

# Compliance Management System 4.0

Release: September 2017

Corporate Compliance Office



# Agenda

1. Compliance Management System 4.0
2. Compliance Organization
3. Reporting Line

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## Definition of “Compliance“

The meaning of Compliance is:

- Behaviour according to the regulations
- of the Klöckner & Co Group as a whole
- its statutory bodies
- and **all** employees
- with regard to the abidance of all legal rules and regulations
- as well as to the corporate Guidelines

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## Compliance Principles

The Klöckner & Co SE Compliance Management System is based on the frame concept of the OECD\* concerning the principles of good corporate governance, latest edition 2004.

The CMS considers further the Compliance Principles of FCPA, UK Bribery Act and the German Corporate Governance Code.

\* OECD = Organization for Economic Co-operation and Development, Paris, France  
<http://www.oecd.org/dataoecd/57/19/32159487.pdf>

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## Compliance Targets

- Secure lawful behaviour of the Company, its legal representatives, Management and Staff on the basis of a corporate culture of trust
- Identification and reduction of risks resulting from compliance violations by preventive measures
- Earliest possible detection of compliance violations occurred
- Mitigation of damages in case of actual compliance violation and circumvention of its continuity by implementation of suitable measures
- Competitive edge through compliant corporate governance

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## Key aspects of the Compliance Program

- Competition Law
- Anti-Corruption
- Anti-Money Laundering
- Export Control
- Sanction List Screening
- Abuse of Human Rights

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„Tone from the Top“

Klöckner stands for:

- Innovation, customer focus, motivated and responsible acting employees
- Violations against competition law and corruption won't be tolerated
- Misconduct will impose sanctions
- Prosecution by civil and criminal law

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## Compliance Communication

- “Tone at the Top” podcast
- Regular information through CEO Yammer Posting
- Compliance SharePoint as Single Point of Truth for all group companies
- Compliance reporting for investors, employees and the public:
  - Annual report
  - Sustainability report
- Briefing on press reports and legal changes regarding all key aspects of the Compliance Management System

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## Compliance Guidelines

- Code of Conduct
- Guideline on Competition Law and Competition Manual
- Guideline Combating Corruption in Business Transactions
- Guideline Gifts, Entertainment and Rebates
- Guideline Engagements with Intermediaries
- Dawn Raid Manual and Instructions
- Compliance Reporting Guideline
- Insider Guideline
- Guideline to avoid Abuse of Human rights
- Guideline Anti-Money Laundering
- Compliance Documentation Index

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## Compliance Procedures

- Business Associations
- Compliance Training new employees
- Exclusivity Agreements
- Side Line Activities
- Employee Loans
- Sponsoring and Donations
- Benchmarking
- Internal Entertainment
- Integrity Screening Management Level 1 and 2
- Investigation Protocols
- Acceptance of Third Party Code of Conducts
- Status Compliance Help Desk Inquiries IntegriLink

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## Execution and Documentation of Compliance Training

- Learning Management System (Umantis) for all group companies
- Monitoring and Documentation of E-Learning will be effected centralized through the Corporate Compliance Office, supported by the respective HR department of the group companies

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Target Group	Description	Training
Managers & Audit functions	<ul style="list-style-type: none"> <li>All members of executive committees and managing directors of country organizations</li> <li>All employees with managerial responsibility</li> <li>All employees within Audit and Tax</li> </ul>	<ul style="list-style-type: none"> <li>CoC Executives</li> <li>Compliance Basic</li> <li>Face to face</li> <li>Refresher Executives</li> </ul>
Sales & Purchasing	<ul style="list-style-type: none"> <li>All employees with customer or supplier relations</li> <li>All employees within Corporate Services, due to possible supplier and public officials</li> </ul>	<ul style="list-style-type: none"> <li>CoC Sales Purchasing</li> <li>Compliance Basic</li> <li>Face to face</li> <li>Refresher Sales Purchasing</li> </ul>
Finance	<ul style="list-style-type: none"> <li>All employees in Finance and Accounting</li> </ul>	<ul style="list-style-type: none"> <li>CoC Finance</li> <li>Compliance Basic</li> <li>Face to Face</li> <li>Refresher Finance</li> </ul>
Admin	<ul style="list-style-type: none"> <li>All other employees in administrative positions</li> </ul>	<ul style="list-style-type: none"> <li>CoC Admin</li> <li>Dawn Raid</li> </ul>
Operations	<ul style="list-style-type: none"> <li>All operational staff</li> <li>Mandatory for the USA, optional for other countries</li> </ul>	<ul style="list-style-type: none"> <li>CoC Operations</li> </ul>

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## Compliance Help Desk

- Central E-Mail address: [compliance@kloeckner.com](mailto:compliance@kloeckner.com)
- The Corporate Compliance Office is direct contact point for the National Compliance Officers as well as for all employees of the Klöckner Group
- Guidance and/or assistance in respect of all Compliance topics
- Prevention is the main focus
- Report of Compliance violations

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- Compliance Risk Assessment (CRA)
  - Regular Compliance Risk Assessments with each national management team
  - The frequency of CRAs depends on the risk exposure of the national company:
    - High risk: annually
    - Medium risk: every 2 years
    - Low risk: every 3 years
  - Where possible, the CRA takes place in combination with the annual Risk Management Meeting of the central Internal Audit department
  - The National Compliance Offices conduct a computer-aided CRA in the years without CRAs using RIMIKS
  - Reflection on and evaluation of compliance risks
  - Ongoing review and adjustment of compliance instruments to keep pace with the respective legal systems of the national companies

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## Compliance Audit

- Process owner: Corporate Compliance Office
- Audit participants
  - Internal Audit
  - National Compliance Officers
  - Local Management
- Frequency
  - Preventive
    - Once annually per national company (at branch level), in combination with an ICS audit
    - Branch to be audited selected by Internal Audit and Corporate Compliance Office in line with risk
  - Investigative
    - Ad hoc audits in suspected cases, according to Investigation Protocols



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## Whistleblower Hotline

- Group-wide Whistleblower Hotline “Let us know”. Toll-free phone hotline (7/24) and web based reporting tool. Provider: Navex Global. Reporting opportunity for all personnel and third parties.
- Standardized reporting feature to the CCO of Klöckner & Co SE
- Corporate Compliance Office will check all messages
- Investigation of cases, keeping them strictly confidential, together with the local National Compliance Officer and the local Management

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## Compliance Reporting

- Compliance reports as of September 30<sup>th</sup> of a year
- Compliance Reporting is part of Corporate Risk Reporting
- Reporting using a web-based IT tool (RIMIKS)
- Annual Compliance Reporting by the Corporate Compliance Office to the Management Board of Klöckner & Co SE and the Audit Committee as of September 30<sup>th</sup> of a given year
- Compliance on the agenda for national company management at least once per half-year; participation by members of the respective National Compliance Office in the discussion of the agenda item is obligatory
- Corporate Compliance Officer meeting every 2 years

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## Global Case Tracking

- Corporate Compliance Office owns the process of compliance cases and will track them within the Group
- Local Management is responsible for managing the compliance cases
- National Compliance Officers to be involved in all relevant cases
- Usually Internal Audit will be assigned to perform ad-hoc investigations
- Chief Compliance Officer and Head of Corporate Compliance Office to report to Management Board of Klöckner & Co SE

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## Sanctions

- Depending on the case and subject to local legal framework:
  - Warning
  - Downgrade in position
  - Reduction or deletion of fringe benefits
  - Reduction of bonus payments
  - Suspension from salary increase for a period of time
  - Termination of employment contract
  - Prosecution
  - Claim for damages
- In case of violations against internal Group Guidelines the above mentioned sanctions will be applied
- Sanctions made will be published in anonymous form within the Group

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## External Efficiency Check

- Audit of implementation and efficiency of the Compliance Management System in all country organizations
- Corporate Compliance Office will perform this audit every four years, based on a structural audit program
- Findings and recommendations to be reported to the Management Board of Klöckner & Co SE
- Changes in organizational and work-flow structure will be assessed and decided by the Management Board in coordination with the Compliance Committee

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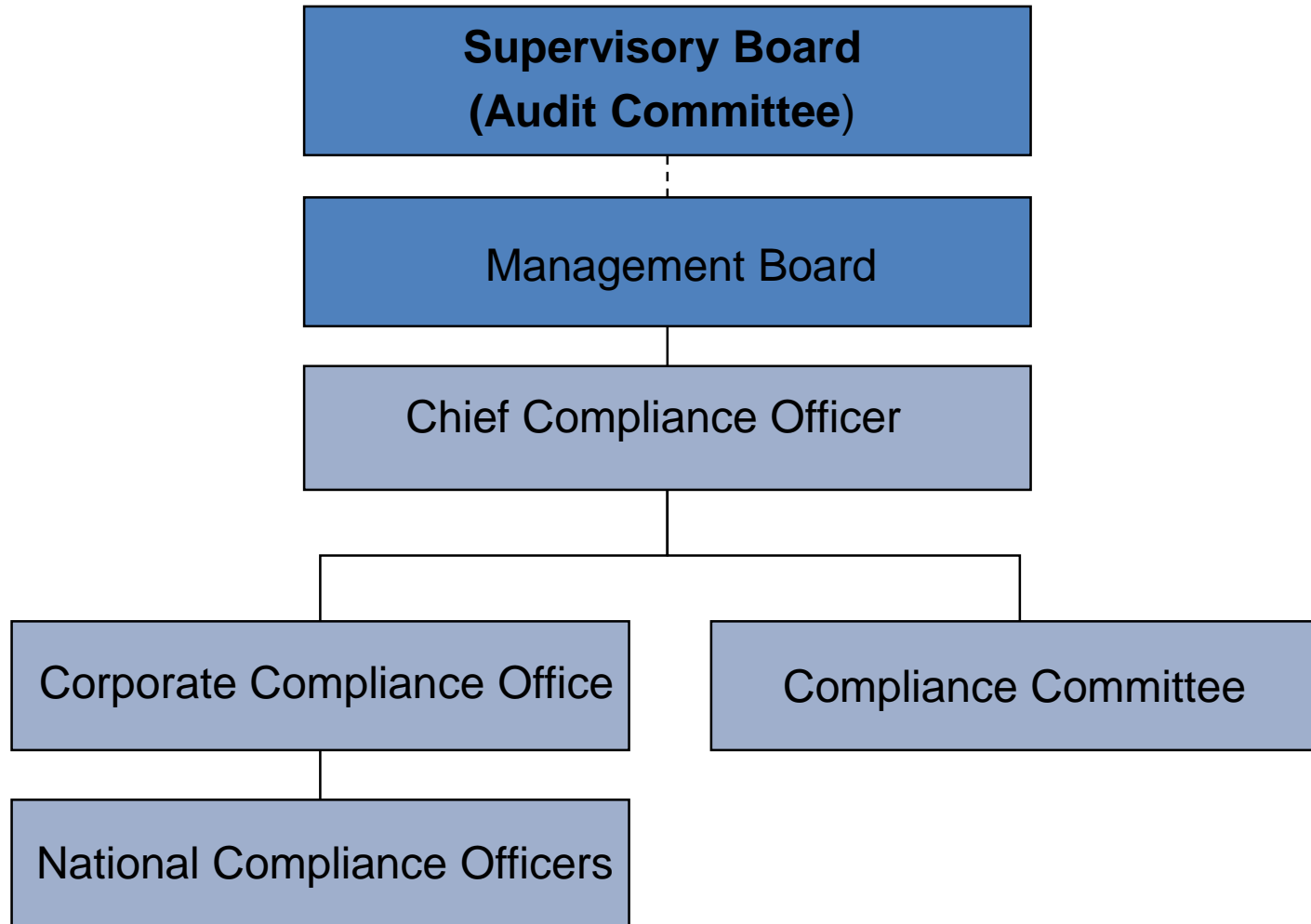
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## Competencies

- Corporate Compliance Office heads all proceedings related to Compliance violations. The Investigation Protocols govern the cooperation with Internal Audit. Process Owner is CCO
- National Compliance Officer have an active role in the implementation and prosecution of Compliance tasks
- Corporate Compliance Office has right of directive to the National Compliance Officer (guideline competence)

## 2 Compliance Organisation

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## 2 Compliance Organisation

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### Role of National Compliance Officers

- Contact person for all local compliance related issues (competition, anti-corruption, dealings with customers, suppliers and service provider, gifts, gratuities or other favours)
- Assisting the Corporate Compliance Office regarding and participating in:
  - Compliance audits
  - Compliance interviews
  - Organization and monitoring of compliance trainings
  - Documentation of compliance issues
- Regular meetings regarding compliance related topics with local management, at least once a quarter with written minutes of meetings
- Reporting to the Corporate Compliance Office



## 2 Compliance Organisation

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- Corporate Compliance Office

- Chief Compliance Officer  
Moritz Fischer

Phone: +49 203 307 2116

- Head of Corporate Compliance Office  
Ralf Oberhuber

Phone: +49 203 307 2119

- Corporate Compliance Officer  
Jeffrey Friedman

Phone: +1 678 318 1142

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## 2 Compliance Organisation

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### Compliance Committee

- Dealing with principle corporate compliance issues and current compliance cases of the Group which are of special importance
- Consisting of the members of the Corporate Compliance Office and the Head of Internal Audit Department as permanent members and occasional members, i.e. the National Compliance Officer, local Management and respective Heads of the corporate central departments
- Chairman of the Committee is the Chief Compliance Officer
- Meetings of the Compliance Committee will be called and occasional members will be nominated by the Chief Compliance Officer
- Compliance Committee will report to the Management Board of Klöckner & Co SE

### 3 Reporting Line

