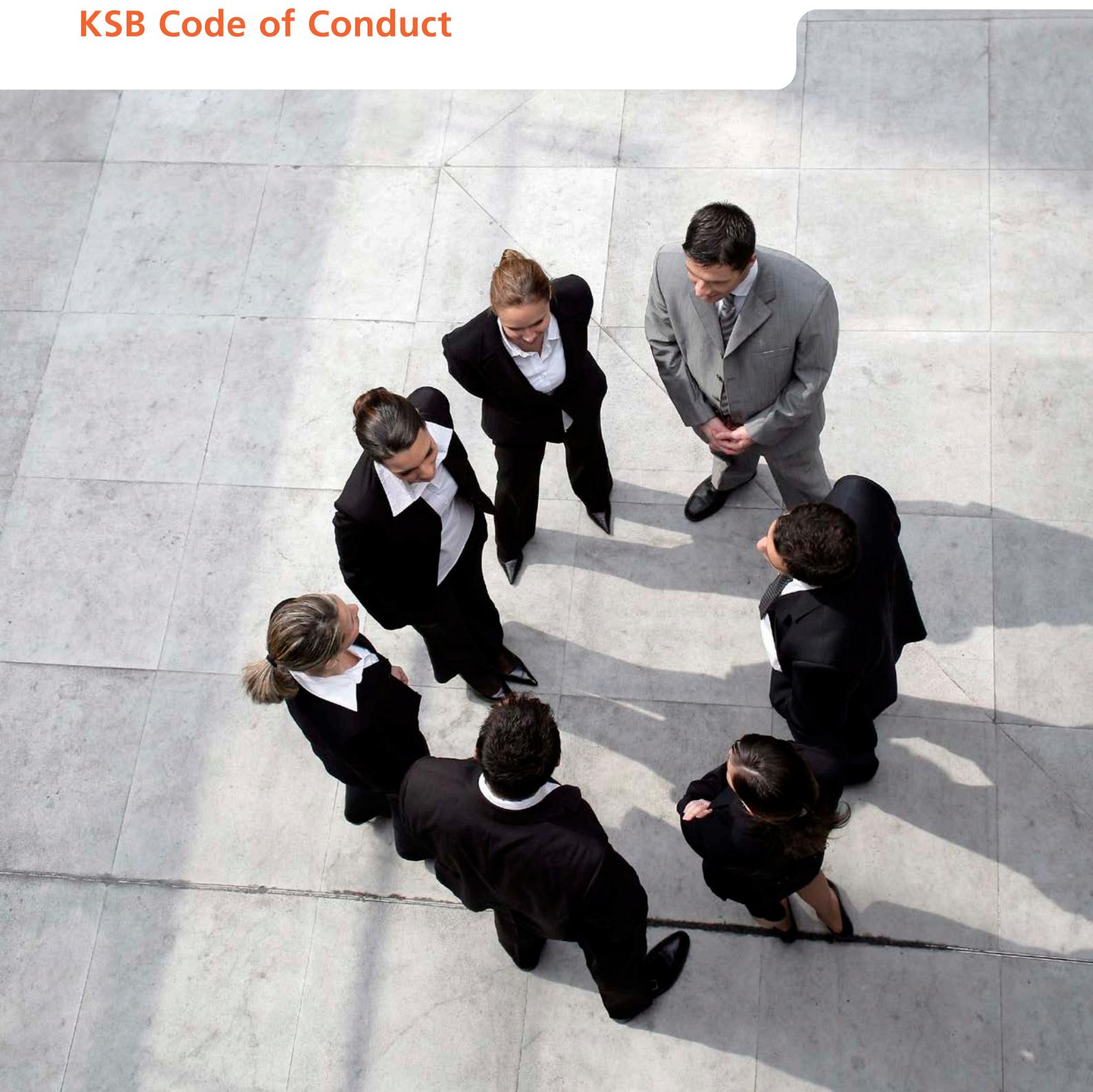


Pumps ■ Valves ■ Service



## The Fair Way to Success

### KSB Code of Conduct



**Revised version 2013**

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## Why we need a Code of Conduct

Dr. Wolfgang Schmitt,  
Chairman of the Board of Management

Dear employees,

In the global competitive environment, our customers and business partners expect, in addition to high-quality products and services, professional and honest behaviour that includes compliance with legal regulations and ethical standards. By meeting these expectations we cement confidence in our company and the KSB brand. At the same time, we maintain the values that have characterised KSB's activity for decades.

We are jointly responsible for our company's reputation. Improper behaviour by even one person can damage our reputation for a long time. That is why we need a binding concept of what defines our shared understanding of professional and honest business behaviour. We have summarised the relevant guidelines and key rules in this Code of Conduct. We will keep a close eye on future developments in the legal and business environment and adapt the Code as required.

The KSB Code of Conduct offers orientation and assistance but also contains the binding requirements our actions need to be based on. Fully committed to these rules, we expect consistent adherence to the following "core values" from our managers and employees at all levels and will monitor this in an appropriate manner.

We are confident that you will all comply with the requirements laid down in this Code of Conduct.

A handwritten signature in blue ink, appearing to read "W. Schmitt".

Dr. Wolfgang Schmitt  
Chairman of the Board of Management of KSB Aktiengesellschaft

# 1. Purpose and scope

It is basically a matter of course that companies, their representatives, managers and employees act in compliance with the applicable laws. Ensuring that this is the case is becoming ever more difficult due to the myriad of requirements and the increasing number of legal provisions and regulations. All activities that help to ensure behaviour by a company and its employees that meets the regulations and laws in day-to-day practice and to prevent incorrect behaviour are referred to as "compliance". This also includes observing contractual agreements and voluntarily agreed commitments.

The Code of Conduct constitutes the basis of compliance activities at KSB. It describes the key legal and business policy principles that we use in our relationships with customers, suppliers and other business partners as well as our internal cooperation. It also determines our conduct on financial markets and in the various countries in which we work. The Code aims to support employees in their day-to-day work.

Honesty, responsibility, professionalism, trust and appreciation are the values that we aim to embody in our behaviour. We consider observance of these core values to be as much a requirement for justifying the trust our business partners place in us and being a successful market player as is the high quality of our products and services. For us, KSB's reputation is more important than the individual success of any particular business transaction or person.

The Code of Conduct is compulsory for all employees at all levels. It covers all organisational units and Group companies where KSB Aktiengesellschaft directly or indirectly holds an interest of more than 50%. If the interest held is lower we will encourage the relevant company to adhere to similar standards.

Some of the requirements listed in the KSB Code of Conduct are supplemented and set out in greater detail by Group Guidelines, e.g. for cartel law and preventing corruption. These documents are available both on the KSB intranet and with the Management of KSB Group companies; it is the responsibility of each employee to be familiar with the Group Guidelines relevant to his or her activity.

In some countries business practices do not meet the requirements of this Code of Conduct. Nevertheless, we expect our employees to use these rules for guidance on the basis of the relevant applicable laws. Regional regulations shall have priority if and to the extent that they exceed these requirements; the relevant regional Management shall outline any variations.

With our Code of Conduct, we also comply with the rules formulated in the United Nations' Global Compact for areas such as human rights, labour standards, environmental protection and anti-corruption.

## 2. Basic rules of conduct

### 2.1 Working with each other

The relationships between managers, colleagues and employees in all corporate divisions and regions should be characterised by professionalism, mutual respect and fairness. In this we take account of cultural differences. It is our declared goal to not disadvantage anybody based on such individual characteristics as age, race, religion, skin colour, gender, sexual orientation, disability, national origin, heritage or marital status. In the working environment we do not tolerate discrimination, harassment or reprisals. This also applies to our contacts with people outside KSB, for example job applicants.

### 2.2 Acting as role models

The members of the Board of Management and Supervisory Board of KSB Aktiengesellschaft as well as the representatives of Group companies and others who exercise management responsibility shall act as role models for others. They are expected to observe the principles laid down in this Code of Conduct with special commitment, as well as provide support and ensure they are complied with in everyday work life.

### 2.3 Communication and transparency

Reports and communication to those within the company, business partners, investors, the public, official organisations and authorities shall be understandable, truthful and submitted in good time; they must also be in compliance with the applicable laws and regulations. Our financial statements shall correctly document business transactions.

In order to avoid a lack of clarity and/or misunderstandings, only expressly authorised people can provide company statements. This applies in particular to communication with the media, investors and analysts.

We cooperate with official organisations and authorities and support their work – whilst maintaining our rights.

As a matter of principle we do not provide information on customer relationships, matters relating to an individual employee, competitors or ongoing investigations; as a matter of principle we do not comment on rumours.

### 2.4 Managing business

#### Law-abiding behaviour

We operate our business in such a manner as to comply with the applicable laws, other binding regulations and obligations that we have entered voluntarily. It is in particular the responsibility of the relevant line manager to give employees all the necessary instructions and support, e.g. access to all internal guidelines, and if necessary to explain them.

#### Preventive legal advice

In order to reduce risks employees should obtain advice from the relevant Legal Affairs department if there are legal issues in question.

#### Use of company resources

Each employee shall handle the company's resources, such as machinery, fixtures and office materials, responsibly. Private use shall be prohibited as a matter of principle and shall require

approval in each individual case. In particular, the Group's guidelines governing the use of telecommunication resources and computers shall be complied with.

Innovative products and solutions are of great importance for the development of the company. Inventions made by employees or third parties for the company must be legally protected by reasonable means. No employee may disclose information on the company's know-how and expertise (e.g. design drawings) or business secrets to project partners or other third parties without being expressly authorised to do so.

#### **Corruption, bribery**

When competing for orders KSB bases its decisions on objective economic criteria such as quality and price.

Our employees are not permitted to offer or give third parties direct or indirect advantages to exert an unfair influence on economic decisions, whether through financial payments or other means. No employee may use his or her employment to demand, accept or otherwise acquire unfair advantages. Employees who sign contracts with consultants, agents or similar third parties must ensure that the latter also comply with these rules.

Gifts, favours, hospitality or other benefits may only be given or accepted if they do not infringe applicable laws or KSB guidelines and neither damage the public reputation of KSB nor the probity of the employee if they become known publicly.

In cases of doubt, the matter must be discussed and agreed with the line manager or the relevant Compliance Officer.

## **2.5 Business relationships**

### **Awarding contracts**

KSB maintains fair dealings with all business partners. Suppliers and service providers are selected using objective and traceable criteria as well as on the basis of comparing quotations.

### **Business incentives**

Commissions or benefits (e.g. discounts or price reductions) related to goods and services are permissible business incentives. Their use always requires – in addition to comprehensive documentation – great care and the observation of the relevant legal provisions and regulations.

### **Payments**

Payment for goods and services received shall be made directly to the relevant contractual partner and in general in the country where it is based. Cash payments should not be made except in documented individual cases. Before agreeing on other payment arrangements the relevant Legal Affairs department or company representatives (Advisory Board, Board of Management etc.) must be informed.

## **2.6 Conflicts of interest**

### **Secondary employment**

Holding a second job that is not simply of marginal scope requires the prior consent of the relevant Human Resources department. Secondary employment with customers, suppliers or competitors always requires prior consent. Consent will not be given as a matter of principle if the secondary employment may

adversely affect work performance, contradicts the employee's duties or if there is a risk of a conflict of interests.

#### **Interests held in competitor, customer and supplier companies**

Material interests held by employees in a competitor, customer or supplier company of KSB require the consent of the Human Resources department. Material interests held by close family members in a competitor, customer or supplier company must be notified to the responsible Compliance Officer if there is the possibility of a conflict of interests for the employee. Spouses, registered partners, children receiving support and other relatives with whom the employee has lived in the same household for at least a year at the time the stake is purchased are defined as close family members. A material interest is defined as 10% of the shares or more, for listed companies 1% or more.

#### **Transactions with employees or family members**

There should be no KSB transactions with employees or their family members if they have not been agreed individually in advance by the employee's line manager or the relevant Management of the company. It should be ensured that the employee concerned is not involved in making the decision.

#### **Business opportunities**

No employee may exploit KSB business opportunities to his or her own advantage or the advantage of third parties.

### **2.7 Insider information**

Insider information shall always be treated in strict confidence and relates to facts the knowledge of which could affect an

investor's decision about the purchase or sale of listed shares (or derivatives thereof). This applies, for example, to knowledge about material planned acquisitions or sell-offs, strategic alliances, major agreements or likely differences in corporate profits to those published.

In line with the legal provisions and regulations applicable in this context, KSB employees must ensure that no insider information is used when trading shares or derivatives (including that relating to business partners) and that this information is not disclosed to third parties.

### **2.8 Confidentiality**

Information that KSB has not made public (e.g. technical know-how and expertise) shall be treated in strict confidence as a matter of principle. It must not be disclosed to unauthorised third parties (including family members and friends) during or after the end of the employment relationship.

It is prohibited to use confidential business information during or after the end of the employment relationship for personal advantage, the advantage of third parties or the disadvantage of KSB.

Each employee shall handle confidential data responsibly and with foresight, for example store it carefully rather than "leave it lying around", in order to protect it from access by third parties.

## 3. Special issues

### 2.9 Social commitment

KSB's social commitment includes making donations, mainly for social or cultural purposes. Donations are made in a transparent manner and free of personal interests on the basis of traceable criteria and the corresponding internal guidelines. All donation processes are documented.

As a matter of principle KSB does not get involved in party-political activities. This includes financial support and benefits for parties, political organisations and their representatives as well as activities or events on behalf of or on the premises of KSB. However, our employees are always free to get involved appropriately in political activities as private individuals and citizens – outside working hours.

### 3.1 Competition and cartel law

When dealing with competitors and business partners we follow the rules of fair competition. These are the basic requirement for performance-based market regulations. Any and all actions that aim to create an economic advantage in a manner that contravenes competition law or using cartel agreements are prohibited. This relates in particular to agreements among competitors to fix or control prices, boycott certain suppliers or customers, share customers or markets or restrict the production or sale of products.

Infringing current competition law can result in substantial fines, risk of damages and loss of image that harm our company and its position in the marketplace. In addition, the affected employees themselves will have to expect legal consequences.

### 3.2 International trade and export control

KSB observes applicable international trade provisions. These include customs regulations and trade and production controls. Each employee shall follow the internal rules on export control as well as the legal provisions and regulations.

Without approval by the relevant authorities, KSB does not export or import materials, products or technologies that are subject to statutory control and require import or export permits.

### 3.3 Tax laws

As an internationally operating Group, KSB observes all relevant tax law provisions. It does not support improper behaviour by business partners.

We set transfer prices using globally recognised principles and compare them with the terms and conditions of external third parties.

Employees on international assignments are obliged to comply with the tax laws that apply to them personally in line with our deployment regulations.

### **3.4 Environmental protection**

Compliance with high environmental standards is an important element of our corporate policy. With an effective environmental protection approach, KSB bears its corporate responsibility not only to secure the health of its employees but also the natural basis for life for everybody.

### **3.5 Occupational health and safety**

KS B is committed to providing a safe working environment for employees. The strict observance of the relevant regulations on occupational health and equipment safety is a basic prerequisite for responsible cooperation in the company. We also counteract risks by voluntary, preventive measures.

### **3.6 Safety and quality of products**

As a leading technology company, KSB provides customers with innovative solutions for their needs. We research, develop and work to benefit people who trust – and have every right to trust

– in the perfect condition of our products and services. Meeting the high safety and quality requirements of our customers is one of the key corporate objectives..

### **3.7 Data privacy and protection**

KS B respects the rights of employees and third parties relating to their personal data. The company takes the necessary precautions to ensure that personal data is only recorded, processed and used in strict compliance with the relevant applicable provisions.

### **3.8 IT security**

As a result of the intensive use of IT systems, the business activity of KS B is heavily dependent on their operation and availability. In order to limit the resulting potential risks the applicable guidelines on IT security must be observed strictly.

## 4. Implementation

Each KSB employee consciously and actively contributes to implementing the principles of the Code of Conduct correctly in his or her area of work. The aim is to avoid problems as defined by the Code or to identify them early on and find a quick solution. Employees who have questions on specific situations can refer to the following at any time.

### **Information and control duties by line managers**

Each line manager ensures that employees are informed about the content of the KSB Code of Conduct and comply with its stipulations. Employees can discuss any questions with their line manager or relevant Compliance Officer.

### **Employee duty of notification if variances become known**

If Group employees are or become aware of infringements of the KSB Code of Conduct, they are expected to inform their line manager or the relevant Compliance Officer.

### **Group Compliance Officer**

The Group Compliance Officer, Dr. H. Stefan Wiss (Tel.: +49 6233 86-2266; [hans-stefan.wiss@ksb.com](mailto:hans-stefan.wiss@ksb.com)), supports the implementation of the Code of Conduct throughout the Group. In this function he reports directly to the Chairman of the Board of Management but does not receive instructions from him. In addition, other Compliance Officers may be appointed, e.g. with specific technical or regional responsibilities.

If the Group Compliance Officer determines that there is reasonable initial suspicion of an infringement of the provisions of the Code of Conduct he may request other Group departments to assist in clarifying the matter. Information on any incorrect

behaviour will be treated anonymously on request in order to avoid disadvantages for the person providing the information.

### **Ombudsman**

If employees are or become aware of facts relating to criminal or cartel law, instead of the relevant Compliance Officer they may also inform the law firm commissioned for this purpose by KSB. This also applies to any kind of violation of human rights, such as, for example, discrimination. The law firm will forward such information to the Group Compliance Officer but without naming the informant in order to ensure confidentiality in such cases (ombudsman system). Contact can be made from any country, either in German or English, and both by telephone and in writing. The contact is:

Dr. André Grosze Vorholt  
Luther Rechtsanwaltsgeellschaft mbH  
Landshuter Allee 6  
80637 Munich  
Germany  
Mobile +49 152 01624700  
Fax +49 89 23714-110  
E-mail: [andre.groszevorholt@luther-lawfirm.com](mailto:andre.groszevorholt@luther-lawfirm.com)

### **Sanctions and consequences**

Infringements of the KSB Code of Conduct may result in employment, civil or criminal law consequences for the employee concerned and will also be treated in line with the usual corporate practice.



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