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# Corporate Compliance

of Bahlsen GmbH & Co. KG

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# CORPORATE

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# COMPLIANCE

## Formal obligation of the Management Board on the declaration of fundamental values and principles for Bahlsen GmbH & Co. KG

The declaration of fundamental values and principles and the associated code of conduct define how Bahlsen GmbH & Co. KG should uphold the integrity of the company's internal and outward business practices.

...

The good reputation and the public awareness of Bahlsen as a traditional provider of top quality baked products represent a superior competitive edge on both the retail and specifically the consumer sectors.

...

If we are to maintain and extend this competitive edge it is indispensable that all members of the company become aware of their responsibility towards the company

and observe strictly the rules formulated in the declaration of fundamental values and principles. All employees on all levels of corporate responsibility are expected to apply these rules without restriction to all of their commercial and operating activities.

The Management Board of Bahlsen GmbH & Co. KG declares explicitly its unswerving intention to abide by these corporate principles.

Hannover, 1. August 2009

  
Werner M. Bahlsen    Michael Gawron    Dr. Christoph Hollemann    Sönke Renk    Nico Schlegel

# CORPORATE

## Declaration of fundamental values and principles

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A European company headquartered in Hannover, Germany, Bahlsen has been making top innovative and quality baked products since it was founded in 1889. The success of Bahlsen is the consequence of its product quality and, to a crucial degree, of the corporate policy that places people at the focus of its attention. This applies not only to employees on all levels of responsibility, but also to customers, suppliers, and other business partners.

...

Traditionally Bahlsen pursues a corporate policy of compliance with its underlying ethical values in addition to the applicable legal system.

...

In the train of spreading globalisation and the ever closer relations between countries, also those separated by great distances,

with their differing living conditions and social structures Bahlsen declares explicitly its unconditional support for human rights and in particular the fundamental principles of the International Labour Organisation ILO.

...

In order to safeguard internal and outward adherence to this declaration Bahlsen has formulated the following code of conduct.

...

This code of conduct must be not only acknowledged, but also observed without exception by all members of the company as an integral constituent of their personal assignments and responsibilities.

# COMPLIANCE

## Code of conduct

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This code of conduct reflects how Bahlsen sees itself and its responsibilities. It contains and sets down in concrete terms the duties to be derived from the declaration of fundamental values and principles and is directly binding for all employees including executives and the Management Board.

...

Any violation of this code of conduct can have an adverse effect on the company's integrity and reputation, and may entail not only termination of employment without notice following disciplinary and/or labour law measures instigated against the violating employee, but also possible prosecution under the criminal and liability laws.

...

Under these circumstances all members of the company are urged at all times to fulfil their assigned responsibility to preserve and maintain the integrity of the company and to notify their supervisor of any violations to the legal provisions or the following code of conduct.

Should members of the company wish to remain unidentified within the company when reporting a violation they may contact in confidence an external representative named in the Annex. This representative will then communicate the information to a member of the Management Board or the proprietor in strict confidence.

# CORPORATE

## Adherence to the law and operating standards

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Adherence to the applicable legal system and inhouse regulations preserves the interests of the company and those of its employees to an equal extent. Bahlsen and its employees, executives, and Management Board must therefore see it as their duty to observe at all times the applicable legal provisions and all operating rules, e.g. rules of procedure, internal agreements, guidelines, etc.

...

This also applies to the activities of Bahlsen abroad. When a legal system does not prescribe any or prescribes only some of the declared fundamental values and principles these and the code of conduct must be observed as an amendment to this legal system.

...

It is the responsibility of every supervising employee to ensure that all employees under his or her supervision are aware of their particular personal responsibility for observing the specified standards and fulfil this obligation without exception.

# COMPLIANCE

## Loyalty to corporate interests

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Bahlsen regards the support and promotion of its employees as a special corporate responsibility. In return Bahlsen expects from its employees that they identify themselves with the company's objectives and interests not only in the operating environment. Bahlsen expects loyalty to the company to extend to any public representation of Bahlsen, also outside of the official hours of employment.

...

Loyalty to the company includes handling all provided operating assets with the due care and efficiency. In this respect employees are expected not only to exercise due care in discharging their duties, but also to minimise the consumption of the provided operating equipment, e.g. laptops, mobile phones, vehicles, machinery, and, not least of all, consumables of any kind.

Every employee must be aware that it is strictly forbidden to use company property for private purposes. When it appears necessary to utilise operating equipment in this manner, also outside of the official hours of employment, such use must first be approved without exception by the responsible supervisor.

# CORPORATE

## Preservation of trade secrets

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It is the specific obligation of every member of Bahlsen to observe strict secrecy on all company affairs that have not been approved for publication. This obligation also includes in particular the protection of the company's intellectual property that also extends to trade secrets, including the company's technical and business knowhow.

...

In this respect secrecy must be maintained not only on turnover, yield, customer lists, conditions, and market strategies, but specifically on all recipes; research, production, and development processes; and all data from internal reporting.

...

According to the same criteria secrecy must also be maintained on the data and information that business partners communicate to Bahlsen or its employees in the course of business relations.

Operating and trades secrets must be treated with strict confidence within the company as well. These secrets may be communicated only when this becomes necessary for operating reasons.

...

One particular responsibility for maintaining secrecy is transferred to employees who have been entrusted explicitly with operating or trade secrets as part of their assignments and to employees whose assignments in essence require them to know and act on this information.

...

Any violation of secrecy may entail not only termination of employment without notice following labour law measures instigated against the violating employee, but also possible prosecution under the criminal and liability laws.

# COMPLIANCE

## Conflicts of interest

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The objective of the company and its employees must be to preserve the interests of third parties for the purpose of upholding healthy business relations with these parties and of maintaining loyalty due to the own company.

...

A conflict of interest arises when an employee's personal interests could exert an adverse or damaging effect on those of the own company.

...

During award or other procurement procedures it is the obligation of each and every employee involved in the business process to inform the supervisor without delay of any financial interests the employee's family or associates may have in this business process.

Any subsidiary activities an employee intends to perform for a Bahlsen business partner or other third party involved directly in the business process require the prior explicit consent of Bahlsen.

...

The rule is that potential conflicts of interest are reported to the supervisor without exception and without delay.

# CORPORATE

## Gifts and donations

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Any contact with gifts, donations, invitations, or other privileges, whatever they may be, must be regulated in accordance with the law abiding principles, personal responsibility, and specifically a sense of propriety as judged in each and every case.

...

One key assessment criterion for propriety is that no personal obligation can be derived from the acceptance or offer of a donation, whatever this may be, and that the details can be disclosed within the company.

...

**Gifts and donations to customers** are allowed only as part of generally practised and appropriate customer care and extend to low cost attentions like e.g. ballpoint pens, calendars, or other of the usual promotional articles.

...

The rules applying to customers apply analogously to **gifts and donations from suppliers**.

Bahlsen employees are forbidden without exception to accept gifts or other donations of a kind that can give rise to an obligation. Solely courtesy gifts complying with the usual accepted practice may be accepted when these do not have a particular material value. These are for example ballpoint pens, calendars, or other of the usual promotional articles.

...

In principle the acceptance of invitations to a business luncheon or other entertainment is allowed when this invitation and the location suit the occasion. In cases of doubt the invitation must be approved beforehand by the supervisor.

# COMPLIANCE

No gifts or donations of any kind may be granted to civil servants or government workers. In this case the propriety principle cannot be applied: civil servants are required by law to maintain neutrality that Bahlsen accepts and must respect.

...

Any act of attempted or actual bribery will be prosecuted to the same extent as the acceptance of such.

...

The rule is that without exception cash or gifts similar to cash, whatever the sum, may be neither accepted nor offered.

...

Any violations in spite of these explicit prohibitions will entail not only immediate termination of employment without notice following severe labour law measures instigated against the violating employee, but also possible prosecution under criminal law.

# CORPORATE

## Safeguarding of healthy competition

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Bahlsen advertises its products in all media and attaches great importance to the code of standards for advertising practices. Unfair competition is not only punishable by fines, but can also cause long term damage to the company's reputation in public.

**For this reason the following principles must be strictly observed.**

No advertising message may present to the consumer a deceptive picture of the product.

...

No packaging may present to the consumer a deceptively larger content than it actually contains.

...

No advertising activity may take advantage of children's or young persons' inexperience with business.

...

No packaging may present a layout or colour scheme that deliberately and recognisably resembles that of a competitive product.

...

It must be obvious from every advertising activity, in particular in connection with prizewinning games, that participation need not involve the obligation to buy.

# COMPLIANCE

## Observation of antitrust regulations (1)

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Bahlsen observes strictly the applicable antitrust regulations.

...

One antitrust principle prohibits agreements with companies and/or concerted practices that lead or could lead to a restraint of competition.

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This principle applies to all and any agreements of this kind, whether formal, written, oral, or even noncommittal.

...

Concerted practices are any kind of coordination between competitors.

**Forbidden practices are for instance agreements on:**

- prices, price constituents, or conditions
- when discounts are granted or not
- time and/or extent of price rises
- time of product launches
- when products are delivered to customers or not
- type or extent of sales or other services

The same applies analogously to the exchange of information between competitors.

## Observation of antitrust regulations (2)

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What may not be made the object of agreement between competitors is also not allowed as part of a “solely” informal exchange. Under the antitrust regulations an exchange of information becomes critical when this information is usually regarded as

- confidential
- significant to the market
- specific to the company
- current

On the other hand the antitrust regulations do permit an exchange of information on

- purely historical data
- generally known or easily accessible data
- general economic trends, also specific to sectors, when these are public knowledge
- data relevant to competition when these are depersonalised or aggregated

Under these circumstances representatives dispatched by Bahlsen including the members of the Management Board are obliged under the antitrust regulations to exercise great diligence when participating in the meetings of associations or other company organisations.

...

Also a company representative adopting a solely passive role without own contribution may violate the antitrust regulations when this meeting discloses or discusses information relevant to the antitrust regulations. Every Bahlsen representative is urged to examine beforehand the proposed agenda for subjects that may pose a problem under the antitrust regulations.

# COMPLIANCE

Also during a meeting participants must make sure that they do not take part in discussions whose content may be construed as a prohibited exchange of information or agreement according to the above antitrust criteria. When necessary, participants must inform the chair of their reservations. In the event that no remedy is afforded they must leave the meeting and have this recorded in the minutes, not only in defence of their own, but also of Bahlsen's legal interests.

All antitrust codes of conduct must also be observed during talks surrounding meetings, even when these are held in an informal atmosphere.

Participation in meetings violating the antitrust regulations may entail antitrust prosecution not only for the participant, but also for the company dispatching the representative, i.e. Bahlsen.

In all cases of doubt the own legal department must be notified without delay.

# CORPORATE

## Safeguarding of suitable working conditions

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Bahlsen ensures that at least the provisions under the labour laws are enforced at the workplaces of all employees throughout the world. When the laws pertaining to workplaces do not prescribe this, Bahlsen intends to observe strictly the fulfilment of human rights, in particular the ILO's core labour standards, the United Nations conventions on children's rights, the United Nations conventions on the elimination of all forms of discrimination, the general United Nations agreements on human rights, the United Nations Global Compact, and the OECD guidelines for multinational enterprises.

...

Bahlsen intends also to grant the above rights to suppliers. Bahlsen suppliers violating the above rights will first be requested to observe these rights. When this request is ignored Bahlsen will terminate relations with the supplier.

Bahlsen champions equal opportunities in all personnel matters and recruits and promotes its employees exclusively on the basis of qualifications and professional performance. Discrimination or harassment at work, targeting in particular race, skin colour, sex, age, disabilities, or origin, will not be tolerated. The same applies to physical violence or threats at the workplace and working under the influence of alcohol or drugs.

...

Bahlsen will make every effort to prosecute any violation of the above principles without exception and will terminate the violator's employment with immediate effect irrespectively of criminal liability.

# COMPLIANCE

Bahlsen makes sure that substances critical to health and the environment are both handled and disposed of properly. Not only the company, also all employees without exception are personally responsible at all times for maintaining health and safety at the Bahlsen workplaces by observing the environmental and health provisions applying to their own working environment.

...

All employees without exception must be aware of their duty to report without delay to the responsible supervisor or safety officer any accidents at work, damaged equipment, other working material in a critical state, or processes involving risks, especially in their own interests.

...

Only a team whose individual members are aware of their responsibility to the whole can contribute decisively to the success of the company.

## Maintenance of data protection

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Bahlsen provides its employees with access to a global exchange of electronic information via PC, laptop and mobile phone. This exchange also extends to electronic business dealings. However these communication facilities are also associated with risks to the protection of both personal and corporate data.

...

Effective technical precautions against these risks are a key constituent of the data communications environment at Bahlsen and are safeguarded at the company with technology provided by the responsible IT management. The technical precautions against unauthorised access fulfil high standards. Nevertheless all employees without exception must be aware of their particular responsibility towards the protection of personal and corporate data as part of their assigned duties.

...

Wherever there are guidelines or instructions for the utilisation of official or personal data at the company, whether in electronic or other form, these must be observed strictly by every employee.

Personal data may be collected and utilised only when both processes are allowed under the law. Every use of personal data must be traceable and transparent for all involved.

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In cases of doubt the Bahlsen data protection officer must be consulted for clarification.

# COMPLIANCE

## Financial policy

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Bahlsen also observes strictly the laws applying to finances.

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The annual accounts must be drawn up in compliance with all of the applicable rules and in particular the generally acknowledged accounting conventions.

The annual accounts must be drawn up in good time and with such care that they are granted a clean audit certificate. Bahlsen intends to discharge all of its legal duties to present its annual accounts properly and in good time.

...

All of the company's returns and other details for the Inland Revenue must also be drawn up properly, in particular completely and adequately, and submitted in good time in compliance with all of the legal provisions.

Without the explicit consent of the Bahlsen Management Board no Bahlsen employee is authorised to conduct financial transactions involving a risk greater than the unavoidable risk usually associated with Bahlsen business. Moreover every and any financial transaction that does not directly serve Bahlsen business requires the prior consent of the Management Board.



## Contact

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All members of the company can communicate violations of the legal provisions and/or the code of conduct to an external representative who is obliged not to disclose the identity of the notifying employee. Employees may communicate violations orally or in writing to:

Mr Nils-Peter Schmidt-Decker (Solicitor)  
or  
Mr Jan Dietze (Solicitor)

at the following address:

ZENK Rechtsanwälte  
Hartwicusstr. 5 · 22087 Hamburg  
Germany  
tel 0049 (0)40 226640  
fax 0049 (0)40 2201074

Notifications in writing and by telephone should quote the reference “Bahlsen Code of Conduct”.

...

The named solicitors are bound by their profession to maintain secrecy and moreover have been instructed explicitly by Bahlsen in such cases to communicate without exception only the contents of the notification, and not the name of the notifying person.