

## **Annex 1**

# Guiding Principles and Procedural Guidelines for Chief Executives and Employees

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## Objective and Scope of Application

The main objective of these guidelines is to explain and define in detail the principles of conduct that are contained in the *Principles of Business Ethics* and in the *Compliance Guidelines for GKW Companies*.

These guidelines present a binding guidance and decision-making instrument for all GKW chief executives and employees. In addition, these guidelines will assist us to live and perform our integrity and our lawful conduct in our day-to-day business procedures.

This *Annex 1 – Guiding Principles and Procedural Guidelines for Chief Executives and Employees* may also be made available to our business partners.

The principles and procedural guidelines herein contained have been established to facilitate the handling and application of legal provisions and of the *Compliance Guidelines for GKW Companies*. Obviously, these principles and procedural guidelines cannot comprehensively list every possible situation, which may occur in your daily business life.

It is, basically, the personal responsibility of each individual employee to make sure that he/she acts with integrity, does not engage in illegal practices and/or actively fights against the application of these practices. If you are in doubt, please contact your Compliance Officer in charge.

## 1 Principles

### 1.1 Dealing with Business Partners, Competitors and Administrations

You are expected to deal correctly with business partners and administrations. GKW Companies are recognised for the price, performance, quality and qualification of offered services and products. It is important to always treat business partners and public officials in a fair manner.

Never engage in bribery, corruption, fraud or theft of documents in order to cheat and take advantage of public officials and competitors.

Never engage in any agreements, which violate anti-trust rules and never participate in price agreements. According to case law, the fact that competitors agree to reimburse to one another the costs for their proposal if one of them is not awarded a contract, is also considered a punishable act of fraud. For more details, please refer to *Annex 4 – Guidelines for the Conduct towards Competitors*.

Always insist in being correctly treated by business partners and administrations. You must unequivocally reject any attempt of either business partners or public officials to unfairly influence you in your decisions. You must be particularly careful not to put yourself in a situation of dependency or blackmail by accepting gifts, which may increase in value. As soon as you get involved in this so-called “bating” process, you will no longer be able to clearly distinguish what is appropriate and what is inappropriate, i.e. improper. Inform immediately your line manager and your Compliance Officer in charge on any such attempt. This is the best way to protect you against dependency and blackmail.

Please make sure that your business partners fulfil and document the contractually stipulated services. This applies, above all, to those contracts, for which a specific counter-service is difficult to prove, such as contracts for representatives. You will get further assistance by the *Questionnaire for Due Diligence of Business Partners*.

Please do not hesitate to point out to your business partners the present local and international legal situation. Make your business partners aware of the fact that business practices, which eventually used to be tolerated in the past, may lead to significant disciplinary measures or sanctions today, and will no longer be accepted.

## **1.2 Accepting and Granting of Benefits**

The term benefit includes all kinds of advantages to which the recipient is not entitled and by which he will be better off – either in material or immaterial terms.

These material or immaterial advantages comprise, for example:

Cash payments, loans, discounts, services, gifts, invitations for business meals, trips, sports- and cultural events, transfer of vehicles, machines and other types of consumer goods for the private use, procurement of scholarships and apprenticeship positions.

Gifts within business life aim at promoting and enhancing mutual understanding and good will among the business partners. Depending on the pertinent cultural society, gifts may play a more or less significant role. Gifts are also to be classified as benefits to which the recipient is not entitled and for this reason, employees should generally refrain from accepting or granting gifts.

Accepting and granting of the following benefits is strictly forbidden:

- Money payments, either as cash payments or as direct or indirect money transfer, interest-free or low interest loans, or inappropriate remuneration for private ancillary services;
- Non-cash services, such as plane tickets, hotel costs, tickets for cultural or sports events, business meals, which exceed the usual and appropriate scope, provision of holiday accommodations, machines and vehicles for private use either totally free of charge or at inappropriately low rates, invitations to holiday trips, favourable purchase conditions, which are not generally accessible;
- Benefits in-kind, such as spirits, jewellery and electronic devices.

This prohibition does also apply if not the beneficiary himself but third parties (e.g. relatives, non-profit organisations, associations, municipalities) profit from the benefits.

Employees are, by no means, allowed to ask for benefits of any kind in relation with their business activities within GKW.

Gifts, meals, events and other benefits may exceptionally be permitted as long as the acceptance or granting:

- does not contravene national or international laws, GKW rules or the Code of Conduct of the business partners;
- complies with the usual and generally recognised business protocol;
- is adequate; to assess adequacy, the frequency, the business occasion on which the benefit was granted and the professional position of the parties involved will have to be taken into account;
- complies with the principle of courtesy and if the acknowledgements and favours are of minor value;
- does not lead to a situation of dependency or obligation on the side of the receiver and
- does not give the appearance of an undue influence.

## **2 Hospitality**

The same rules, which apply for gifts, will apply for invitations to business meals and cultural or sports events, too. Accepting and granting invitations to business meals and events should always remain the exception and should avoid the appearance of undue influence.

GKW executives and employees abstain from accepting or granting invitations and gifts in the context of sensitive activities, namely pre-bid meetings and site visits, bid evaluation, contract negotiations, approval or acceptance of deliverables.

### **2.1 Invitations amounting up to a value of 60 EUR (per person)**

Accepting or granting invitations to business meals, which take place in the scope of project meetings with business partners and clients up to a value of 60 EUR (*incl. VAT and tips*) and which are carried out within the normal range, will have to be notified to the line manager in advance, whenever possible. The employee himself/herself will have to decide on the appropriateness of the invitation. The line manager will have to document the notification, e.g. by approving the travel expense claim and by email to the Compliance Officer, with information about occasion, circumstances and participants (name, position, employer/institution).

No notification is required for low value courtesies in the scope of business meetings, such as coffee and biscuits, which comply with the principles of courtesy.

### **2.2 Invitations amounting to a value of more than 60 EUR (per person)**

Invitations to business meals within the scope of project meetings which (a) exceed a value of 60 EUR or which (b) exceed the normal range, e.g. in luxurious surroundings, may only be accepted or granted if these invitations have been notified to the Managing Director, the Financial Director or to the Compliance Officer – if possible in advance – and if they have approved these invitations. Notification and approval have to be documented (Email).

Invitations exceeding 60 EUR (per person) are taxable benefits, i.e. the inviting party or the recipient have to declare the benefit and pay the tax.

### **3 Gifts and other Benefits in-kind**

#### **3.1 Gifts and other Benefits in-kind up to a value of 10 EUR**

Employees are allowed to accept or grant usual and appropriate gifts or other benefits in-kind, as long as these are usual marketing materials (“give away”) (such as pens with logo), with a value not exceeding 10 EUR. The employee himself / herself will have to decide on the appropriateness of the gift. In case refusal is culturally not acceptable, GKW donates the gift to charity.

#### **3.2 Gifts and other Benefits in-kind exceeding a value of 10 EUR**

*With clients, partners, suppliers and other external contacts:*

Gifts and other benefits in-kind exceeding a value of 10 EUR may only be accepted by the employee if the gift has been notified to the Line Manager, the Director of Finance or the Compliance Officer – if possible in advance – and if the person addressed has approved it. Notification and approval have to be documented.

Gifts and other benefits in-kind exceeding a value of 10 EUR or may only be granted by the employee if the gift has been notified to the Line Manager, the Director of Finance or the Compliance Officer – if possible in advance – and if the person addressed has approved it. Notification and approval have to be documented.

Gifts and other Benefits exceeding 35 EUR per person and year are taxable benefits, require internal documentation, declaration by donor or donee, and the Managing Director’s approval (Email).

*Between GKW management, GKW employees and freelancers:*

Gifts and other Benefits not exceeding 25 EUR per person are the line managers discretion.

Gifts and other Benefits exceeding 25 EUR per person are taxable benefits and require the Managing Director’s approval. Notification and approval are by email, copied to and archived by the Compliance Officer.

### **4 Public Officials**

As a general rule, any kind of contributions to German or foreign Public Officials are prohibited.

The broad definition of the term “Public Official” under criminal law comprises officials, judges, members of NATO troops as well as all public service employees and employees working in international state organisations. In addition, the term “Public Official” may also refer to individuals, such as consultants, architects and civil engineers, who fulfil their public administrative tasks on behalf of state authorities (e.g. design and execution of infrastructure measures). The term “Public Officials” also

comprises employees working in private law companies - either state-owned or privately owned – who execute services of general interest (e.g. municipal public utilities, waste disposal utilities, institutions for the technical supervision of vehicles) or even associations, which have been established with the purpose of project implementation, so called Project Implementation Units (PIU).

Any cash contributions or benefits in-kind to elected representatives in national, foreign supranational and other parliamentary institutions or bodies as well as contributions to politicians and candidates for political offices are generally prohibited.

Gifts as well as invitations to business meals and events, which are carried out within an appropriate range and for the benefit of Public Officials, elected representatives and politicians, may exceptionally be granted if the Managing Director, in coordination with the Compliance Officer in charge, have previously agreed (archived email),

or

if the business meals take place, as described above, in the scope of project meetings, workshops, conferences.

## **5 Separation of Business and Private Activities**

For all those expenditures, which cannot be clearly identified as business or private expenditures, the general rule applies that such costs, especially costs for gifts or meals should be considered private expenses. The higher the position within the company, the more the employee will be expected to assume these expenses on a private basis.

## **6 Facilitation Payments**

Facilitation payments are described as smaller cash payments or benefits in-kind, which are made to secure or to accelerate an administrative or business operation to which the beneficiary is entitled (e.g. acceptance of services rendered, invoice approval and release, issuing of customs clearing certificate).

GKW strictly objects to facilitation payments and is committed to the abolition of these facilitation payments. It is the declared responsibility of the Company Management to identify facilitation payments within their area of responsibility and to eliminate them.

## **7 Prevention of Money Laundering**

In order to make sure that GKW does not engage in any business activities with partners having a questionable background, you are requested to adhere to the following principles:

- Prior to the signing of binding contracts, procure references on the integrity and professional standing of your business partner;

- stipulate in the contract payment procedures, which adhere to the Compliance Guidelines of GKW;
- make sure that services are rendered in compliance with the contract and make sure that all payment procedures are correctly dealt with and completely documented.

You will get further assistance by the *Questionnaire for Due Diligence of Business Partners*.

## 8 Summary

Interaction	Criteria	Notification / Approval
Catering at meetings, conferences or workshops	Low value (soft drinks, snacks)	Employee's discretion
Invitations to business meals, to or from clients, partners, suppliers and other external contacts	≤€60 <u>and</u> in context of project	Line Manager, Director of Finance or Compliance Officer
	>€60	Taxable benefit, declaration by donor or donee, Managing Director's approval
	to public official	Managing Director
Gifts and other benefits in-kind, to or from clients, partners, suppliers and other external contacts	≤€10, marketing material with logo	Employee's discretion
	>€10	Line Manager, Director of Finance or Compliance Officer
	>€10 <u>and</u> to public official	Managing Director
	>€35/person/year	Taxable benefit, documentation by donor, declaration by donor or donee, Managing Director's approval
Gifts and other benefits in-kind, from GKW management to GKW employees or freelancers	≤€25	Line manager
	>€25	Taxable benefit, declaration by donor or donee, Managing Director's approval

Notification and approval subject to risk, with information about occasion, circumstances and participants (name, position, employer/institution), by email, copied to and archived by Compliance Officer.

The employee donates gift or invitation's estimated value to charity, in case retroactive approval is denied, refusal or return is culturally not acceptable.



Frequent or regular invitations or gifts can be inappropriate and should be reported, even if item values are low.

It is recommended to abstain from invitations, gifts or other benefits in-kind that constitute taxable benefits.

Public officials are

- civil servants, elected representatives and executives, judges, soldiers,
- employees of government or international state institutions,
- employees of private companies, state-owned or providing sovereign public services,
- consultants, engineers and architects who act on behalf of government or state institution.

GKW strictly abstains from facilitation payments.

GKW imposes internal rules to prevent money laundering.