations**.

ILLIES will not tolerate any exceptions **under any circumstances** and will react to any misconduct with disciplinary actions up to and including dismissal.

In order to avoid any contravention against these guiding principles, ILLIES will support you by offering respective trainings. These training will ensure that you are able to **recognize potential conflicts of interest** in time, and to react correctly.

We also expect that you, our colleagues, will report any contravention of the regulations in this Code of Conduct to your direct superior or the Compliance Officer.

### 3 INTEGRITY AND RELIABILITY

Integrity and reliability are central elements of the success of the ILLIES Group. The ILLIES Group has grown successfully for more than 150 years because we act in the interest of our principals and customers to meet their expectations. Another important reason for this success story is the continuous engagement of you, our colleagues within the ILLIES Group and the reliance on the loyalty and respect of our business partners.

#### 3.1 INTEGRITY TOWARDS CUSTOMERS

We are a service provider. Principals and customers of all kind determine the nature and scope of the services they expect from us. A good business relation with them is the foundation for our success. Therefore we expect you to behave **correctly and with respect towards our business partners**.

The trust of our customers in our reliability was, is and will always be of decisive importance for the success of the ILLIES Group. We must therefore **refrain from any activity which could adversely affect our principals' and clients' trust in us**. Integrity and sustainability are of much greater importance to us than short-term success.

#### 3.2 INTEGRITY TOWARDS THE COMPANY: AVOIDING CONFLICTS OF INTEREST.

ILLIES is aware of your contribution to our success and will support you in your personal and professional development. You are expected to always act in the best interest of the company. This means, in particular, that **business decisions are made exclusively in the best interest of the ILLIES Group**. Any situation has to be avoided which could lead to conflicts between the ILLIES Group's interests and your own personal or financial interest.

Any risk of conflict arising within a business transaction, i.e.: your personal interests are affected, must be reported to your direct superior.

#### 3.3 INTEGRITY TOWARDS BUSINESS PARTNERS AND THIRD PARTIES: AVOIDING ABUSE OF INSIDER INFORMATION

You are working with confidential data and support important technology projects, during which you are exposed to sensitive information about technologies, services or strategies of our business partners and customers. ILLIES expects that you will **preserve the confidenti-**

**ality** of this information towards uninvolved third parties and **do not use this information for personal benefit**, or for the benefit of close related persons.<sup>3</sup>

Confidential paperwork, drawings, models etc., must be protected and **kept secured**.

### 3.4 INTEGRITY TOWARDS TO OUR BUSINESS PARTNERS: ACKNOWLEDGEMENT OF THE CODE OF CONDUCT

**As a condition for a business relationship** we expect of our business partners i.e.: local agents, principals or customers, **the acknowledgement of this code of conduct** and the implementation of its guidelines.

In particular, we expect our business partners to adhere to the following principles:

- Respect the **human rights** of all employees.
- **Reject corruption** and improper influence
- **Adhere to laws against child labour**
- Compliance with **Health and Safety laws** in favour of the employees.
- Obey laws and **regulations to combat money laundering and the financing of terrorism**.
- **Implementation** of the regulations of this Code of Conduct within the supply chain.
- **Compliance with all legal requirements** and payment of all required taxes and duties.

### 3.5 INTEGRITY TOWARDS EMPLOYEES

This Code of Conduct applies equally to all employees and management of the ILLIES Group. Members of the management team must distinguish themselves through **exemplary personal behaviour, reliability, engagement and expertise**.

As a worldwide operating trading company we consider ourselves to be open-minded and **multi-faceted**. We value the personality of every single employee, and therefore we promote open communication between staff and superiors. We expect our employees to accept suggestions and constructive criticism, and to regard this as a contribution to the personal development and the development of the ILLIES Group. In addition, we would like to encourage you to **address conflict openly and honestly**, in order to find mutually **sustainable solutions**.

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<sup>3</sup> This obligation continues to apply after the end of any employment relationship

The reputation of ILLIES depends on our services, but in particular, how we work with our business partners, customers and principals too. Therefore ILLIES expects that employees **handle all internal and external contacts correctly and with appropriate respect.**

**No employee will suffer discrimination** within the ILLIES group. Any contravention of this will have disciplinary consequences, as no form of sexual harassment, or other assault or disadvantage due to ethnic origin, religion, culture, age or physical disability etc. will be tolerated.

Of course, ILLIES observes the laws against child labour, and respects any other human rights laws.



## 4 FAIRNESS AND COMPETITION

ILLIES is committed to fair competition and we compete for the best conditions for our business partners. We win contracts on the basis of offering **better prices, better quality, meeting deadlines and greater reliability**. We refrain from any discussions with competitors or customers which aim to restrict free competition.

As an employee of the ILLIES Group you are not allowed **to have any agreements** about competitive factors, prices or restriction of competition. You are not allowed to give **any information** about product specifications, sales, tenders, profits, margins, costs, distribution methods, or trading terms to suppliers. In addition, you are not allowed to make any dummy tenders or subdivide customers, markets, regions or product ranges. And you are not allowed to you influence re-sell prices.

Employees of the ILLIES Group act internationally. In some regions and cultures, gifts and other favours between business partners may be treated differently as these would be treated in Germany. In some circumstances, this could even lead to an illegal action which must be avoided. ILLIES rejects any kind of corruption.

This means that **ILLIES employees are not allowed to influence decision makers in any way**. You are not allowed to offer any individual benefits to decision makers of the public or private sector designed to influence them in favour of our proposals.

ILLIES also obliges its business partners acting on its behalf to refrain from exerting any such **improper influence**. Gifts, any kind of entertainment or other favours may only be carried out on behalf of ILLIES within a culturally and personally appropriate framework.<sup>4</sup>

Besides, employees of the ILLIES Group are not allowed to accept any benefits which are intended to influence their decisions in favour of certain business partners.

ILLIES is proud of the achievements of innovation of its principals and business partners and is therefore committed to continuously find flexible and creative solutions for them. For this reason employees of the ILLIES group are not allowed **to take part in any kind of industrial espionage** as well as **any form of illegal financing**. As an employee of the ILLIES Group you will obey all national and international laws relating to money laundering and financing of terrorism.

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<sup>4</sup> Please see the "Guidelines for working with "tipsters" and advisors/consultants and for gifts and entertainment"

## 5 TRANSPARENCY

At ILLIES, decisions and transactions are made on the basis of comprehensible information and processes, documented in a **complete and detailed manner according to relevant laws and internal guidelines**. This applies particularly to local “tipsters” and agents. ILLIES wants **all transactions to be transparent and comprehensible**, especially because the public takes a critical and detailed interest in these business practices. This will allow us to handle any allegation of improper behaviour in an open and honest manner.

All **information and data must be handled confidentially**. This implies that you are only allowed collect and process data in line with the relevant data protection regulations.

You are obliged to take technical precautions to ensure that unauthorised persons do not have access to protected data.

## 6 BUSINESS PRACTICE

As a worldwide operating sales and service company, **ILLIES acts as an intermediary** between producers and users of innovative, high value technologies and services. We as ILLIES offer a wide range portfolio in terms of conception, contracting and risk assessment, implementation and after-sales support for plant and machinery, process optimisation and last but not least turnkey solutions. In this context ILLIES stands for the interface between European and Asian technological leaders and the manufacturing industry of our Asian markets.

In order to fulfil this role as an intermediary efficiently, ILLIES relies on **local expertise**. We work closely together with local agents and “tipsters” and develop **trustworthy collaboration**.

“Tipsters”, agents and consultants form an important link of our added value chain. At the same time, ILLIES is aware of the risk of abuse in this area, due to known incidents that have occurred in other companies. Therefore ILLIES has **set up procedures in order to eliminate the possibility of abuse in our company**, and to minimise the risk of improper business practices by our local partners.

ILLIES has implemented a **transparent process for dealing with “tipsters”** and will continue to further develop this. This process comprises clear, industrial standard rules for the compensation of “tipsters”, and obliges them to follow business practices with integrity.<sup>5</sup>

In addition, ILLIES is implementing **comprehensible processes for working with local agents and consultants**. These processes commit our local partners to respect and follow business practices in line with this Code of Conduct, and ensure that this obligation is documented and can be audited.<sup>6</sup>

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<sup>5</sup> Please see the “Guidelines for working with “tipsters” and advisors/consultants and for gifts and entertainment” for more information

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## 7 IMPLEMENTATION AND COMMUNICATION

The general guidelines in this Code of Conduct are the basic rules for your behaviour and that of the ILLIES Group and can be regarded as **framework for a self-responsible working environment**. The Code of conduct is meant to give you confidence regarding our expectations and challenges.

In order to ensure compliance and further development of the Code of Conduct, corresponding procedures have been put in place at ILLIES. Employees will be kept up to date with the current status of the Code (and appropriate training will be carried out).

**Any contravention of the Code of Conduct must be reported to your direct superior or the compliance officer.** Any such hints from employees will be treated confidentially in any case.

**No employee will suffer from any disadvantage by making a hint.**

Customers, suppliers and other business partners can raise issues with our compliance officer at any time and strictly confidentially.

The Code of Conduct will be updated at regular intervals. Employees can **suggest improvements** to the Code of Conduct. The Compliance Officer will regularly report about Infringements and necessary changes to the Code of Conduct to the Management Board.

Moreover, the Compliance Officer has the final authority in all compliance issues, in agreement with the management. He is the contact person for any questions in compliance matters not only for the management but also all employees. He is responsible for **risk analysis** in all associated companies and **initiates training measures** where necessary.