

Annex 1:
Regulation (policy) – Section 6 Code of Conduct
“No bribery, no corruption”

1. The general rule according to the Code of Conduct

In accordance with Section 6 of our Code of Conduct, we reject any form of active or passive bribery as well as corruption. We do not accept or receive any kind of favours (gifts, invitations, trips, cash, benefits, etc.) beyond customary business hospitality. Sponsorship and charitable donations are permitted within the framework of local rules.

2. Overview of permitted and inadmissible actions

Bribery and corruption can take various forms. For this reason, an overview of the most important terms is provided here, along with a summary of permitted and inadmissible actions.

- The generic term **corruption** refers to a range of unfair practices including bribery, kickbacks, tangible and intangible benefits, acceptance of gifts, etc. In addition, corruption may constitute the criminal offences of fraud and embezzlement. We reject any kind of corruption.
- By **active bribery** we mean offering, promising or granting an undue advantage in order for an action to be taken in our interest. By **passive bribery** we mean receiving a promise or demanding an undue advantage in order to perform an act in the interest of a third party. In both cases, the advantage may be tangible or intangible. We reject all forms of active and passive bribery.
- The term **bribes** refers to payments made for the purpose of speeding up transactions. Such payments fall under the definition of corruption. It is also possible to speak of “bribery” if the briber is entitled to performance regardless of the payment, but wishes to accelerate the activities in an inappropriate manner. These “acceleration payments” are also referred to as **facilitation payments**. We reject any form of bribery payment.
- A **tangible advantage** results in an economic and legal improvement for the recipient. The main examples here are the payment of money or material assets or the cancellation of debts.
- An **intangible advantage** is usually understood to be a professional, social or personal advantage that puts the recipient in a better position, such as promotion, a waiver of criminal charges, positive media coverage or sexual services.
- The term **undue benefits/gift acceptance** is used broadly. This includes all kinds of benefits such as material assets, services, invitations, favours and discounts. However, these do not constitute “undue advantages” if they are permitted under the law or if they are minor, socially customary benefits. Gifts are permitted if they are “courtesy gifts”, i.e. they have no significant value and are not given repeatedly. Once the acceptance of a gift creates the appearance of an obligatory dependency or unusual advantage, it is undue.

- A ***kickback*** (also known as a hidden commission, retrocession, etc.) is the refund of part of the amount paid for a transaction to one of the parties involved or to a third party. Not every kickback is a form of corruption. In particular, normal agency commissions are unproblematic and permitted (and therefore not real “kickbacks” as such). Kickbacks are particularly problematic if part of the amount is paid to the private account of the parties involved, to offshore accounts or to third parties not involved in the transaction, and if these repayments are not matched by any or at least no significant consideration. In addition to problems of corruption, kickbacks can also lead to claims under civil law, tax problems, etc. We reject any kind of inadmissible kickback payments.
- Depending on the facts of the case, corruption can also constitute the criminal offences of ***fraud*** and ***embezzlement***. It is considered to be fraud when a person causes an error to be made based on the pretence of false facts and this error leads to a financial shift to the person’s own benefit or to the benefit of unauthorized third parties. If funds or other assets which are to be managed for the company according to the position held are used to a person's own benefit or to the benefit of unauthorized third parties, this is embezzlement.

3. Grey areas and concrete guidelines

With regard to the different forms of corruption and bribery mentioned under Section 2, there are also “grey areas” in which it is not always clear whether a specific behaviour is still legal and falls within the scope of what is generally customary or does in fact constitute a criminal offence.

The following ***guidelines*** apply in these grey areas:

- ***Advertising, sponsoring*** and ***third-party funding*** (in particular support for independent research) are permitted within the framework of local regulations and customary local practice. However, it is forbidden to make such payments dependent on other services of any kind.
- ***Donations*** or ***contributions*** to political parties, political matters or influential persons, families or societies are prohibited. However, non-profit donations are permitted.
- ***Favours, gifts*** and ***gratuities*** (including invitations to meals, sports or cultural events, etc.) that are within customary business hospitality are unproblematic. When it comes to “customary business hospitality”, a reasonable approach is to be adopted in accordance with the local culture and rules of the persons involved (different standards may therefore apply in Europe as compared to Africa or Asia). As a rule of thumb, favours, gifts and gratuities are usually to be classified as permissible if they can be consumed (in value) within one day. As soon as such favours, gifts and gratuities are likely to influence the recipient's decisions due to their size and nature, they should be avoided. Travel or multi-day events are particularly critical, as are favours, gifts and gratuities for public officials.
- A value limit of CHF 150 per person applies to ***gifts*** (acceptance or handover). In case of doubt (especially if the value cannot be clearly determined), the matter should be discussed with the direct superior, management or Board of Directors.
- Likewise the rule applies in principle that ***offers of hospitality*** (invitations to meals, overnight stays, etc.) may not exceed CHF 150 per person in value. Depending on the nature and occasion of the event, this amount may sometimes be exceeded. For example, a normal lunch with a customer's employee should not be treated in the same way as an annual Christmas party at the company or a dinner with the CEO of a major customer. In case of doubt, it is once again important to consult the direct superior, the management or the Board of Directors.

- **Facilitation payments** are generally prohibited. However, if these are to be understood in a cultural context as generally accepted “fees”, it is possible to deviate from this principle. Nonetheless, it is important to consult a person who is well versed in the relevant culture and to agree on action with the direct superior, the management or the Board of Directors.
- **Kickbacks** (i.e. payments which are not regular commissions) are generally prohibited, as we only make payments if a corresponding consideration is received in return. If such service is unclear, we enquire accordingly. Any ambiguities should be discussed with the direct superior, the management or the Board of Directors.

In any case, it is irrelevant who the **counterparty** of an unclear transaction is. In other words, these principles apply regardless of whether the counterparty is the state, a company or an individual.

Finally, **common sense** must always be observed. Here our behaviour can be assessed based on the so-called “newspaper rule”: would you do or not do something if it were to appear the next day on the front page of your local newspaper with all the details, including your name?

4. Ambiguities, questions and/or information

In the event of ambiguities, questions and/or information, employees may contact their superior, the management or the Board of Directors. Such communications may also be made anonymously or with a request for confidentiality.

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Hidrostal Holding AG