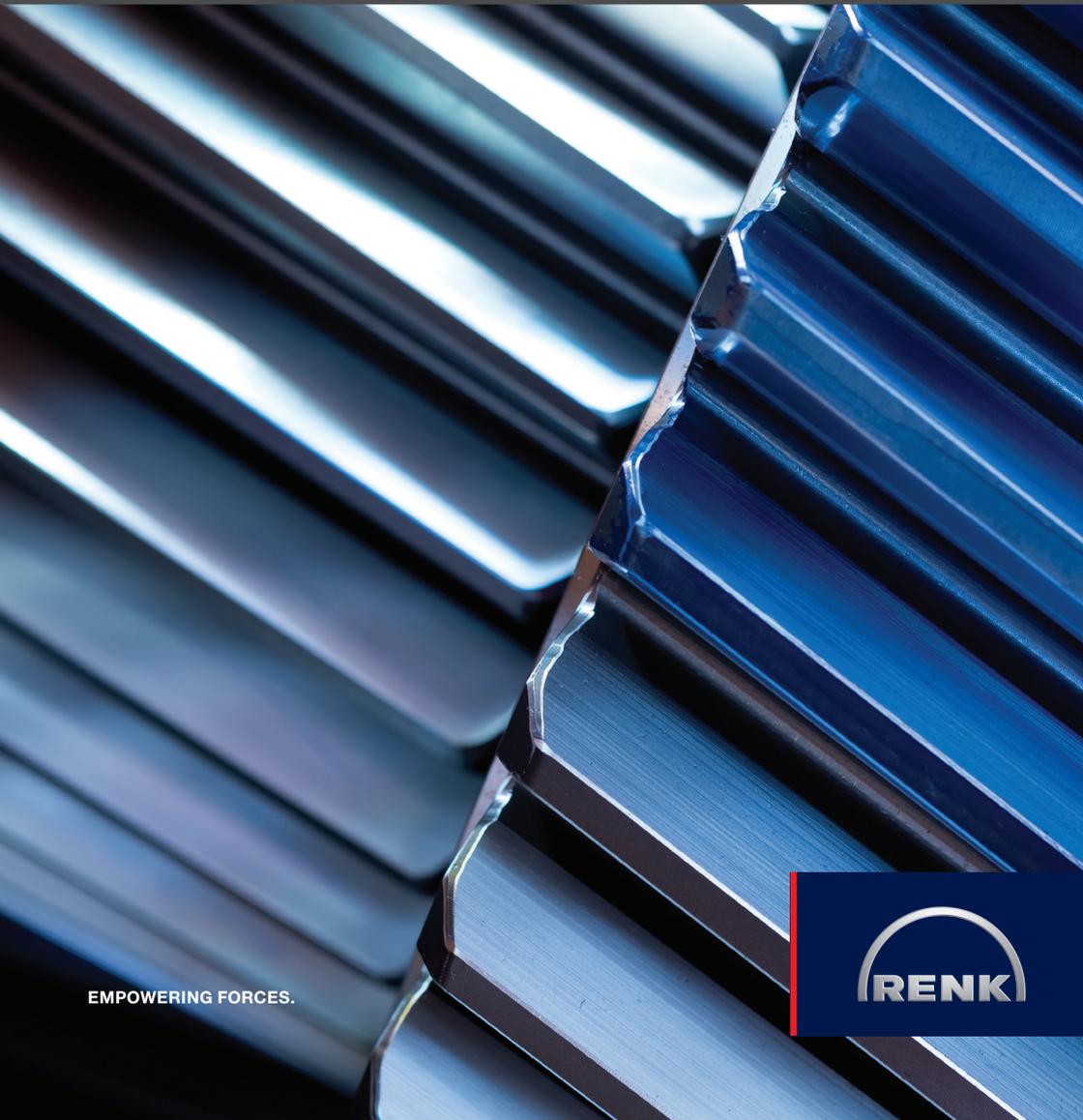


# Compliance at RENK

Information for employees and managers



EMPOWERING FORCES.



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## Compliance at RENK

As a global enterprise with many business areas and a long tradition, RENK has a responsibility to customers, employees, investors and the public.

This corporate responsibility also includes that RENK complies with applicable laws everywhere and at all times, respects ethical principles and acts sustainably. Compliance is therefore a fundamental part of RENK's strategy and must be practiced at all levels of the Group – from the Executive Board and the managers to each individual employee.

RENK's Compliance Organization has introduced a wide range of measures to ensure that compliance at RENK is implemented and practiced throughout the Group.

Furthermore, the management of risks and opportunities is an inseparable element of our corporate management and business processes. RENK has implemented a comprehensive risk management system, which aims at creating transparency of the Group's risks and opportunities at an early stage and ensuring the implementation of effective, risk-reducing measures on the management and the process levels.

In the following, we would like to introduce you to the RENK Compliance Organization and give you an overview of the compliance measures of the RENK Group and the components of its risk management.

## Commitment to Compliance

### › Tone from the Top

The RENK Executive Board is aware of its responsibility for compliance and is fully committed to it. The Compliance Officer regularly reports to RENK's Executive Board and Supervisory Board about progress in the compliance activities, any compliance incidents, and the action taken in this respect.

The RENK Executive Board and its managers consider compliance to be an integral part of the Company. They encourage a culture of transparency and integrity. Compliance violations are not tolerated. "Compliance is an integral part of RENK's corporate strategy. All employees must be aware of their individual responsibility and make their contribution to fulfilling our corporate responsibility jointly. Compliance with laws, ethical principles, and internal rules is a matter of course for everything we do – everywhere and at all times. When it comes to the infringement of the law, we live zero tolerance", says Florian Hofbauer, spokesperson of the RENK Executive Board.

### › Communication

Compliance topics are featured regularly in RENK's company media, such as the newsletter, the employee app (myRENK) and our intranet. Compliance rules are not only communicated to employees via our intranet and per email, but are also addressed in compliance training sessions. The contact details of the Compliance Organization are published on the intranet; in case of any doubts or questions, employees can contact the members of the Compliance Organization at any time. In case of alleged serious infringements of the law, there is also the opportunity of recourse to an external ombudsman.

Further communication measures, for example the organization of internal information events and the development of an internal poster campaign on compliance, ensure that employees are comprehensively informed and sensitized on compliance issues. Compliance is also on the agenda of Executive Board meetings and manager events on a regular basis.

### › Reporting and controlling

In order to ensure that the Compliance Programme is sustainable, RENK continuously reviews its efficiency and its effectiveness. In 2015, an external auditing company audited the Compliance Management System implemented in the MAN Group – RENK was member of the MAN Group at the time – on the basis of the IDW auditing standard 980 and confirmed its appropriateness and effectiveness. The defined compliance controls ensure that potential weaknesses in the Compliance Organization are identified and the compliance system is adapted accordingly.

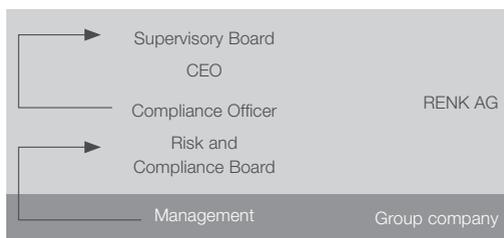
Furthermore, the Compliance Organization continuously tracks the implementation of the compliance measures and ongoing projects. This way, the efficiency of the Compliance Organization is verified continuously. For example, agents, representatives, consultants and other business partners acting in a sales support capacity ("Business Partners") on behalf of RENK are subject to an annual review with regard to compliance-related topics. In addition, we regularly capture how many Business Partners are active in the individual business units and how many inquiries were processed by the Compliance Organization.

## Compliance Organization

The RENK Compliance Organization is headed by the Compliance Officer who reports directly to the Spokesman of the Executive Board of RENK AG and to the Audit Committee of the Supervisory Board. Together with representatives of the strategic business units or Group companies, the HR, IT and finance functions, the Compliance Officer is part of the Risk and Compliance Board.

The Compliance Organization performs central functions in the fields of compliance and risk management. This comprises creating company policies and regulations that apply throughout the Group as well as designing and implementing trainings for employees. In addition, the Compliance Organization regularly carries out a specific risk analysis to identify potential compliance risks for the Group and to align and advance the Group-wide Compliance Programme accordingly. Moreover, the Compliance Organization is involved in the performance of the risk management processes in the Group companies and supports the development of the risk management tools in cooperation with the Risk Coordinators/ICS Coordinators of the Group companies.

The management of each Group company is responsible for implementing the Compliance Programme and the risk management system developed by the Compliance Organization. Each Group company has a local Compliance Officer as well as Risk Officers and ICS Coordinators. Larger sites also have Compliance Champions. These are no full-time compliance employees but managers or employees who have assumed special responsibility for compliance or risk management matters. For instance, they support the Compliance Officer by ensuring that the compliance measures are implemented in the Group companies. The Risk Officers and ICS Coordinators in turn ensure the implementation of the risk management processes in the Group companies.



## Compliance Programme

The RENK Compliance Programme focuses on fighting white-collar crime (in particular corruption and money-laundering) and complying with antitrust law and data protection regulations.

To this effect, RENK has a Group-wide Integrity and Compliance Programme which is designed to prevent compliance violations from occurring in the first place, to detect as soon as possible any compliance violations that occur despite the implemented preventative measures, and to put a stop to any compliance violations promptly and efficiently after they have been detected (prevention – detection – response).

### Prevention

In order to prevent compliance violations from occurring in the first place, the Compliance Organization has defined and implemented a number of different measures:

#### ➤ Code of Conduct

The RENK Code of Conduct, which applies equally to all RENK employees, i.e. Executive Board, managers and every individual employee, is at the heart of the corporate culture of RENK. It is especially directed at RENK employees and provides specific and binding guidelines for situations in which employees must pay particular attention to acting responsibly. Using examples, the Code of Conduct describes how situations of conflict potentially occurring in the everyday business can be dealt with.

#### ➤ Code of Conduct for Suppliers and Business Partners

RENK expects that also its suppliers and Business Partners and their employees act responsibly and comply with applicable laws and respect ethical principles everywhere and at all times. Therefore, RENK has issued its own Code of Conduct for Suppliers and Business Partners that defines certain minimum ethical standards that RENK's suppliers and Business Partners undertake to observe.

#### ➤ Compliance Rules

RENK's Compliance Organization has issued Rules on compliance issues addressing the fight against corruption, the compliance with antitrust law, the prevention of money-laundering and the compliance with data protection regulations. With these Rules, Group-wide uniform and binding guidelines are defined for all employees.

➤ **Gifts, hospitality and invitations to events**

To ensure that gifts, hospitality, and invitations to events are appropriate and are not used to influence business associates or authorities, RENK has issued a related company policy. It contains a clearly structured traffic light system which enables every employee to identify and check autonomously whether and under which circumstances (approval superior/Compliance Officer; documentation) he or she may grant or accept benefits.

➤ **Dealing with consultants and agents/Business Partner Integrity Check (BPI)**

RENK has also issued a company policy that regulates the commissioning of agents, representatives, consultants and other business partners acting in a sales support capacity ("Business Partners"). Specific requirements for reviewing Business Partners, drafting contracts, documenting the business relationship and paying the benefit are designed to ensure that no remuneration paid by RENK to Business Partners can be used as a means of corruption.

The integrity of all Business Partners of the RENK Group is verified with the Business Partner Integrity Check (BPI) and the annual review, both of which are mandatory according to the Rule. The Business Partner Integrity Check (BPI) is a process involving a web-based due diligence application that enables a quick, transparent and thorough verification of a Business Partner's integrity taking information from all over the world into account.

➤ **Donations and sponsoring**

RENK has also issued a Group-wide policy for donations and sponsoring measures, on the basis of which every employee can identify whether and under which circumstances (exceptional approval Compliance Officer/Executive Board; documentation) such benefits may be granted in RENK's name.

➤ **Compliance with antitrust regulations**

RENK operates as a fair and responsible competitor on all markets. To ensure that all employees are informed about the relevant antitrust regulations and observe them, RENK has issued a Rule that specifies how to deal with competitors, customers, and suppliers. The Rule also highlights legal parameters that have to be taken into account if a company has a so-called dominant market position. This Rule is intended to prevent any compliance violations in the area of antitrust law.

➤ **Prevention of money-laundering and terrorist financing**

Trading with high-value assets always bears a risk of abuse for money-laundering or terrorist financing. Also RENK could unwittingly become both victim and accomplice in this respect. To mitigate this risk, RENK has implemented – amongst other measures – the Group-wide Rule which sets minimum requirements for dealing with suspicious counterparties and requires clarification of possibly unclear backgrounds before concluding a deal.

➤ **Availability of the Compliance Officer**

Employees can raise questions around the subject of compliance by telephone or email. RENK's employees make intensive use of these opportunities. Every month, a large number of questions about diverse issues are received which are promptly reviewed and usually answered within 48 hours.

The questions received by the Compliance Helpdesk provide the Compliance Organization with an overview of the most common problems. The insights gained from addressing these questions are used to identify additional preventative compliance measures.

➤ **Classroom and online trainings**

The Compliance Organization holds trainings on compliance issues all over the world for RENK employees who may be exposed to compliance risks. These training sessions on the one hand introduce the RENK Compliance Organization and provide basic knowledge about white-collar crime, about the fight against corruption, about the compliance with antitrust law, and about the prevention of money-laundering. On the other hand, they use concrete examples to highlight risks and make the participants aware of the contents of the company policies. This way, employees learn how they should conduct themselves in order to avoid infringements of the law and conflicts.

In addition, there are online training sessions and special training sessions on specific issues for employees working in areas exposed to a particular risk. For example, the Compliance Organization holds in-depth trainings on antitrust matters for employees working in the competition and market analysis departments. Managers at RENK receive special training on the specific compliance risks and the related responsibility they face as members of the management.

## Detection

An infringement of the law within the RENK Group may result in considerable risks for the RENK Group and the involved employees. Integrity and compliant conduct therefore have the highest priority within the RENK Group. In order to protect these values, RENK has established clear and transparent processes which ensure that infringements of the law are detected internally, cleared up, and stopped immediately.

### › Clearing up of infringements of the law

The Compliance Officer receives information suggesting infringements of the law and ensures that this information is handled by the appropriate unit within the Group. Employees can also report such information to other internal contacts such as their line manager or the Compliance Organization. In case of serious infringements of the law, there is also the opportunity of recourse to an external ombudsman. The central responsibility for the receipt of information about non-compliance and the investigation of serious infringements of the law ensures that misconduct is detected and that risks for the RENK Group can be identified and averted at an early stage.

### › Compliance risk analysis

The Compliance Organization regularly carries out Group-wide risk analyses with the aim of identifying potential compliance risks related to corruption, antitrust law, money-laundering, and data protection. These risk analyses extend to all Group companies and take into account the number and size of individual Group companies, the business model, the customer and sales structure, Transparency International's Corruption Perceptions Index (CPI) in the target markets, and the respective local competition structure. In addition, external auditors review the implementation of the compliance measures and the compliance controls in the audited companies.

The results of the compliance risk analysis and the external audits serve to derive the structure and possibly necessary adjustments of the Compliance Organization, the Compliance Programme tailored to RENK's needs, and further measures to prevent compliance risks.

### › Mergers & Acquisitions (M&A)

In order to avoid compliance risks when RENK acquires or sells shareholdings, the Compliance Organization is involved in M&A projects of the RENK Group from the very start. The Compliance Organization has defined specific requirements on the due diligence review of the companies concerned to ensure that potential compliance risks are detected at an early point in time.

### › External ombudsman

The possibility of contacting the external ombudsman anonymously is likewise intended to encourage the detection of dangerous risks for RENK. With this, RENK offers employees and business associates also an external opportunity to provide information about serious infringements of the law confidentially.

This offer of contacting the external ombudsman is specifically designed for the detection and prevention of significant risks for the company. The external ombudsman will only receive and process information that relates to serious infringements of the law, e.g. in the field of white-collar crime (corruption, money-laundering offences, etc.) and antitrust law.

The external ombudsman will protect the identity of the whistle-blower based on its duty of confidentiality as a lawyer.

Any employee may of course also report suspected violations to other points of contacts in the company such as line managers, the HR department or the Compliance department.

## Response

In addition to preventing compliance violations and detecting misconduct, a quick, effective, and consistent response to misconduct constitutes the third pillar of the RENK Compliance Programme.

### › Development of the RENK Compliance Programme

If a compliance violation has occurred, the responsible employees of the Compliance Organization analyse the background and reasons of the violation. The findings of this analysis are used to identify and correct potential weaknesses in the Compliance Programme. The detection of compliance violations is thus used to continuously develop and improve the compliance system. This enables RENK to ensure the sustainable effectiveness of its Integrity and Compliance Programme.

### › Investigations by authorities

RENK stands for openness and transparency and therefore cooperates closely with the competent authorities when they carry out investigations or request information from the Company. The Compliance Organization has issued a company policy on the correct conduct in the event of searches that informs all employees about their proper behaviour when the authorities conduct investigations. Also this company policy emphasizes the importance of openness, transparency, and cooperation. With this, RENK has clearly communicated to all employees that they have to inform the Compliance Organization and cooperate with the authorities in the event of investigations.

### › Sanctions

RENK does not tolerate any compliance violations. When compliance violations are identified, these are investigated and reviewed and, where applicable, suitable and appropriate sanction measures are identified in conformity with the constitutional regulations. An internal RENK committee, in which the Compliance Organization is represented, then decides whether any sanctions measures will be implemented. The sanction measures depend on the seriousness of the violation and range from disciplinary action to civil law consequences. The implementation of the sanction measures is monitored internally in the Group.

## The Central Risk Management System of the RENK Group

RENK has implemented an effective risk management system that is tailored to the needs of its business activities and provides early information required to manage risks and exploit opportunities.

The RENK risk management system comprises the following core elements:

- Risk Identification
- Risk and Opportunity Management
- Internal Control System
- Continuous Controls Monitoring System

that are summarized under the heading “Central Risk Management System of the RENK Group”.

The components of the Central Risk Management System of the RENK Group cover all important aspects of risk management and are closely interlinked with the RENK Compliance Programme and the corporate planning and controlling processes.

The Central Risk Management System is an integral system that addresses both systemic and event risks. Systemic risks can arise from the structure of the particular business model, whereas event risks refer to specific business transactions.

To ensure a uniform understanding of the risk management system throughout the Group, RENK has defined principles of its risk and opportunity policy. The overriding principle is to exploit business opportunities and take the related risks only if this is expected to deliver an appropriate contribution to increasing the enterprise value. Risks that could jeopardize the Company’s continued existence must not be taken or if unavoidable have to be minimized by appropriate measures.

These principles of the RENK risk and opportunity policy as well as the defined processes of the Central Risk Management System are documented in a Group-wide company policy and communicated to the employees.

The organizational structure of the Central Risk Management System is based on the RENK Group’s management hierarchy. Therefore, roles and responsibilities have been established at the level of the RENK Group as well as in the Group companies which ensure that the defined processes are implemented and the risk management system is continuously advanced and improved. In addition, cross-functional internal boards act as central supervisory, management, and oversight bodies.

## Risk Identification

Risk Identification covers the assessment, documentation and management of the main systemic risks which are inherent in the respective business model and may occur recurrently. The process aims at providing the management with an overall picture of the potential risk situation as well as the effectiveness of the risk management and internal control systems.

As part of the Risk Identification, the Risk Officers, usually heads of works, divisions or departments, record the relevant systemic risks for the entities in scope. This process covers risks due to potential compliance violations as well as strategic, business, and reporting risks. Based on this, the existing risk management measures as well as controls on the management level are documented and tested by Test Officers to verify their effectiveness. The main systemic risks, the corresponding measures, and the results of the tests of their effectiveness are reported in the relevant bodies of RENK AG and the Group companies. In case the regular process uncovers any weaknesses, appropriate measures for their correction are implemented and monitored.

## Risk and Opportunity Management (ROM)

In contrast to Risk Identification which focuses on systemic risks, ROM is aimed at an early identification and evaluation of acute risks and opportunities (so-called event risks and event opportunities). ROM serves to define appropriate measures to manage the risk or exploit an existing opportunity and to assess the consequences of a potential risk taking.

Early identification and management of event risks and event opportunities is of particular importance to ensure that the decision makers have enough time to initiate appropriate countermeasures.

The ROM process is established at all management levels of the RENK Group as a supporting task.

The Risk Officers and ICS Coordinators in the Group companies ensure the implementation of the ROM processes in the Group companies. The Risk Officers, usually heads of works, divisions or departments, are responsible for the identification and evaluation of risks and opportunities as well as the definition and management of risk-mitigating measures. The relevant internal bodies are informed about the risk situation of the RENK Group under a regular reporting regime.

## Internal Control System (ICS)

With the Group-wide implementation of an ICS and appropriate organizational measures and controls, RENK ensures that business activities are executed completely, correctly, promptly, efficiently, and in line with the legal regulations and internal Rules. The ICS secures the business processes at the functional and transactional level and thus supplements the Risk Identification.

The internal controls mitigate process-inherent systemic risks. They are designed to prevent material misstatements in the financial reporting and to minimize risks of non-compliance with regulations and internal Rules as well as operational financial risks (e.g. as a result of unauthorized operational decisions).

The regular review of the ICS to verify its completeness as well as the appropriate design and effectiveness of the defined controls is to ensure that the existing regulations aimed at reducing process-related and organizational risks are complied with at all levels of the RENK Group.

The RCM Coordinators and/or ICS Coordinators of RENK and the Risk Officers and/or ICS Coordinators of the RENK Group companies are responsible for the implementation of the ICS related processes. The respective process owners ensure that all risks involved in the processes in their area of responsibility are identified, documented and covered by appropriate controls. In addition, they are responsible for the definition and implementation of measures to eliminate possible control weaknesses. The control owners perform the controls and inform the process owners about possible control weaknesses.

The effectiveness of the ICS is monitored in several steps. The process owners review the controls on a regular basis to check that they are up-to-date (Test of Design). Furthermore, internal testers perform tests to verify that the controls actually work (Test of Effectiveness). As part of the annual financial audit, the external auditor reviews the regularity of the ICS.

The results of these continuous reviews and tests are regularly presented in meetings of internal bodies, and measures for advancing the ICS are initiated.

## **Continuous Controls Monitoring System (CCMS)**

The CCMS is an IT-based system established in the RENK Group to continuously monitor the business processes and controls. RENK introduced the electronic CCMS to make sure that purchasing and payment processes at RENK are performed in compliance with the company policies and that compliance risks in these areas are detected early. The CCMS is supplemented by general IT controls that mainly review roles and authorizations in the core applications.

If specific process test items do not correspond to the procedures described in the central company policies of the RENK Group on purchasing, invoicing, and payment transactions, the CCMS generates automatic alarms and documents the processing of these by assigned employees. The employees of the corresponding technical departments review the detected issues. As a result, they may derive different follow-up activities, e.g. the elimination of processing errors, or gain insights for a possible process optimization.

## **Contact**

If you would like to know more about compliance and risk management at RENK, please contact:

Georg Piller  
Compliance Officer  
Phone: +49 821 5700-201  
E-mail: [compliance@renk.biz](mailto:compliance@renk.biz)

or visit the RENK intranet.