

Compliance Management System

BILSTEIN GROUP



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BILSTEIN GROUP

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Code of Conduct

Preamble

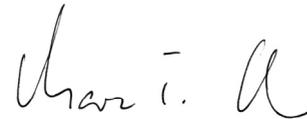
Founded in 1911, BILSTEIN GROUP¹ has steadily developed into one of the world's leading producer of cold rolled steel strip with production sites in several countries. BILSTEIN GROUP has excellent technical as well as commercial resources, and, in this way, the group supplies its customers from various branches on every continent. BILSTEIN GROUP is aware of its responsibility to observe internationally prevailing rules and standards and highly values corporate ethics. Therefore, BILSTEIN GROUP establishes this Code of Conduct, which applies worldwide and is binding for every group company. The companies of BILSTEIN GROUP act according to the principles laid down in this Code of Conduct and expect the same from their suppliers and business partners.

All our employees² and executive managers are ambassadors of BILSTEIN GROUP. This Code of Conduct shall act as a guideline for the honest, fair, and truthful conduct with business partners for the shareholders, Advisory Board, Board of Directors, executive managers, and employees of BILSTEIN GROUP companies.

We are committed to adherence to these codified principles and to law-abiding corporate governance. As a globally acting enterprise, we act not only in accordance with the applicable national laws and regulations, but also in accordance with the legal and ethical characteristics, rules, and principles of those countries we are doing business in.

Our business aims to deliver high-quality products to our customers and to fulfil their needs through excellent service. It is our joint responsibility to win and maintain the confidence of our customers through unobjectionable conduct.

Let's all jointly work for the success of BILSTEIN GROUP companies and act responsibly.



BILSTEIN GROUP
Marc T. Oehler
Managing Partner

¹The term „BILSTEIN GROUP“ will be used for the purpose of this Guideline as an umbrella term. This umbrella term covers all current and future companies of BILSTEIN GROUP worldwide, namely, among others, BILSTEIN GmbH & Co. KG, HUGO VOGELSANG GmbH & Co. KG, BILSTEIN SERVICE GmbH, BILSTEIN CEE a.s., BILSTEIN COLD ROLLED STEEL LP, BILSTEIN NORTH AMERICA, Inc. SHEARLINE STEEL STRIP Ltd. und BILSTEIN TRADING (SHANGHAI) Co. Ltd.

²The term “employee” will be used as a gender-neutral term. It refers to any of the personnel employed by our companies. This is for editorial purposes only, is not content-related, and contains no judgment whatsoever.

I. General Principles And Rules Of Conduct

We are aware of our responsibility to our customers, employees, and shareholders, and to the general public, and we accept this responsibility as a central cornerstone of the conduct of all employees of BILSTEIN GROUP.

Our actions are made solely in accordance with applicable national laws, our internal guidelines, and standards, as well as further applicable provisions. The principles laid down in this Code of Conduct represent minimum standards, which apply to all of our employees and which safeguard responsible conduct.

Every employee of BILSTEIN GROUP shall be committed to ensuring that the enterprise meets its responsibilities and that the positive expectations, which customers and the general public have towards our company, are being fulfilled. Therefore, it is our expectation that every employee feels personally responsible for the observation of this Code of Conduct and uses best efforts in doing so.

II. Respect And Protection Of Human Rights

We respect and protect human dignity. We acknowledge national and international human rights and defend them within our area of influence.

III. Cooperation And Employment Rights

1. CORPORATE CULTURE

We maintain a contemporary and exemplary management culture, in which we foster a respectful and safe working environment. The executive managers of BILSTEIN GROUP set a good example and oppose any form of unacceptable conduct whatsoever within their field of responsibility.

We also expect our employees to act in a friendly, objective, and fair manner with colleagues and third persons.

2. NON-DISCRIMINATION/EQUAL TREATMENT

Within our working environment, we cultivate tolerance, fairness, and equality of opportunity, irrespective of social or ethnic origin, color, nationality, disability, sexual orientation, political or religious conviction, sex, or age.

Qualifications and competence are the only criteria on which employment and promotion of our employees are based.

3. REJECTION OF CHILD LABOR AND FORCED LABOR

We reject any form of child labor, as well as any exploitation of children and teenagers. We observe the applicable legal minimum age for employment.

Furthermore, we do not tolerate any kind of forced or compulsory labor. No employee can be forced to work by violence or any other kind of intimidation.

4. PAYMENT/WORKING HOURS/FREEDOM OF ASSOCIATION

We acknowledge the statutory minimum standards in relation to payment, and our benefits and payments will, in no event, fall below the minimum wage guaranteed by law. We expect the same from our business partners.

We also observe the legal provisions with respect to working hours and respect and support our employees' rights to join trade unions or to form workers' representations.

IV. Health And Safety At Work

We ensure health and safety at the workplace by complying with the applicable national laws and internal working instructions. The provisions on safety and health protection at work have to be observed by all employees. Violators will be notified immediately.

V. Conflicts Of Interest

Our employees must avoid situations that could result in conflicts of interest between business activity and private interests. They always act conscientiously and use their best efforts in acting in the best interests of BILSTEIN GROUP.

Employees of BILSTEIN GROUP may not, without prior consent, engage in business with BILSTEIN GROUP's partners or competitors. Among other concerns, this policy is intended to avoid even the appearance of improper influence on business decisions. Related provisions in employment contracts remain unaffected.

VI. Secondary Employment

Our employees make their labor available for the benefit of BILSTEIN GROUP. For the duration of the employment relationship, secondary employment is only permitted upon prior written consent of the company.

If an employee intends to take up a secondary employment, he must contact the Human Resources Department with details on the type and duration of the secondary employment immediately. The company will grant consent if the secondary employment is legally permissible, does not conflict with the availability of the employees' labor under his employment agreement, and if further legitimate interests of BILSTEIN GROUP are not affected.

We support and promote any volunteer activities of our employees.

VII. Offering And Accepting Benefits

We object to any form of corrupt conduct by our employees as well our business partners. We commit to neither accept nor grant gifts, benefits, or gratuities for the purpose of pursuing any illegal advantage therefrom. Our business relationships are solely based on objective and economic criteria, and we seek to acquire business solely through our performance and product quality.

No employee shall abuse the business relationships formed in connection with BILSTEIN GROUP for personal or third-party advantages to the company's detriment. Unfair influence of customers, suppliers, or public officials does not occur.

The codification of measures adopted by BILSTEIN GROUP for the prevention of corruption, as well as concrete assistance and recommended actions for our employees, are laid down in the Anti-Corruption Policy of BILSTEIN GROUP and its country supplements.

VIII. Handling Of Donations

We support and promote social and cultural projects. Donations shall be exclusively granted by management in accordance with the laws of the applicable jurisdiction and BILSTEIN GROUP policies. Donations granted by management are to be transparent and shall be documented by listing the addressee and the donation purpose.

Donations are not granted in return for economic benefit.

Donations to political parties, public officials, or candidates for political offices are not granted by BILSTEIN GROUP.

IX. Compliance With Competition Laws/Fair Competition

We are committed to fair and transparent competition, as well as fair treatment of business partners and agents. We are further committed to observing all applicable competition and antitrust laws. Corresponding obligations are laid down in our Competition Law Policy, which forms an important component of our Compliance Management System.

X. Money Laundering/Money Of Suspicious Origin

We maintain and support fair and transparent financial transactions and take all measures necessary against illegal payments and money of suspicious origin (money laundering).

XI. Handling Of (Confidential) Information

1. DATA PROTECTION

We respect and protect the personal data of customers, employees, and suppliers. We use best efforts to take all available technical and organizational means available to us to protect confidential and proprietary corporate data against unauthorized access, abusive use, loss, or early destruction.

The collection, processing, and use of personal data occur only within the permitted legal framework, only to the extent necessary, and only for the designated purposes.

2. CONFIDENTIALITY

The protection of our confidential information, know-how, and business or trade secrets, as well as that of our suppliers, customers and other business partners, is of highest importance for us.

Any information, know-how, and business or trade secrets, matters, and activities are confidential if BILSTEIN GROUP has a legitimate confidentiality interest in them.

Irrespective of whether information has become known in a private or professional context, every employee is obliged to treat all confidential information, know-how, and business or trade secrets as confidential at all times. Those employees who have access to particularly confidential information are expected to maintain strict confidentiality.

Further details regarding confidentiality obligations are provided in individual employment contracts.

3. EXTERNAL COMMUNICATION/MEDIA COVERAGE

BILSTEIN GROUP respects the right to free speech, as well as the protection of privacy and personal rights.

Every employee must take care that private statements are not associated with his function/activity within BILSTEIN GROUP or are clearly observable as private statements. Official statements are only permitted upon prior approval of the

management and in consultation with the supervising executive manager. Third party requests for statements have to be referred to the respective supervising executive manager.

XII. Protection Of The Environment

We, BILSTEIN GROUP, are aware of our impact on the environment and our responsibility to it. We are therefore committed to responsible conduct towards the environment. We observe applicable policies as well as relevant national and international environmental obligations.

XIII. International Trade

As a global enterprise, the companies of BILSTEIN GROUP observe all relevant national and international laws, regulations, and treaties regarding international trade transactions, including national and international laws which govern the import, export, or domestic trade of goods, technologies, or services, and the handling of specific goods, as well as capital and payment transactions.

XIV. Protection Of Operational Property

Every employee shall respect and handle with care the operational property of BILSTEIN GROUP companies.

Corporate property shall only be used for operational purposes in connection with business activities unless permission for private use has been granted.

XV. Implementation, Contact Persons

We take care for the implementation and publication of this Code of Conduct. This Code of Conduct will be handed out to every employee and is available electronically at all times. In addition, the content of this Code of Conduct has been or will be explained in detail in employee training sessions. It is the obligation of our executive managers to procure that each of their employees has knowledge of this Code of Conduct.

In the event of violations, suspicions, questions or other conflict situations regarding the Code of Conduct, each employee is required to either contact its supervising executive manager or the Compliance Officer of BILSTEIN GROUP.

In this respect, please use the following email-address: compliance@bilstein-kaltband.de or get into contact by telephone. You will find the contact details in the contact form „Compliance Officer/Contact Person“, which are available at MS-Sharepoint/Intranet, human resources department, works council and the directors' secretary office.

XVI. Legally Binding

As a corporation-internal set of rules this Code of Conduct is binding and its observance is compulsory for each employee and each management executive of BILSTEIN GROUP.

Violations of this Code of Conduct – irrespective of potential legal consequences – result in internal disciplinary measures adequate to the extent and gravity of the violation and taking into account the respective specifics of the concrete situation. A violation may result in the termination of the employment relationship.

Additional information on employer requirements and employee obligations and expectations are set forth in the employer's Employee Handbook and in individual written employment agreements with certain employees.

This Code of Conduct is a binding and crucial element of the BILSTEIN GROUP Compliance Management System implemented globally. It serves as a guideline for compliant conduct of each employee of BILSTEIN GROUP. In addition, it forms the basis for further internal guidelines and policies of BILSTEIN GROUP, which will be developed and further detailed in the context of the permanent development of the Compliance Management System. The additional guidelines and policies have to be considered in connection with this Code of Conduct and have to be observed also by all employees.

Since the Code of Conduct shall apply in all national and international locations of BILSTEIN GROUP, some provisions have to be modified or adjusted to the respectively applicable law. In this respect, to the extent required, national supplements shall be set up which respective specifics of the respective country.

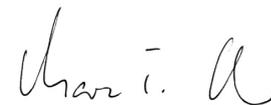
Anti-Corruption Guideline

Introduction

BILSTEIN GROUP¹ stands for fair business and sustainable economic conduct. The BILSTEIN GROUP companies observe the legal provision as well as free and fair competition. To this end, we take consequent measures, also in your interest as employee² and for your protection as well as in the interest and for the protection of our business partners. In this respect, we have set up a Compliance Management System which in particular contains a Code of Conduct of BILSTEIN GROUP as well as further Guidelines and comments. This Anti-Corruption Guideline together with the attached "Traffic Light Model" is designed to supplement the existing provisions and principles, to which the BILSTEIN GROUP companies are committed, in particular with a view to the prevention of corruption and the protection of fair competition. Within BILSTEIN GROUP, we accept no form of corrupt conduct, but actively step in for fighting corrupt conduct.

This is in particular against the background that corruption does not only violate applicable competition laws, but also promotes decisions which are neither objective nor in the interest of general welfare. Decisions, which are based on corruption can therefore cause damage to the economy as a whole as well as to each single enterprise. In addition, corruption, bribery and venality are criminal offences under German Law. Therefore, it is important for us that within BILSTEIN GROUP the risk of such violations of legal provisions are excluded or minimized to best extent possible. Companies of BILSTEIN GROUP would rather lose a business opportunity, than engage in any form of violation of the Anti-Corruption Laws to obtain it.

BILSTEIN GROUP companies intend to do business ethically, lawfully, and professionally, and we will do all we can to support our employees in this objective. All employees are explicitly required to obey these provisions and rules in this respect. This Guideline is designed as an assistance to you while at the same time setting up binding standards for the handling of benefits.



BILSTEIN GROUP
Marc T. Oehler
Managing Partner

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I. Benefits

1. DEFINITION

Within the meaning of this Guideline, a benefit is

- any advantage or any contribution,
- which improves tangibly or intangibly the financial, legal or personal situation of the recipient from an objective point of view and
- to which the recipient is not legally entitled.

This includes both the positive act of granting a benefit meaning giving or presenting your business partner with a benefit (so-called active benefit), and the passive act of accepting a benefit, meaning benefits, which you receive from your business partner (so-called passive benefits), all of which are covered by this Guideline of BILSTEIN GROUP.

2. SPECIAL SITUATIONS, IN WHICH CORRUPT CONDUCT MAY OCCUR

Benefits can be granted directly as well as indirectly. In this respect, „nepotism“ has to be taken into consideration, in which the benefit or the favour is granted to any of your family members, to an acquaintance or any other related party of yours.

With respect to business transactions abroad or with a foreign element, external advisors or agents may be employed by BILSTEIN GROUP because of their local knowledge as intermediaries with respect to negotiations or the signing of an agreement. These persons have to observe the applicable legal provisions as well. In addition, you as the principal have to take care that the employed intermediaries adhere to the standards and obligations laid down in this Anti-Corruption Guideline.

In principle, with respect to business transactions with foreign elements, in addition to the German Laws the respectively applicable Foreign Laws and regulations have to be obeyed (for example and in particular US Corruption Criminal Law like the globally relevant Foreign Corrupt Practices Act – FCPA) and specific potential foreign characteristics.

In case you do have any questions in this respect or in case of any doubt, please trustfully contact the Compliance Officer. Please use the email-address: compliance@bilstein-kaltband.de or make contact by phone. You will find the contact details in the contact form „Compliance Officer/Contact Person“, which are available at MS-Sharepoint/Intranet, human resources department, works council and the directors' secretary office.

II. Categories Of Benefits

In order to provide you with concrete set of rules, BILSTEIN GROUP has – under consideration of applicable legal provisions for Germany – set up a viable distinction between permitted benefits, prohibited benefits and benefits which may only be granted or accepted under certain conditions. Irrespective of this categorisation, the self-dependent conduct with your business partners, which could comprise the acceptance or granting of any such benefits, always remains your ultimate responsibility as employee of a BILSTEIN GROUP company.

In this respect, this Anti-Corruption Guideline puts you into the position to assess self dependently on the basis of its standards and provisions if and to what extent the benefit which you have received or would like to grant is in accordance with the Anti-Corruption Guideline of BILSTEIN GROUP or whether they are only permissible subject to the consent of the Compliance Officer in accordance with these rules and regulations.

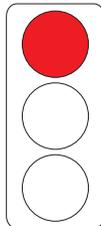
The following description cannot be expected to cover each and every individual case and therefore represents solely an assistance for the assessment of a benefit. In case of doubt you may and should trustfully contact the Compliance Officer of BILSTEIN GROUP at all times. Please also address any other questions related to the subject matter of compliance trustfully to the Compliance Officer.

In principle, for the assessment of the legitimacy of benefits, the following categorisation applies:

1. ALWAYS PROHIBITED BENEFITS

The benefits listed below may neither be granted nor accepted and are therefore considered to be always prohibited benefits.

a) In no event may a benefit be offered, granted or accepted directly [in return for any work-related action](#), which would result in an unfair favouritism of the granting party or of a third person with respect to the procurement or sale of goods or commercial services. This means that, regardless of its value, a benefit must not be granted or accepted in the expectation that the recipient would sign and close the certain deal. This also applies for benefits which occur in return for actions in connection with the procurement of goods or commercial services, if the recipient violates his contractual duties towards his employer as a result of the benefit without the employer's prior consent.



It has to be taken into consideration that in individual cases the offering of or the request for a benefit without the actual granting of such may constitute a criminal offence.

b) Monetary contributions of any kind – in cash or cashless – are not allowed.

c) Any benefit granted to a [public official or mandate holder](#) is prohibited. Public officials or mandate holders are persons, which under German Law serve under a public law relationship or that are appointed to serve with a public authority or other public agency or are commissioned to perform public administrative services. This means not only civil servants who, for example, decide on and issue building permits or decide on a public tender (in particular public award procedures) but also, for example, employees of municipal utility companies such as municipal water or energy supplier.

This restraint also applies for benefits offered or granted to attendants of foreign countries or international organisations, persons charged with the exercise of public tasks for foreign countries and for foreign judges or soldiers.

Due to BILSTEIN COLD ROLLED STEEL LP with its corporate seat in the USA please note the following additional comments:

To the extent US law (in particular the FCPA) applies, same characteristics and intensifications with respect to public officials or mandate holders have to be

considered which have to be taken into account by you as an employee of BILSTEIN GROUP as well. According to US law, any persons – irrespective of their function or grade – who works for governments, ministries, public authorities or other public agencies or work under their appointment are considered to be public officials. Further, (partly) state-owned enterprises, international organisations, political parties and their officials as well as candidates for public offices are considered to be public officials. You as an employee of a BILSTEIN GROUP company are required to apply within all of your global activities the broad definition of „public official“ or „mandate holder“ applicable under US law.

d) Travel expenses including accommodation, incurring on business trips are always to be borne by the company of the traveller. Therefore, if you are on a business trip for BILSTEIN GROUP, the BILSTEIN GROUP company will in general bear the travel expenses.

Exempted from this provisions are favors of little value like, for example, a local (taxi) trip from/to the train station or airport if the traveller cannot reject the offer for practical reasons, e.g. travelling together to the next destination.

e) The [decision on donations or sponsoring](#) is exclusively reserved for management.

f) Benefits, in particular gifts and advantages – also for related persons – which are not in accordance with [what is normally considered to be socially acceptable and appropriate and which are not in line with common business practice](#), are prohibited. This applies in particular to cost-intensive benefits such as VIP-Tickets for cultural events.

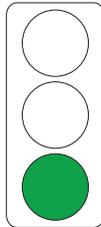
g) In the context of the [assignment of external consultants](#), particular care has to be taken that the consultancy agreement is entered into in written form and contains the detailed specification of services. Further, the compensation/provision has to be appropriate and in line with common practice. So called Kick-Back payments are prohibited (Kick-Backs consist of an initially excessive provision payment to the consultant, of which later parts are repaid to the employee having retained the consultant).

h) Payments for the [facilitation of public services](#) (so called „facilitation payments“) are always prohibited, even if such payments of smaller amount to public officials for the facilitation of procedures are socially accepted and

common practice abroad. This prohibition does not apply if there is an official fee catalogue that provides for a „facilitated procedure“ against an official surcharge. In case of doubt please contact the Compliance Officer of BILSTEIN GROUP.

2. ALWAYS ADMITTED BENEFITS

a) The participation in solely professional events, to which your business partner invites you on his expense, are always permitted as long as the event lacks any leisure character and the participation in the event can in consultation with your supervisor be considered a reasonable supplement for your work at BILSTEIN GROUP. Equally, as long as the professional character of an event is predominant you are – upon consultation with your supervisor – allowed to invite your business partner to a professional event organized by BILSTEIN GROUP.



Please consider, however, that even if the organizer bears the costs of such event, the participant always has to cover his travel expenses and accommodation cost by himself or it has to be covered by BILSTEIN GROUP company in accordance with II. 1. d).

To the extent BILSTEIN GROUP wishes to host and organize events itself (for example trade fairs) the organisation and design of the event lies within the responsibility of management.

b) The typical **hospitality** during conferences, meetings and events by BILSTEIN GROUP or at the location of business partners or at the conference location is always permitted. This includes drinks and typical snacks. Lunch or dinner that is served during an event or a meeting is allowed. This is under the condition that in this form of hospitality the leisure character is not predominant and the extent of hospitality is adequate compared to the type of event and group of participants.

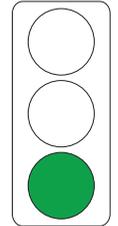
c) Low-value promotional gifts and small courtesies, for example mass-promotional gifts such as ball pens, calendars or writing pads with company logo as well as chocolate are within the socially acceptable and represent common business practice and are therefore allowed.

However, please also consider in this respect that the categorisation of such benefits and their conscientious handling is ultimately your responsibility. For

orientation, you can make use of the thresholds listed under II. 3.

3. PERMITTED BENEFITS WITHIN CERTAIN THRESHOLDS

A benefit which is not always prohibited pursuant to II. 1. may be permitted without consent of the Compliance Officer, if it is appropriate and socially adequate. BILSTEIN GROUP has set a viable threshold for you under consideration of the applicable legal provisions. According thereto, benefits are permitted if they meet the following requirements:

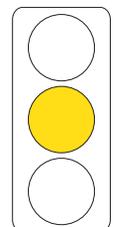


- **The benefit is not in principle prohibited according to the above mentioned provisions,**
- **the value of the benefit is maximum EUR 35,**
- **a benefit of this kind occurs only once per calendar year and per business partner (this applies for active and passive benefits separately) and**
- **the benefit is appropriate and socially adequate.**

In detail this means for example the following: You can grant a business partner a maximum of one benefit of a value not exceeding EUR 35 per calendar year and at the same time receive one benefit with a value not exceeding EUR 35 from this business partner. Please note that these thresholds apply to each business partner (company) and not to the individual employee of the business partner. You have to take this into your account if you have for example two contact persons working for one supplier.

4. BENEFITS THAT REQUIRE PRIOR APPROVAL

If a benefit is not already permitted or according to the provisions under II. 2. and II. 3., a benefit may be permitted if you obtain a consent of the Compliance Officer of BILSTEIN GROUP in accordance with the process described in the following before you grant or accept the benefit.



In line with the principles outlined above, such approval is required if the value of the individual benefit exceeds EUR 35 and/or a benefit shall be granted or

accepted more than once a year per business partner.

In this case please proceed as follows:

Please inform the Compliance Officer via email about the proposed benefit under: compliance@bilstein-kaltband.de. Please name occasion and value of the benefit as well as the involved business partner. Based on the information, the Compliance Officer will decide whether the benefit is permissible. If the Compliance Officer considers the benefit permissible, he will email you his approval. If he considers the benefit unpermissible, he will provide you with the reasons for this decision.

You may only actually grant or accept a benefit requiring consent once you obtained the Compliance Officer's consent. If no consent is granted, you may not grant active benefits or accept passive benefits. In the latter case please reject the benefit politely towards your business partner referring to this Anti-Corruption Guideline.

As an assistance please refer to (Annex 1) of this Anti-Corruption Guideline where you can find guidance for the rejection including a wording proposal towards your business partner.

In case of doubt whether a benefit is permitted under this Anti-Corruption Guideline you can contact the Compliance-Officer any time via email or by phone.

5. SELF DEPENDENT ASSESSMENT

Irrespective of the question whether benefits (active or passive) are categorised under the above mentioned criteria as always permitted, you are always obliged to make an own assessment of the benefit's legitimacy. In concrete, you have to assess – based on the following criteria – whether the benefit is appropriate and socially adequate. If a benefit is not appropriate and socially adequate, it is a prohibited benefit in the meaning of this Guideline irrespective of its categorisation.

Relevant for the assessment of the adequateness are all circumstances in connection with the benefit. This assessment has to be based on the following criteria:

(i) Objective of the benefit

First criterion is the objective of the benefit. In this context the question has to

be answered whether and – if yes – which objective reasons there are for the concrete benefit to/from the employees/agents of a business partner. One excluding criteria is the suspicion that the benefit occurs in a context of a concrete future business decision. Therefore, no context with future business decisions must exist; the benefit has to be made transparent internally and externally and has to be documented.

(ii) Business relation of the benefit

Second criterion is the business relation of the benefit. If there is no or only a minor context between the benefit and the business activity of BILSTEIN GROUP – for example because of the more „*leisure character*“ –, this is an indicator against the appropriateness and the social adequateness of the benefit.

(iii) Type of benefit

Third criterion is the type of the benefit. While simple „*Give-Aways*“, like for example ball pens/writing pads or small promotional gifts are normally not suitable for influencing the employee/agent of a business partner towards a particular business action, this could be valued differently for example with respect to more generous invitations to „*leisure events*“ (invitations to a Gala-Dinner, foreign trips).

(iv) Value of the benefit

Fourth criterion is the value of the benefit. The risk of an illegitimate influence of an employee/agent of a business partner increases with the value of the benefit. That means the higher the value of the benefit, the higher the suspicion that the employee/agent of a business partner is induced to a certain business decision.

(v) The position of the donor of the benefit and the recipient

A further criterion is the social and legal status of the inviting and the invited party. For example, benefits granted by the management to business partners or customers have to be evaluated differently from for example benefits of an employee to a new customer. The same applies if management pursues representative tasks.

(vi) Frequency of benefits

Another criterion – under consideration of the above provision – is also the frequency of benefits which are granted to or received by a business partner or customer. While a benefit related to a birthday is a positive criterion, it could be a negative criterion if within twelve month period several benefits are being granted which individually would constitute permitted benefits.

(vii) Checklist for assessment of adequacy

Benefits shall always be checked using the following checklist, whereas ultimately always common sense should be the decisive factor.

- Can it be ruled out that the benefit has impacts on the objective business decision or that it negatively impacts the free and fair competition?
- Can it be ruled out that the benefit constitutes a personal dependency?
- Can it be ruled out that the benefit creates from the perspective of a neutral third party the impression of an unjustified advantage?
- Is the benefit amongst others transparent towards the supervisor?
- Is the value of the benefit in a reasonable and acceptable area and below the thresholds provided for in this Guideline?
- Does the benefit occur in the context of a courtesy or good will?
- Is the benefit common practice?
- Does the benefit not exceed the personal living standard of the donor or the recipient?
- Is it not a recurring or periodic benefit?

As soon as one of the questions from the checklist cannot surely be answered with „yes“, the benefit may not be granted and the Compliance Officer is to be contacted.

6. PRIVATE PROCUREMENT OF SERVICES

You may procure [services of business partners](#) of BILSTEIN GROUP privately only under the following conditions:

a) Prices and terms of conditions for such services are market standard and do not contain any further favors, which lead your business partner to expecting a business service in return.

For example, you may buy from a supplier of BILSTEIN GROUP goods directly for your private use, if the supplier directly distributes these goods and you pay the market price which the supplier charges when distributing directly.

b) The same conditions are granted to all employees of BILSTEIN GROUP company.

Even if the supplier does not directly distribute his products, you can buy those products directly from the supplier subject to BILSTEIN GROUP company having agreed on special conditions for the employees with their supplier and the purchase complies with this conditions.

In this context we expect from you a responsible and contentious conduct which comprises in cases of doubt getting into contact with the Compliance Officer.

III. Documentation And Burden Of Proof

Not only in the interest of BILSTEIN GROUP, but also in your own interest, you should make sure and be able to prove that the provisions of this Anti-Corruption Guidelines are being observed. Therefore, you are obliged to document such cases in which you have granted or accepted a benefit. This comprises the date and time you have granted or accepted which benefit.

Please use the chart attached as (Annex 2). Immediately after granting or receiving a benefit you have to enter from whom (name of the company and the contact) you received which benefit on which date or whom you granted which benefit.

This obligation does not apply for hospitality in the social and businesswise common extent in the context of events (for example normal and adequate hospitality during business meetings).

To the extent the acceptance or granting of a benefit may only occur upon prior consent of the Compliance Officer pursuant to this Anti-Corruption Guideline, please also document in (Annex 2), when this consent has been obtained.

If you are offered or have received a prohibited benefit or if a benefit has not been approved by the Compliance Officer, please document the time and the manner of the refusal.

Upon the closing of a calendar year please email the completed chart for the respective calendar year until 31 January of the subsequent year or upon the Compliance Officer's request immediately to the Compliance Officer throughout. Please use the internal post service of BILSTEIN GROUP in this respect. The Compliance Officer centrally collects and preserves these charts.

The Compliance Officer will check the documentation on a random basis with respect to accuracy and completeness and may in this respect also obtain information from other departments or business units of BILSTEIN GROUP.

IV. Behavior With Respect To Prohibited Benefits

You may under no circumstances grant to your business partner or accept from him benefits which are prohibited under this Anti-Corruption Guideline or which require consent of the Compliance Officer. Even if the business partner intends to offer you a prohibited benefit, you are not allowed to accept this. You should reject such benefit referring to this Guideline.

(Annex 1) contains a proposed wording for such rejection.

V. Characteristics And Scope Of US Corruption Criminal Law (descriptive)

The Foreign Corrupt Practices Act (FCPA) is an US law for the international fight against corruption. The scope of the FCPA does in general not stop at the borders of the USA, but can extend to enterprises having their corporate seat outside of the USA. This is of high relevance for BILSTEIN GROUP (also in Germany) amongst others because of BILSTEIN COLD ROLLED STEEL LP having its corporate seat in the USA.

According to the FCPA the bribery of foreign public officials (also outside the USA) is prohibited. The offer of a payment or any other valuable benefit is already enough in order to constitute this criminal offence.

The definition of the term „**public official**“ under the FCPA deviates from the German definition and broadens it. Therefore please note that pursuant to the provisions of the FCPA a public official is any person who works for an foreign (i.e. not US) government, a ministry, a public authority or any other public agency or is appointed by any of the aforementioned institutions irrespective of their grade or function. This also includes international organisations (e.g. the WTO),

as well as political parties, their officials, and candidates for public offices. Next to natural persons, in particular also companies in which the state has a certain shareholding can in individual cases be considered as „**public officials**“.

It has to be considered particularly that the FCPA provides for severe penalties for individuals and corporations.

Therefore for the purposes of this Guideline the scope of the FCPA with respect to definition of „public official“ – in addition to II 1. c) shall apply.

The threshold of applicability of the FCPA is extremely low. There are non-US corporations which have been sentenced under the FCPA already for having effected payments via bank account in the US or solely used the US telephone network.

For BILSTEIN GROUP and the BILSTEIN COLD ROLLED STEEL LP in particular it is of major importance to raise your awareness as our employee that next to German laws the provisions of FCPA always have to be obeyed and to be observed in order to prevent corruption. In case of doubt please directly contact the Compliance Officer.

VI. The Sanctions Of BILSTEIN GROUP

Your commitment for the corporate objectives of BILSTEIN GROUP is of major importance for us. This Guideline shall not discourage your commitment but offer you a framework for your conduct.

We have confidence in you, acting in consideration of these corporate objectives and complying with all applicable laws and this Anti-Corruption Guideline of BILSTEIN GROUP while doing business. As compliance with the laws and this Guideline is of endmost importance, it is necessary and in the best interest of BILSTEIN GROUP that any infringement of this Anti-Corruption Guideline cannot remain unpunished. Regardless of any sanctions under criminal law, BILSTEIN GROUP imposes employment-law sanctions in case of infringements of the Anti-Corruption Guideline.

Depending on the extent of the infringement, reprimands, warnings and the termination of the employment contract are potential sanctions under employment law imposed by BILSTEIN GROUP. Furthermore, BILSTEIN GROUP reserves the right to claim damages from you based on employment law in case of any infringement of the Anti-Corruption Guideline.

VII. Legally Binding

As a corporation-internal set of rules this Anti-Corruption Guideline is binding and its observance is compulsory for each employee and each management executive of BILSTEIN GROUP.

Violations of this Anti-Corruption Guideline – irrespective of potential legal consequences – result in internal disciplinary measures adequate to the extent and gravity of the violation and taking into account the respective specifics of the concrete situation. A violation may result in the termination of the employment relationship.

This Anti-Corruption Guideline is a binding and crucial element of the BILSTEIN GROUP Compliance Management System to be implemented globally and shall be read together with the other documents of the Compliance System (e.g. Code of Conduct). It serves as a guideline for a compliant conduct of each employee of BILSTEIN GROUP especially when dealing with benefits.

Since the Anti-Corruption Guideline shall apply in all national and international locations of BILSTEIN GROUP, some provisions have to be modified or adjusted to the respectively applicable law. In this respect, to the extent required, national supplements shall be set up which respective specifics of the respective country.

VIII. Traffic Light Model

The traffic light model attached as (Annex 3) serves for a better understanding and a quick orientation only whether a benefit that is about to be granted or accepted is permitted or prohibited. This model does neither substitute the exact reading of and adherence to the Anti-Corruption Guideline of BILSTEIN GROUP nor the self depended assessment of the legitimacy of a benefit. In case you do have any questions in this respect or in case of any doubt, please trustfully contact the Compliance Officer. Please use the email-address: compliance@bilstein-kaltband.de or make contact by phone. You will find the contact details in the contact form „Compliance Officer/Contact Person“, which are available at MS-Sharepoint/Intranet, human resources department, works council and the directors' secretary office.

IX. External Contact Person And Contact Details

Glade Michel Wirtz
Partnerschaft von Rechtsanwälten mbB
Dr. Jochen Markgraf
Kasernenstraße 69
D-40213 Düsseldorf

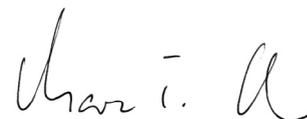
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Competition Law Policy

Corporate Statement

BILSTEIN GROUP¹ attaches great importance to compliance with business ethics. Responsibility towards customers, employees, shareholders and the general public is an essential cornerstone for the conduct of all employees² of BILSTEIN GROUP. The reputation of BILSTEIN GROUP companies and the trust of its customers, investors, and the general public are dependent on the conduct of each individual employee. Each individual employee therefore has to contribute to BILSTEIN GROUP companies to meet these expectations. This requires all employees of BILSTEIN GROUP companies to also act in compliance with competition law. Any engagement in anti-competitive conduct is in conflict with our understanding of fair and free competition and may cause severe damage to BILSTEIN GROUP.

This Policy is aimed at assisting you in identifying critical situations from a competition law perspective in your day-to-day business and to facilitate compliance. The Policy sets out important behavioral requirements that are essential to your day-to-day business. Additionally, an outline is provided of the potential risks for BILSTEIN GROUP companies associated with anti-competitive conduct. There will also be specific guidance for certain critical situations that may occur in the course of your regular business contacts with competitors, customers, and suppliers.



BILSTEIN GROUP
Marc T. Oehler
Managing Partner

¹ The term „BILSTEIN GROUP“ will be used for the purpose of this Guideline as an umbrella term. This umbrella term covers all current and future companies of BILSTEIN GROUP worldwide, namely, among others, BILSTEIN GmbH & Co. KG, HUGO VOGELSANG GmbH & Co. KG, BILSTEIN SERVICE GmbH, BILSTEIN CEE a.s., BILSTEIN COLD ROLLED STEEL LP, BILSTEIN NORTH AMERICA, Inc. SHEARLINE STEEL STRIP Ltd. und BILSTEIN TRADING (SHANGHAI) Co. Ltd.

² The term „employee“ will be used as a gender-neutral term. It refers to any of the personnel employed by our companies. This is for editorial purposes only, is not content-related, and contains no judgment whatsoever.

In section A., the guidelines set out the most important behavioral requirements for your day-to-day business from a competition law perspective. Section B. summarizes the potential consequences of anti-competitive conduct both for BILSTEIN GROUP companies and for yourself as an individual. Section C. contains specific behavioral guidance for critical situations.

A. Anti-Competitive Conduct

The purpose of competition law is to ensure that competition is not restricted, inter alia, by virtue of anti-competitive agreements and concerted practices between undertakings (cartel prohibition, see I.), anti-competitive abuses of market power by undertakings with a dominant market position and requests for boycott of other undertakings (unilateral anti-competitive conduct, see II.).

I. CARTEL PROHIBITION

The cartel prohibition applies to

“all agreements between undertakings, decisions by associations of undertakings and concerted practices which have as their object or effect the prevention, restriction or distortion of competition.”

Hence, the prohibition not only applies to anti-competitive “agreements” between undertakings (in the sense of direct cartel agreements), but also to concerted practices. A violation does therefore not require the conclusion of legally binding contracts. Any informal coordination will suffice. Moreover and in case of typical forms of cartel agreements concerning prices, quantities, customers, areas of sale etc., it is irrelevant whether the conduct has an actual detrimental effect on competition. As for those types of “hard-core cartels”, competition authorities generally infer a restriction of competition “by object” which will be sufficient to establish a violation of the law (i.e. the attempt in itself is punishable!).

It must be stressed that the cartel prohibition only applies to agreements/concerted practices between (different) undertakings. Therefore, it is not applicable to intra-group agreements, for instance, among a parent company and its subsidiaries or among affiliated companies which may be intended to allocate territories of sale, key business activities etc. Provided that equally-owned joint ventures (the shareholders of which are both a BILSTEIN GROUP company and at least one “external” shareholder) are party to such an agreement, the applicability

of the intra-group exemption will need to be assessed in each individual case. In that respect, the Compliance Officer of BILSTEIN GROUP has to be consulted. The respective contact data are included in the contact sheet “agents/contacts” stored in MS Sharepoint/Intranet and also available at the human resources department, works council and the directors’ secretary office.

1. Forms Of Anti-Competitive Conduct

a) Agreement

Both the form and the circumstances in which an “agreement” is concluded are irrelevant for the purpose of competition law assessment. Cartel agreements may be concluded in writing (e.g. in contracts, letters or via email) or orally (e.g. over the telephone, in the course of industry meetings, by handshake, but also in the course of rather informal events such as football matches or dinners). Even a mere wink may be sufficient.

b) Concerted practice

The prohibition applies not only to “agreements” as such, but also to any (other) forms of anti-competitive coordination (concerted practices). Therefore, activities which are intended to align the business conduct of BILSTEIN GROUP companies to the present or future conduct of competitors are problematic. Competition authorities consider that any “direct or indirect contacts” between companies, which have as their object or effect an “influence” on the market conduct of an actual or potential competitor, may already fall within the scope of the prohibition.

Consequently, even the mere communication of competitively sensitive information among competitors (e.g. timing and extent of an increase in prices) is problematic as it reduces the uncertainty of each involved competitor as regards its respective future market conduct. As soon as a competitor is being informed about an envisaged price increase of a competitor, he will be able to align his conduct in accordance with the information received.

c) However: Some parallel behavior is lawful

Parallel conduct of companies (i.e. an autonomous adaptation to market conditions and e.g. to the apparent conduct of competitors) is lawful. It is not relevant whether the parallel conduct was conscious or unconscious, provided it is not based on a communication between competitors. Parallel pricing will be permitted if it is based on information which has been lawfully obtained e.g. by virtue of market monitoring measures.

Example:

You receive information from a customer according to which your competitor Coilcom intends to implement an increase in prices of 3% as of the following quarter. In this case, you are not restricted under competition law to use this information and, for example, to also implement a price increase. However, your conduct may infringe competition law if you and your competitor consciously utilize a customer for the purpose of indirect communication and avoiding the need to communicate directly with each other.

Parallel behavior will be problematic if it is preceded by an exchange of information among competitors. Whenever such contacts have occurred, any subsequent parallelism will be considered by competition authorities as an indication for an anti-competitive coordination. If, for instance, information regarding market conduct of competitors is passed on via customers, the rebuttal of any possible suspicion may be facilitated if the source of information has been recorded e.g. in a report or memorandum.

2. Horizontal Restrictions Of Competition

Unlawful restrictions of competition may take the form of either horizontal or vertical coordination. Horizontal restrictions are restrictions between competitors, such as companies that are active on the same level of supply and are direct rivals. Potential competitors, such as companies with the capacity to enter the relevant market, are considered as competitors for the purpose of the cartel prohibition as well. Vertical restrictions are restrictions that apply to the relationship between companies operating on different levels of the supply chain, such as restrictions imposed by a supplier on its distributors.

a) Horizontal hardcore restrictions between competitors

Certain types of agreements between competitors qualify as particularly severe restrictions. These are so-called "hardcore restrictions" and generally infringe the cartel prohibition.

Hardcore restrictions are those which affect [prices, price components as well as terms and conditions](#). It is therefore unlawful to engage in agreements with competitors relating to:

- sales prices (gross prices, net prices or list prices etc.),
- minimum or reference prices,
- price increases (including the timing of price increases),
- rebates, premiums or cash discounts,
- surcharges, such as material surcharges, toll surcharges, logistics surcharges
- calculation schemes (e.g. concerning prices, costs or freight, profit margins),
- terms of payment,
- warranty periods, as well as
- procurement conditions.

[Bid-rigging](#) is another typical example for price fixing agreements. In case of bid-rigging, the companies participating in a public or private tenders agree that certain bidders deliberately refrain from submitting an offer or submit offers at a higher price level in order to ensure that the order will be awarded to a certain bidder at a potentially supra-competitive price level. Therefore, bid-rigging is aimed at the "allocation" of orders among competitors, which is unlawful.

Also the [division of markets](#) by allocating territories or customers as well as by agreeing on certain market shares between competitors constitute hardcore restrictions. Examples include:

- allocation of territories, products („specialisation“) or customers, potentially combined with an agreement on compensation payments in case of deliveries into the designated territories or to the designated customers,
- agreements on sales volumes in per cent, pieces, or tons in order to allocate or restrict output,
- export and import bans or restrictions, or
- „buyout of competition“ (e.g. agreements on closing down businesses).

b) Exchange of competitively sensitive information

It is also prohibited under competition law to exchange information among competitors if the respective information allows conclusions concerning the future market conduct. As a matter of principle, companies are supposed to implement their commercial policies autonomously and independently of their competitors. In particular, each competitor shall bear the risk of its own conduct (“requirement of independence”). Competition authorities consider that an exchange of competitively sensitive information lessens the commercial autonomy of companies and restrict competition. The exchange of information may therefore facilitate or support an anti-competitive agreement of the entities involved. As a general rule, competitors should refrain from exchanging individual and specific information relating to the following aspects:

- **prices, timing of (intended) price increases and other information of relevance for pricing,**
- **sales volumes,**
- **turnover data,**
- **market shares,**
- **customers (customer lists),**
- **distribution territories,**
- **purchasing conditions etc.**

Given that the exchange of information among competitors will be prohibited if it reduces the uncertainty concerning the future business conduct, historical information may - in general - be lawfully exchanged. However, it can only be determined in each individual case whether or not information can actually be deemed historical. In the context of fast moving markets such as the procurement of goods at spot prices on volatile markets purchasing prices may already be historical after only a few months have passed. On the other hand, information exchanged in the context of markets with a high degree of price stability could indicate future pricing strategies even if the data is already 3-5 years old so that an exchange would be prohibited.

It will not be problematic if you receive information about competitors from public sources or, for instance, from a market research institute (provided that the latter has collected, analysed and published the information in accordance with competition law). By way of precaution, however, please prepare records indicating the source of information in order to be able to rebut any suspicion that the information might have been exchanged illegally among competitors.

Even if information about competitors is publicly available or can be obtained lawfully, any direct exchange of that information among the respective competitors will be prohibited. This is supported by the idea that any direct exchange may reduce uncertainty concerning the future conduct of competitors in a much stronger manner than it would have been possible had the same information been researched from public sources of questionable quality and validity.

It will often be doubtful whether or not an exchange of information may give rise to competitive concerns, e.g. if information is potentially historical, if its competitive significance is unclear or if the exchange occurs as part of a commercial transaction (e.g. sales contract, preparation of an acquisition etc.). In those cases, an assessment of the specific circumstances of the individual case will be required. The BILSTEIN GROUP Compliance Officer has to be consulted for advice.

c) Cooperation among competitors (procurement, distribution, production, R&D)

Cooperations between competitors occur in a variety of forms (e.g. establishment of a joint venture or consortium) and pursue different objectives (procurement, distribution, production, joint research and development or “R&D”).

It cannot be concluded in general terms whether or not a certain form of cooperation among competitors is lawful. Instead, an in-depth assessment will be required in each individual case, taking into account

- **the type and content of the cooperation agreement,**
- **the market structure and**
- **the market positions of the companies involved.**

Moreover, the legal requirements vary according to the type of cooperation (procurement, distribution, production, specialisation, R&D etc.) and the market shares of the companies involved.

A cooperation among competitors can restrict competition in an unlawful manner,

- if market shares are high and lead to market power,
- if the cooperation can be expected to cause the parties involved to align their competitive conduct,
- if agreements governing the details of a cooperation contain excessive commercial restrictions (non-competition/exclusivity clauses, price fixing etc.), or
- if, in the course of meetings between employees of competitors on the occasion of a cooperation, anti-competitive agreements are concluded or competitively sensitive information is exchanged.

If a cooperation gives rise to anti-competitive effects it must be determined with regard to the circumstances of the individual case whether or not the cooperation could possibly be exempt from the cartel prohibition due to efficiencies. When this is the case, the cooperation will be lawful. In any event, however, “hard-core restrictions” such as the fixing of prices and production quotas or the allocation of customers or territories are not subject to an exemption. Owing to the complexity of the legal and economic assessment of a cooperation between competitors in each individual case an analysis by a specialized competition lawyer is required. Thus, the BILSTEIN GROUP Compliance Officer needs to be consulted before engaging in a cooperation.

Even if a cooperation has been found to comply with competition law it will still be necessary to observe that the parties involved do not enter into any agreements or an exchange of information that is not essential for the functioning of the cooperation.

The establishment of a joint venture is a particular form of cooperation. The term “joint venture” describes a company with at least two separate shareholders. The establishment of a joint venture constitutes an agreement between undertakings and may therefore qualify as anti-competitive conduct. In addition, anti-competitive conduct may occur in the on-going business of the joint venture. Hence, it should be assessed prior to the establishment whether or not a joint venture can be lawfully operated. With respect to the on-going business activities of the joint venture, the general rules of the cartel prohibition have to be

observed. Finally, it must be borne in mind that the establishment of a joint venture will have to comply with any potentially applicable merger control laws and might have to be notified to the competent competition authority.

d) Specific risks in the context of meetings of industry associations

Specific risks arise in the context of association meetings, i.e. meetings of commercial or industrial associations, unions, societies, committees etc. (in the following referred to simply as “trade associations”). An increased awareness of competition authorities can be observed with regard to restrictions of competition occurring in the course of such meetings. Cartel investigations are regularly also targeted at associations as well as their members which may have violated competition law on the occasion of association meetings.

At such meetings representatives of competitors come together and have an occasion for an exchange. Moreover, representatives may become familiar and acquainted with each other which facilitates the conclusion of potentially anti-competitive agreements. By their nature, association meetings also simplify the establishment of new contacts. All in all, this means that there is a significant risk that companies could discuss and agree on prices, customers, production quotas etc. or exchange competitively sensitive information in the course of meetings or during the supporting programme.

Whenever an agreement or an exchange of information occurs in the course or at the occasion of an association meeting, even companies that may not have actively engaged in anti-competitive conduct can be held responsible provided they were present at the meeting in question. The mere participation in a meeting in the course of which anti-competitive conduct occurred will generally suffice as indication and proof that all present companies have consented to the infringement (expressly or implicitly).

In order to prevent competition law infringements in the context of memberships in trade associations, the following principles need to be observed:

- It should be documented in which associations BILSTEIN GROUP companies acquired memberships.
- Any new membership of BILSTEIN GROUP companies in any association need to be authorized in advance by the Compliance Officer.

- Any persons that are employed by any BILSTEIN GROUP company have to be informed about the competitively sensitive aspects of trade associations referred to in the guidelines.
- The BILSTEIN GROUP companies should ensure that the employees responsible for representation in associations are substituted from time to time.
- At least one week before an association meeting takes place the respective agenda has to be submitted to the Compliance Officer if topics of competitive significance as referred to in the guidelines are expected to be discussed. The agenda has to be linguistically clear and unequivocal.
- If anti-competitive issues are discussed in the course of a meeting BILSTEIN GROUP employees are obliged to object immediately and demand that his/her objection be recorded in the minutes of the meeting. Should the anti-competitive conduct continue even after the objection the employee is obliged to leave the meeting and to have this recorded. The minutes have to be controlled. A memorandum describing the events has to be prepared and handed over to the Compliance Officer. In order to prevent involvement in anti-competitive conduct it is not sufficient to remain passive while remaining at the meeting.
- Whenever problematic issues have been discussed in an association meeting the corresponding minutes must be submitted to the Compliance Officer without prior request. It is not sufficient that problematic issues that have actually been discussed are not included in the minutes of the meeting. If incorrect minutes have been prepared, the association should be requested to make a correction. At least an objection against the respective minutes has to be submitted to the association.
- All documents relating to activities of trade associations have to be archived for ten years.

3. Vertical Restrictions Of Competition

Vertical restrictions of competition affect the relationship between market participants operating on different levels of the supply chain, e.g. between raw material suppliers and manufacturers or between manufacturers and their customers (retailer/wholesaler/processor). As regards BILSTEIN GROUP companies,

vertical relationships exist towards suppliers on the one hand and towards customers on the other hand.

a) Resale price maintenance

In particular, price fixing provisions contained in vertical agreements are anti-competitive (resale price maintenance). Any restrictions imposed by a supplier on his customers of their freedom to set resale prices are prohibited. The prohibition applies not only to prices as such but also to price components and any other price-determining factors.

It is, however, lawful for a supplier to set maximum prices and to communicate recommended resale prices ("RRP") provided that these measures do not effect pricing restrictions due to pressure exerted on, or incentives offered to the customer. Even where a supplier approaches his customer more than once in order to communicate recommended resale prices the non-binding nature of the recommendation can already be jeopardized. Hence, the customer must remain free to decide in each individual case whether or not to observe recommended resale prices.

b) Territorial and customer restrictions

Save for certain exceptions, vertical restrictions concerning the territory into which or the customers to whom cold strip products may be sold by customers of BILSTEIN GROUP companies are generally unlawful (protection of territories and customers).

Provided that both the supplier (on the sales-side of the market) and the buyer (on the procurement-side of the market) have market shares of not more than 30%, exemptions may apply for restrictions of sales effected into a territory or to a customer group which a BILSTEIN GROUP company has reserved to itself or which that company has allocated to another buyer. In those cases, [active sales](#) of the respective buyer may be subject to restrictions. Active sales are sales where the seller directly addresses certain customers e.g. by way of directly established contacts, customer-specific advertising etc. By contrast, [passive sales](#) (i.e. sales resulting from unsolicited and unsupported contacts established by the customer) may not be restricted.

c) Exclusive sourcing and non-competition clauses

Agreements containing an obligation under which the buyer may not purchase or resell products of third-party suppliers or which stipulate that the buyer may not integrate third-party components in his own manufactured goods are called

exclusive purchasing or single-branding obligations. They require an in-depth analysis under competition law.

This applies not only to obligations governing the entire demand of a buyer, but also to situations in which the buyer is obliged to purchase more than 80% of his demand for the relevant goods from the respective supplier. Alongside obligations for exclusive sourcing, typical non-competition clauses prohibiting the buyer to purchase or offer competing goods are critical as well.

These clauses are generally lawful as long as (i) both the supplier (on the sales-side of the market) and the buyer (on the procurement-side of the market) have market shares below 30% and (ii) the duration of the obligation is neither indefinite nor exceeds five years.

II. UNILATERAL VIOLATIONS OF COMPETITION LAW: ABUSE OF MARKET POWER AND THE PROHIBITION TO REQUEST BOYCOTTS

1. Prohibition Of Abuse Of Market Power

Undertakings by market participants that enjoy a dominant position in the market (such as a large market share or “market power”) are subject to special behavioral control and scrutiny by the antitrust laws and thus the competition authorities. The antitrust laws prevent market participants with “market power” from abusing their status. In particular, the antitrust laws seek to ensure that

- **smaller competitors retain sufficient freedom to act in the market in order to challenge the position of the dominant undertaking, and**
- **customers are protected against price increases that are not justified e.g. by improved quality.**

In general, an undertaking is considered dominant if it holds market shares of more than 40%. A presumption of dominance applies above this threshold. However, market shares below 40% may already suffice for the finding of dominance if this is supported by additional circumstances.

Competition prohibits the abuse of dominant positions. An abuse can be committed e.g. by directly or indirectly impeding the commercial freedom of other undertakings unreasonably (“impediment”) or – without objective

justification – directly or indirectly applying different terms of trade across a group of similar trading partners (“discrimination”). As a consequence, dominant undertakings must not create barriers to entry or expansion by competitors by inducing long-term customer loyalty e.g. by way of exclusive rights or extensive rebates. It would also be unlawful if a dominant undertaking were to impose different conditions to equal commercial transactions without objective justification. In addition, it is generally unlawful to impose payment obligations or other conditions which are materially different from those which would likely prevail in case of effective competition. Please note: These rules apply to dominant undertakings.

2. Prohibition To Request Boycotts

According to the prohibition to request boycotts, market participants must not request other market participants to impose a boycott (either as a refusal to supply to or as a refusal to purchase from) against any third company (“request for boycott”). In order to qualify such conduct as unlawful, it is irrelevant whether or not the request for a boycott is actually implemented on the marketplace.

B. Sanctions

Any violation of competition law entails a significant risk for both BILSTEIN GROUP companies and the individuals involved.

I. FINES

The European Commission and national competition authorities are entitled to impose fines against undertakings. The amount of a fine may be up to 10% of the total group turnover achieved in the course of the fiscal year preceding a fining decision.

The following statistics provide an impression on the highest fines set by the Federal Cartel Office and the European Commission in the recent years for cartel agreements on prices, allocation of territories or customers etc.

Fines imposed by the Federal Cartel Office (total amounts):

Case	Year	Amount in EUR
Cement	2003	380 million
Sausages	2014	338 million
Beer	2014	338 million
Sugar	2014	280 million
Liquid gas	2007	249 million

Fines imposed by the European Commission (total amounts):

Case	Year	Amount in EUR
Financial derivatives (Libor)	2013	1.7 billion
Cathode ray tubes	2012	1.47 billion
Car glass	2008	1.38 billion
Natural gas	2009	1.11 billion
Elevators and escalators	2007	992 million

Highest amounts of fines imposed by the European Commission against single entities:

Undertaking	Jahr	Amount in EUR
Intel	2009	1.06 billion
Microsoft	2008	899 million
Saint Gobain	2008	896 million

Furthermore, German law provides that fines of up to EUR 1.0 million may be imposed on individuals for their participation in competition law infringements. In particular, this liability can also apply to members of management and other individuals with management powers or authority to supervise that may not have been actively involved in an infringement provided they have neglected their supervisory duties and made the violation possible.

It is important to know that the risk of detection is very high and that it has increased over the years. Reasons are the leniency programmes of competition authorities. Under a leniency programme, generally the first participant of an undisclosed cartel filing a leniency application and thus enabling investigations can expect to enjoy full immunity from any fines. It is not surprising that the large majority of the decisions mentioned above has been the result of applications for leniency. Apart from that, companies become increasingly aware of the need to implement compliance standards, meaning that the rate of internal disclosure of competition law violations also has increased. Finally, competitors or customers often file complaints with competition authorities if there are circumstances which indicate a possible violation of competition law. For instance, many companies have established monitoring schemes for the detection of possible anti-competitive conduct on the part of their suppliers.

II. CRIMINAL SANCTIONS (PRISON SENTENCES, FINES)

Certain anti-competitive conduct can also give rise to the imposition of criminal sanctions such as prison sentences and fines. In many countries, e.g., bid-rigging constitutes a statutory criminal offence. Both public and private calls for tenders may be encompassed. Bid-rigging is punishable with imprisonment for up to five years or a fine.

III. INVALIDITY OF CONTRACTS AND DAMAGES

Anti-competitive conduct can also have consequences under civil law.

1. Invalidation Of Contracts

Anti-competitive terms in contracts are null and void, irrespective of whether or not a court or competition authority has already adjudicated the particular case. Under certain circumstances the invalidity of the individual anti-competitive clause may also invalidate the entire contract. Void contracts cannot be enforced, which may cause the loss of any claim and the need to engage in extensive

negotiations of new terms with an unfavourable starting position vis-à-vis the other party.

2. Damages

Market participants affected by a competition law infringement (e.g. competitors or customers) are entitled to claim compensation for losses suffered as a result of anti-competitive conduct. In case of a cartel, for instance, compensation must be paid for the difference between the cartelized price and the (lower) price which would have prevailed if competition had been undistorted. Moreover, interest has to be paid on the amount of damages.

In recent years more and more claimants have sought damages for their losses suffered as a result of anti-competitive conduct. Numerous law firms have specialized in this field and engage in bundled or collective claim enforcement on behalf of affected customers. This trend is another factor which has significantly increased the risks for companies engaging in anti-competitive conduct.

IV. CONSEQUENCES UNDER LABOR LAW

Depending on its significance and gravity, anti-competitive conduct in BILSTEIN GROUP companies may also give rise to consequences under labor law for involved individuals.

Violations of competition law will be rigorously pursued.

V. OTHER CONSEQUENCES

A further severe consequence resulting from anti-competitive conduct is the loss of reputation and trustworthiness on the part of customers, suppliers, other business partners, employees and the general public.

In addition, both internal investigations and defending against public enforcement proceedings or civil litigation absorbs human resources to a great extent and constitute (apart from any direct costs of legal proceedings) a significant (financial) burden for companies.

C. General Guidelines

I. CONDUCT IN CASE OF IMPERMISSIBLE WORDING

As soon as you recognize that one of your business partners has made a suggestion or request which would be anti-competitive, clarify this towards him. Make clear that you will not consider entering into any such agreement as it would violate competition law. This clarification should be recorded in writing. In the context of written correspondence (e.g. via email or mail) you should include that clarification in your reply. In the context of oral communication over the telephone or during personal meetings you should prepare a record indicating the identity of your partner, your own reaction as well as time and date of the conversation. Moreover, you should clarify that there will be no continuation of talks on that basis. Forward your response or record to the Compliance Officer as well. This is important both for yourself and for the BILSTEIN GROUP companies in order to be able to rebut possible allegations of anti-competitive conduct.

II. CONDUCT IN CASE OF UNCERTAINTY

Should you be uncertain as to whether the conduct of your discussion partner is in accordance with competition law it is important to seek clarification. In the context of written correspondence, the respective letter or email must be submitted to your supervisor. If the uncertainty remains even after consulting your supervisor inform the Compliance Officer. If uncertainties as to the legality of a specific conduct arise in the context of a telephone call or meeting, inform your discussion partner that you will have to confer internally before any decision can be made. Notify the Compliance Officer who will consult external legal advice if necessary.

III. ATTEMPTS TO COORDINATE

Please mind that anti-competitive conduct may occur even in cases where an unlawful agreement or concerted practice has not actually been implemented. It will be sufficient for an authority to establish that the conduct has as its object a restriction of competition. It is therefore important to prepare a written record of your reaction to any third party proposal to engage in anti-competitive conduct in order to be able to prove your reaction.

IV. DOCUMENT STORAGE

Certain procedures, particularly those which may be of relevance for competition authorities, have to be recorded. Records have to be properly stored in order to facilitate proof that no anti-competitive conduct has occurred should any such allegations arise at a later stage. This duty generally applies to:

- **compliance measures,**
- **contacts with competitors,**
- **transcripts prepared at industry meetings or other meetings among competitors e.g. in the context of technical meetings,**
- **records indicating the source of information relating to competitors,**
- **records of lawful (autonomous) parallel conduct, and**
- **records of the autonomous calculation of offers e.g. in the course of bidding processes**

Moreover, documents relating to conduct which potentially may be of anti-competitive nature have to be stored. It would cause massive strategic problems if such documents were destroyed. They would be of great importance if, for instance, incriminating evidence hinting at you were to be found on the premises of other companies in the industry in the course of an inspection. It would be highly difficult to establish the facts and develop a defence strategy if the affected BILSTEIN GROUP company or its outside legal counsel had no opportunity to inspect the documents.

The destruction of documents subsequent to the commencement of an inspection by a competition authority can deprive the affected company of the possibility to cooperate and file for a reduction of fines.

D. Contact Persons And Information

As outside legal counsel specialized in the field of competition law, please refer to:

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