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THE FAIR WAY TO SUCCESS

KSB Code of Conduct



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by the Managing Directors of KSB SE & Co. KGaA	
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Why we need a Code of Conduct

Dear employees, customers and business partners,

In addition to high-quality products and services, professional and honest behaviour is expected in the global competitive environment, including compliance with legal regulations and ethical standards. By living up to this high level of conduct, we strengthen the trust in our company and the KSB brand. At the same time, we uphold the values which have characterised the activities of KSB 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 will 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.

**The Managing Directors of
KSB SE & Co. KGaA**

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 voluntary 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 is aimed at supporting employees in their day-to-day work.

Trust, honesty, responsibility, professionalism 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 SE & Co. KGaA 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.

We also expect our suppliers to comply with the principles of this Code of Conduct or to follow equivalent codes of conduct.

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 anti-trust/cartel law and preventing corruption. These documents are available on the KSB Intranet and from the Managements of the KSB Group companies; it is every employee's responsibility to inform themselves about the Group Guidelines relevant to their actions.

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.

We endorse the values and contents of the unanimously agreed Code of Conduct of the German Electro and Digital Industry Association and the German Mechanical Engineering Industry Association (ZVEI-VDMA Code of Conduct); this Code of Conduct is also based on these values, although it also addresses additional topics.

2. Basic rules of conduct

2.1 Working with each other

The relationships between managers, colleagues and employees in all corporate units and regions should be characterised by professionalism, mutual respect and fairness. In this we take account of cultural differences. The systematic promotion of diversity and inclusion are key elements of our human resources policy because we appreciate the added value that different perspectives bring to our company. It is our declared goal to prevent all forms of discrimination on the basis of individual characteristics such as age, race, religion, skin colour, gender, sexual orientation, disability, national origin, heritage or marital status. We do not tolerate discrimination, harassment or reprisals of any kind in the working environment. This also applies to our interaction with people outside KSB, such as job applicants, for instance.

ted 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.

2.2 Acting as role models

The Managing Directors and the members of the Administrative Board and the Supervisory Board of KSB SE & Co. KGaA, as well as the members of Group company bodies and others who exercise management responsibility shall act as role models. 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 submit-

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 department if there are legal issues in question.

Use of company resources

Each employee shall handle the company's resources, such as machinery, equipment and office materials, responsibly.

Private use shall be prohibited in principle and shall require explicit 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 trade and 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 their employment to demand, accept or otherwise acquire unfair advantages. Employees who sign contracts with consultants, agents or similar third parties must make sure 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 department or Management must be informed.

Prevention of money laundering

Money laundering refers to the process of introducing illegally gained money and/or illegally acquired assets into the legal financial and economic cycle. We comply with our legal obligations to prevent money laundering and do not engage in transactions that serve to conceal or integrate criminally or illegally acquired assets.

Supply chain

We expect our suppliers to comply with the principles of this Code of Conduct or to follow equivalent codes of conduct. We also encourage them to implement the contents of this Code of Conduct in their supply chains. We reserve the right

to check the application of this Code of Conduct at our suppliers systematically as well as on an ad-hoc basis. This may take the form of questionnaires, assessments or audits, for example.

If doubts continue to persist regarding compliance with this Code of Conduct, the supplier will be asked to take appropriate countermeasures and to report on the process to the responsible contact in our company. If necessary, cooperation with the supplier will be terminated.

Consumer interests

Wherever consumer interests are affected, we comply with consumer protection regulations and appropriate sales, marketing and information practices. Increased attention shall be paid to particularly vulnerable groups (e.g. adolescents or pregnant women).

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 acquired 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 their 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 earnings 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.

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. Special Aspects

3.1 Competition and anti-trust/cartel law

In our dealings with competitors and business partners, we strictly comply with the rules of fair competition. They are the basic requirement for a performance-driven market regime. Any and all acts performed for the purpose of gaining an unfair economic advantage by means which are in violation of competition law or through 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 employees concerned 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 Environment, energy and climate protection

Compliance with high environmental standards is a vital element of our corporate policy. With effective environmental protection policies, KSB fulfils its social responsibility not only to safeguard the health of its employees but also preserve natural resources for the community as a whole.

We act in compliance with applicable laws and are guided by international standards to minimise negative impacts on the environment and continuously improve our environmental and climate protection activities.

We have taken appropriate environmental protection measures (e.g. environmental management system to ISO 14001), which adequately cover the following topics:

- Goal setting, definition and implementation of measures as well as their continuous improvement
- Environmental aspects such as reducing CO₂ emissions, increasing energy efficiency and using renewable energies, ensuring water quality and reducing water consumption, ensu-

ring air quality, promoting resource efficiency, reducing waste and disposing of it properly, and handling hazardous substances responsibly to protect people and the environment.

3.5 Dealing with conflict minerals

We implement measures with due care to avoid the use of conflict minerals in our products in order to prevent human rights violations, corruption and funding of armed groups or similar.

3.6 Occupational health and safety

KSB 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 through voluntary, preventive measures.

We safeguard the health of our employees by taking appropriate occupational health and safety measures (e.g. occupational health and safety management system to ISO 45001) that adequately cover the following topics:

- Compliance with applicable laws and orientation towards international standards with regard to occupational health and safety
- Appropriate workplace design, safety regulations and provision of suitable personal protective equipment
- Implementation of preventive checks, emergency measures, an accident reporting system and other appropriate measures for continuous improvement
- Enabling access to sufficient amounts of drinking water and access to clean sanitation facilities for employees.

3.7 Remuneration and working hours

Remuneration is based on the applicable laws and any binding collective agreements and is supplemented by the relevant national minimum wage laws. Employees are informed clearly, in detail and regularly about the composition of their pay.

We comply with applicable laws and (international) labour standards regarding maximum permissible work hours and ensure that

- the work hours, including overtime, do not exceed the maximum limits permitted by law
- the weekly work time, including overtime, does not exceed 60 hours in the absence of such provisions
- employees have at least one full day off per calendar week.

3.8 Compliance with human rights

We ensure and support the observance of internationally proclaimed human rights and

- respect the personal dignity, privacy and personal rights of each individual
- protect and grant the right to freedom of opinion and expression
- do not tolerate unacceptable treatment of employees, such as physical and psychological hardship, sexual and personal harassment or discrimination.

Prohibition of child labour

We do not tolerate child labour. We do not hire employees under the minimum age of 15 years and we ask for proof of age. In countries that fall under the developing country exception under International Labor Organization (ILO) Convention No. 138, the minimum age may be reduced to 14. We do not hire employees for hazardous work who cannot prove that they meet the minimum age requirement of 18 years in accordance with ILO Convention No. 182.

Prohibition of forced labour

Forced labour, modern slave labour or comparable measures that deprive people of their freedom are prohibited. All work must be voluntary and there must be the possibility to terminate the employment relationship.

Freedom of association and collective bargaining

We respect the right of employees to freedom of association, assembly and collective bargaining to the extent permitted and possible by law in the country in which we operate. If this is not permissible, we seek appropriate compromises for our employees.

3.9 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.

3.10 Data privacy and protection

KSB 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.

3.11 IT security

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

4. Implementation

Each KSB employee consciously and actively contributes to implementing the principles of the Code of Conduct correctly in their 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 contacts 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, Ms. Ursula Ziegler (Tel.: +49 6233 86-1966; ursula.ziegler@ksb.com), supports the implementation of the Code of Conduct throughout the Group. In this function he reports directly to Management (CEO) but is not subject to directions in this respect. 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.

Ombudsperson

If employees are or become aware of violations of the KSB Code of Conduct, instead of the relevant Compliance Officer they may also inform the law firm commissioned for this purpose by KSB. The law firm will forward such information to the Group Compliance Officer but on request without naming the informant in order to ensure confidentiality in such cases (ombudsperson system). Contact can be made, also by other people (in particular from the supply chain), from any country, either in German or English, and both by telephone and in writing. In order to process information in other languages, the ombudsperson will involve a suitable translator who is bound to secrecy.

The contact is:

Dr. André Große Vorholt
Luther Rechtsanwaltsgesellschaft mbH
Karlstraße 10-12
80333 Munich (Germany)

Tel.: +49 89 23714 12460

E-mail: ksb-ombudsperson@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 be treated in line with the usual corporate practice.

