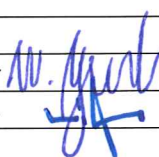
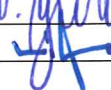
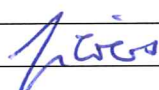


Supplement to the Corporate Directive on Prevention of Corruption

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1 Scope

This supplement is applicable for foreign and German nationals in Germany as well as German nationals abroad.

2 Tightening of Criminal Law on Corruption

With its "Law on Combating Corruption" of 15 October 2015, the German legislator has fundamentally extended the criminal liability of corruption offences in business transactions and has also extended the criminal liability in the public sector to European public officials and has, insofar, also made the granting of advantages a punishable offence. KSB's Corporate Directive on Prevention of Corruption is designed to avoiding even the appearance that the granting of benefits to business partners (e.g. invitations, gifts) has an influence on company decisions. Therefore, no changes need to be made to the Directive. However, all KSB employees concerned (Foreign and German nationals in Germany as well as German nationals abroad) should be aware of the tightening of the law and align their business conduct accordingly.

- 2.1 According to Section 299 of the German Criminal Code (Strafgesetzbuch "StGB"), an employee may make himself/herself punishable if he/she breaches his/her duties towards his/her employer in relation to the purchase of goods or services. In this context, the granting of a benefit may be punishable where the business partner's employee, in return, disregards internal company guidelines, such as by, contrary to his/her duties, omitting to assert warranty claims. Unlike previously, it no longer matters that fair competition is impaired (which could hardly be justified in this case). Under Section 299 StGB, loyalty towards the employer is henceforth protected as well. Criminal liability does not apply in such cases, particularly if the employer of the recipient of the benefit has given his/her prior consent to the action. If a KSB employee is in doubt whether his/her business partner may accept an invitation or a gift, he/she should therefore make sure of and possibly request a confirmation of the consent of the business partner's employer. If a KSB employee is unsure whether he/she himself/herself may accept an invitation or a gift, he/she should ask his/her superior or the Compliance department. Benefits granted as consideration for an undue and unfair advantage should never be offered or accepted.
- 2.2 Under the "Law on Combating Corruption", European public officials are placed on the same footing as German public officials, i.e. the provisions apply to employees of the EU (e.g. employees of the EU Commission, furthermore also to other EU employees and persons commissioned by the EU). Finally, both active and passive corruption of foreign public officials (i.e. also outside of the EU) are sanctioned by criminal law. The same applies to employees and agents of international organisation (e.g. UN, OSCE). Unlike previously, a relation to the international business transaction is now no longer necessary in such cases, i.e. even if it is of local importance only, suspicious behaviour may trigger criminal investigations.