

DEFENCE COMPANIES INDEX (DCI) ON ANTI-CORRUPTION AND CORPORATE TRANSPARENCY 2020

FINAL ASSESSMENT

RHEINMETALL A.G.




The following pages contain the detailed scoring for this company based on publicly available information.




The table below shows a summary of the company's scores per section:

Section	Number of Questions*	Score Based on Publicly Available Information
1. Leadership and Organisational Culture	4	8/8
2. Internal Controls	6	8/12
3. Support to Employees	7	7/14
4. Conflict of Interest	4	5/8
5. Customer Engagement	7	3/14
6. Supply Chain Management	5	5/10
7. Agents, Intermediaries and Joint Ventures	10	11/20
8. Offsets	3	2/6
9. High Risk Markets	4	5/8
10. State-Owned Enterprises	0	N/A
TOTAL		54/100
BAND		C

*This column represents the number of questions on which the company was eligible to receive a score; i.e. where the company did not receive a score of N/A.


1. Leadership and Organisational Culture

Question
1.1. Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?
Score
2
Comments
<p>There is evidence that the company has a publicly stated anti-bribery and corruption commitment, which details the company's stance against any form of bribery or corruption within the organisation. It is clear that this commitment was authorised and endorsed by the Company's Leadership.</p>
Evidence
<p>[18] Code of Conduct 2020 (Document) Accessed on 15/06/2020 https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/corporategovernance/codeofconduct/Rheinmetall_AG_Code_of_conduct_en.pdf [p.3] Respect, trust and openness – according to these principles we steer Rheinmetall and this is what the entire Rheinmetall Executive Board stands for with vigor. For us, correct business conduct must always include the strict observance of all principles of good corporate governance: First and foremost that means the adherence to our strict Ethics and Compliance rules when dealing with customers, business partners, employees, shareholders and the public. In our business units, at the Group headquarters and at all subsidiaries in Germany and abroad. As a multi-technology group, which successfully operates with different products in many markets, we also pursue a risk-based approach when it comes to our Compliance program: Hence we place particular value on our strict rules for preventing corruption and bribery in our defence and security areas. Whereas we give specific emphasis on aspects such as antitrust, anti-money laundering and the handling of supply chain risks in our automotive segment. Apart from the mere observation of these rules it is important for us to actively promote an attitude of integrity amongst colleagues and stakeholders and an open and early involvement of our Compliance organization in cases of doubt. The same Ethics and Compliance requirements of course are also expected from our business partners. Yes, we want to successfully conclude our businesses. However, we only want to do those businesses, which are in accordance with the applicable laws, and with the rules of good corporate governance, Corporate Compliance and common industry standards. We must all commit ourselves to this; that is what we demand of all employees at Rheinmetall. Otherwise, we'll damage Rheinmetall and will ruin our future success. Düsseldorf, May 2020 Yours  Armin Papperger  Helmut P. Merch  Peter Sebastian Krause</p>

Question
<p>1.2. Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following categories:</p> <p>a) All employees, including staff and leadership of subsidiaries and other controlled entities;</p> <p>b) All board members, including non-executive directors.</p>
Score
2
Comments
<p>There is evidence that the company publishes an anti-bribery and corruption policy, which makes specific reference to the prohibition of bribery, payments to public officials, commercial bribery, and facilitation payments. The policy applies to anyone acting on behalf of the company, which is interpreted to include employees of subsidiary companies as well as board members and non-executive directors.</p>
Evidence
<p>[18] Code of Conduct 2020 (Document) Accessed on 07/08/2019 https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/corporategovernance/codeofconduct/Rheinmetall_AG_Code_of_conduct_en.pdf</p> <p>[p.3] Respect, trust and openness – according to these principles we steer Rheinmetall and this is what the entire Rheinmetall Executive Board stands for with vigor.</p> <p>For us, correct business conduct must always include the strict observance of all principles of good corporate governance:</p> <p>First and foremost that means the adherence to our strict Ethics and Compliance rules when dealing with customers, business partners, employees, shareholders and the public. In our business units, at the Group headquarters and at all subsidiaries in Germany and abroad.</p> <p>As a multi-technology group, which successfully operates with different products in many markets, we also pursue a risk-based approach when it comes to our Compliance program: Hence we place particular value on our strict rules for preventing corruption and bribery in our defence and security areas. Whereas we give specific emphasis on aspects such as antitrust, anti-money laundering and the handling of supply chain risks in our automotive segment. Apart from the mere observation of these rules it is important for us to actively promote an attitude of integrity amongst colleagues and stakeholders and an open and early involvement of our Compliance organization in cases of doubt. The same Ethics and Compliance requirements of course are also expected from our business partners. Yes, we want to successfully conclude our businesses. However, we only want to do those businesses, which are in accordance with the applicable laws, and with the rules of good corporate governance, Corporate Compliance and common industry standards. We must all commit ourselves to this; that is what we demand of all employees at Rheinmetall. Otherwise, we'll damage Rheinmetall and will ruin our future success.</p> <p>Düsseldorf, May 2020</p> <p>Yours</p> <div style="display: flex; justify-content: space-around; align-items: flex-end;"> <div style="text-align: center;">  Armin Papperger </div> <div style="text-align: center;">  Helmut P. Merch </div> <div style="text-align: center;">  Peter Sebastian Krause </div> </div> <p>[p.10] Rheinmetall combats corruption in any form, and forbids its employees, representatives and others acting on behalf of or on the instructions of the Rheinmetall Group from exerting influence illegally in any manner. As such, it is never permissible at Rheinmetall for material or intangible benefits which could give rise to an impression of influence over commercial decisions to be demanded, promised or accepted in dealings with business partners, government officials or third parties involved in business transactions. It is likewise never permissible to promise, offer or grant business partners, government officials or third parties involved in business transactions personal benefits with the intention of winning a contract, securing a transaction or obtaining any other unfair advantage for Rheinmetall. The acceptance or granting of permissible benefits is subject to internal value restrictions depending on the type of benefit recipient, the amount of which can vary on a country-specific basis according to statutory provisions or differences in purchasing power.</p>

Furthermore, Rheinmetall employees do not make any “facilitation payments” (i.e. smaller monetary sums or payments in kind to government officials in order to simplify or accelerate administrative procedures or official acts).*

[p.25] All Executive Board members and management teams are obligated to implement this Code of Conduct within their areas of responsibility with the involvement of the relevant Compliance Management and other affected specialist departments immediately. In this process, appropriate additions to the minimum standards described may be adopted by means of local policies, e.g. in order to take the national law of a foreign subsidiary into consideration accordingly.

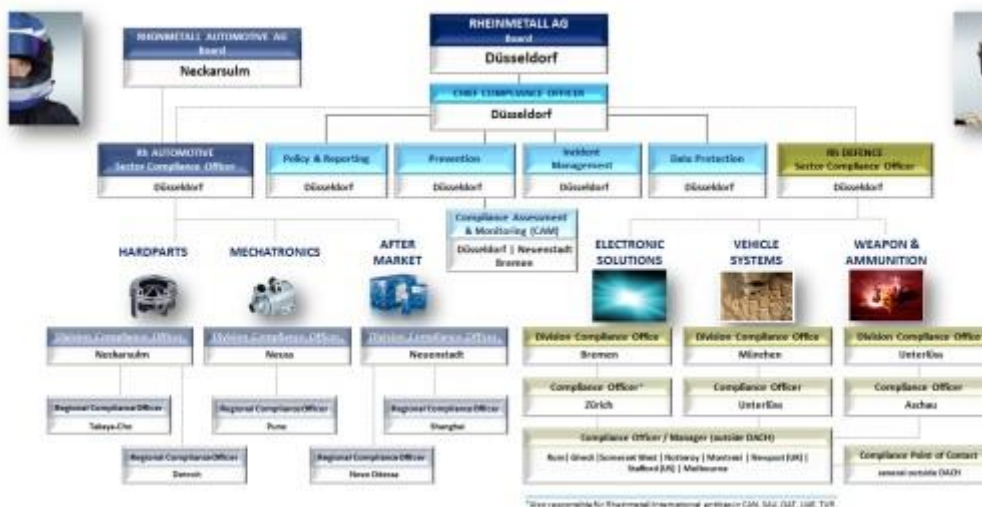
Question
1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?
Score
2
Comments
<p>There is evidence that a designated board committee, the Audit Committee of the Supervisory Board, is ultimately responsible for the oversight of the company's anti-bribery and corruption programme. There is evidence indicating that this includes reviewing reports from management on the programme's performance, along with the results of audits, and has the authority to ensure that required changes are made.</p>
Evidence
<p>[4] Compliance Management System (Webpage) Accessed on 08/04/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/compliance_management_system_1/index.php Functional Structure</p> <p>To provide support for questions and challenges in connection with Compliance, Rheinmetall has introduced its own Compliance Organization under the functional management of the Chief Compliance Officer. Rheinmetall Compliance Management System helps the employees, senior managers and further stakeholders by establishing suitable rules, structures and processes, clarifying rule violations and providing service oriented advice on avoiding potential Compliance risks in daily operational business as effectively as possible.</p> <p>Rheinmetall's Compliance Management System was audited by an external auditor as part of a certification procedure based on the IDW AS 980 assurance standard ("Principles for the reasonable auditing of Compliance management systems").</p> 
<p>CMS Audits</p> <p>On the basis of a risk-oriented audit plan approved by the Rheinmetall Group Board, the central Internal Audit department examines processes, structures and procedures annually for compliance, effectiveness and efficiency. A key component and focus of the audit plan is the regular review of the Compliance Management Systems of the individual companies and management units in order to ensure that the Company and its employees behave in accordance with the rules.</p> <p>The audit content is based on the clear requirements and standards of a Compliance management system based on IDW PS 980 and assesses the suitability and effectiveness of all basic elements of the Compliance management system. In addition, the application of and Compliance with the relevant Compliance guidelines are checked as part of a random sample evaluation, which includes the procedures of the business partner audit, the grant guidelines and the donations. On the one hand, a final report contains an assessment of the implemented CMS basic</p>

elements and their suitability for identifying and preventing significant risks and violations; on the other hand, the final report identifies measures and potential for improvement, the timely implementation of which is monitored by Internal Audit as part of a defined follow-up process.

Organizational Structure

The Rheinmetall Compliance Organisation consists of the Corporate Compliance Office on headquarter level. It is headed by the Chief Compliance Officer and subdivided into further the sub-departments Prevention, Investigation, Policy Management & Reporting and Data Protection.

Below central level are Compliance Teams on all operational levels in the DACH region as well as in the sales regions EMEA, South Africa, Brazil, India, China, Japan and NAFTA. Therefore, the Rheinmetall Compliance Organization's area of responsibility extends to all companies in which Rheinmetall AG holds a majority interest (see also Annual Report 2018, section "Shareholdings", pages 200-204).



[...]

Compliance Reporting

Reporting within the Compliance Organization and to statutory bodies such as the Supervisory Board, the Management Board and the management boards as well as to the management of the matrix organization takes place in a standardized form.

Essentially, reports are submitted annually to the Supervisory Board's Audit Committee and monthly to Rheinmetall AG's Executive Board and the divisional executive boards within the matrix organization. Irrespective of this, the Compliance Organization is structurally and personnel-wise in a position to report at any time on request or in the event of unforeseen events.

[15] Annual Report 2019 (Document)

Accessed 08/04/2020

<https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf>

[p.121] At the holding level, the four areas Prevention, Regulation Management, Investigation and Data Protection each have their own staff and are assigned to the Chief Compliance Officer (CCO), who reports directly to the Chairman of the Executive Board. Also serving as the Sector Compliance Officer, the CCO is simultaneously responsible for the Defence and Automotive sectors and in this function manages the compliance officers of the six divisions within the matrix organization. Compliance officers from the sales regions of Europe, Brazil, India, China, Japan and the USMCA region (Rheinmetall Automotive) or from the management companies of the Defence sector undertake preliminary work for the division compliance officers.

In the year under review, the area structure introduced in 2018 became more clearly defined. It now comprises Prevention, Regulation Management, Investigation and Data Protection, although Prevention has since been incorporated in the Due Diligence, Awareness and Risk task areas. The Compliance departments in the six divisions

have started to mirror this area structure at an organizational level and adjust their team structures accordingly. Additionally in the year under review, not only was the integration of our foreign locations and companies strengthened through, for example, fulltime positions in China, Australia and Great Britain, but Data Protection saw its workforce increase and was defined much more clearly at an organizational level.

The Chief Compliance Officer, who regularly reports to Executive Board meetings, keeps the Executive Board and Supervisory Board's Audit Committee constantly informed of the status and effectiveness of the compliance management system and of the latest developments. In serious cases, the committees are informed immediately. In addition to the Executive Board members of the Automotive and Defence sectors, the heads of the divisions will also be kept informed monthly by Corporate Compliance of current developments in the area of compliance, new rules, planned training measures or possible compliance infringements and the status of possible investigations.

Compliance management system

[...]

The compliance management system is updated at regular intervals, not only in line with the applicable legal requirements but also in the light of new findings from reporting, comparisons with other compliance systems and the assessment of external specialists (benchmarking). It is also reviewed on an ad-hoc basis if any breach of compliance regulations is suspected or discovered. Implementation of the compliance management system is monitored by monthly reports prepared by the Compliance Officer for the Corporate Compliance Office and by routine and special audits conducted by the internal audit team and the compliance organization.

[2] Compliance Extract from the Annual Report 2018 (Document)


Accessed on 07/08/2019

https://www.rheinmetall.com/media/en/editor_media/rheinmetallag/group/compliance_1/pdf_1/corporate_compliance_gb_2018.pdf

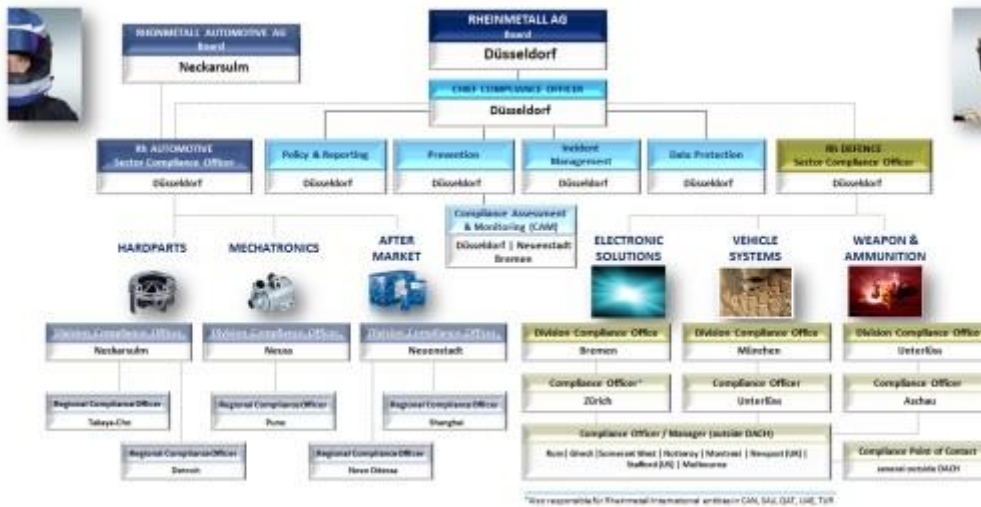
[p.109] At the holding level, the four areas Prevention, Policy & Reporting, Investigation and Data Protection each have their own staff and are assigned to the Chief Compliance Officer (CCO), who reports directly to the Chairman of the Executive Board.

[...]

The Chief Compliance Officer, who regularly reports to Executive Board meetings on compliance issues, keeps the Executive Board and Supervisory Board's Audit Committee constantly informed of the status and effectiveness of the compliance management system and of the latest developments. In serious cases, the committees are informed immediately. In addition to the Executive Board members of the Automotive and Defence sectors, the heads of the divisions will also be kept informed monthly by Corporate Compliance of current developments in the area of compliance, new rules, planned training measures or possible compliance infringements and the status of possible investigations. Furthermore, the monthly standard reporting was implemented in the international subsidiaries.

Question
1.4. Is responsibility for implementing and managing the company's anti-bribery and corruption programme ultimately assigned to a senior executive, and does he or she have a direct reporting line to the board or board committee providing oversight of the company's programme?
Score
2
Comments
<p>There is evidence that a designated senior executive, the Chief Compliance Officer, has ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme. It is clear that this person has a direct reporting line to the board. There is evidence of reporting and feedback activities between this person and the board as part of the company's reporting structure.</p>
Evidence
<p>[4] Compliance Management System (Webpage) Accessed on 09/08/2019 https://www.rheinmetall.com/en/rheinmetall_ag/group/corporate_compliance/compliance_management_system_1/index.php Functional Structure</p> <p>To provide support for questions and challenges in connection with Compliance, Rheinmetall has introduced its own Compliance Organization under the functional management of the Chief Compliance Officer. Rheinmetall Compliance Management System helps the employees, senior managers and further stakeholders by establishing suitable rules, structures and processes, clarifying rule violations and providing serviceoriented advice on avoiding potential Compliance risks in daily operational business as effectively as possible.</p> <p>Rheinmetall's Compliance Management System was audited by an external auditor as part of a certification procedure based on the IDW AS 980 assurance standard ("Principles for the reasonable auditing of Compliance management systems").</p>  <p>[...]</p> <p>Organizational Structure</p> <p>The Rheinmetall Compliance Organisation consists of the Corporate Compliance Office on headquarter level. It is headed by the Chief Compliance Officer and subdivided into further the sub-departments Prevention, Investigation, Policy Management & Reporting and Data Protection.</p> <p>Below central level are Compliance Teams on all operational levels in the DACH region as well as in the sales regions EMEA, South Africa, Brazil, India, China, Japan and NAFTA. Therefore, the Rheinmetall Compliance</p>

Organization's area of responsibility extends to all companies in which Rheinmetall AG holds a majority interest (see also Annual Report 2018, section "Shareholdings", pages 200-204).



[...]

Compliance Reporting

Reporting within the Compliance Organization and to statutory bodies such as the Supervisory Board, the Management Board and the management boards as well as to the management of the matrix organization takes place in a standardized form.

Essentially, reports are submitted annually to the Supervisory Board's Audit Committee and monthly to Rheinmetall AG's Executive Board and the divisional executive boards within the matrix organization. Irrespective of this, the Compliance Organization is structurally and personnel-wise in a position to report at any time on request or in the event of unforeseen events.

[15] Annual Report 2019 (Document)

Accessed 08/04/2020

<https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf>

[p.121] At the holding level, the four areas Prevention, Regulation Management, Investigation and Data Protection each have their own staff and are assigned to the Chief Compliance Officer (CCO), who reports directly to the Chairman of the Executive Board. Also serving as the Sector Compliance Officer, the CCO is simultaneously responsible for the Defence and Automotive sectors and in this function manages the compliance officers of the six divisions within the matrix organization. Compliance officers from the sales regions of Europe, Brazil, India, China, Japan and the USMCA region (Rheinmetall Automotive) or from the management companies of the Defence sector undertake preliminary work for the division compliance officers.

In the year under review, the area structure introduced in 2018 became more clearly defined. It now comprises Prevention, Regulation Management, Investigation and Data Protection, although Prevention has since been incorporated in the Due Diligence, Awareness and Risk task areas. The Compliance departments in the six divisions have started to mirror this area structure at an organizational level and adjust their team structures accordingly. Additionally in the year under review, not only was the integration of our foreign locations and companies strengthened through, for example, fulltime positions in China, Australia and Great Britain, but Data Protection saw its workforce increase and was defined much more clearly at an organizational level.

The Chief Compliance Officer, who regularly reports to Executive Board meetings, keeps the Executive Board and Supervisory Board's Audit Committee constantly informed of the status and effectiveness of the compliance management system and of the latest developments. In serious cases, the committees are informed immediately. In addition to the Executive Board members of the Automotive and Defence sectors, the heads of the divisions will also be kept informed monthly by Corporate Compliance of current developments in the area of compliance, new rules, planned training measures or possible compliance infringements and the status of possible investigations.

Compliance management system

[...]

The compliance management system is updated at regular intervals, not only in line with the applicable legal requirements but also in the light of new findings from reporting, comparisons with other compliance systems and the assessment of external specialists (benchmarking). It is also reviewed on an ad-hoc basis if any breach of compliance regulations is suspected or discovered. Implementation of the compliance management system is monitored by monthly reports prepared by the Compliance Officer for the Corporate Compliance Office and by routine and special audits conducted by the internal audit team and the compliance organization.

2. Internal Controls

Question
2.1. Is the design and implementation of the anti-bribery and corruption programme tailored to the company based on an assessment of the corruption and bribery risks it faces?
Score
2
Comments
There is evidence that the company has a formal bribery and corruption risk assessment procedure that informs the design of the anti-corruption and bribery programme. There is evidence indicating that the Chief Compliance Officer presents the results of risk assessments to the Supervisory Board's Audit Committee and executive board as part of reporting on the company's compliance risk management system. There is also evidence indicating that the results of such reviews are used to develop tailored mitigation plans and to update specific parts of the company's compliance programme.
Evidence
<p>[13] Risk Assessment (Webpage) Accessed 08/04/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/risikobewertung_1/index.php Compliance Risk Assessments are carried out in accordance with four key prevention objectives, namely compliance with the legal organizational and supervisory obligations of the management bodies, avoidance of financial risks, protection of reputation and ensuring the operational efficiency of Group-wide Compliance structures and measures.</p> <p>Rheinmetall regularly conducts Group-wide compliance risk assessments consisting of a top-down analysis to identify riskier business segments and a bottom-up analysis for detailed risk assessment at subsidiary level (grss-net risk comparison). The results of these reviews are incorporated into improvements to the Compliance Management System on all Group levels.</p>
<div><div><div>4 Substantial</div><div>3 Large</div><div>2 Medium</div><div>1 Low</div></div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div><div>R</div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div><div>1 Unlikely</div><div>2 Rare</div><div>3 Possible</div><div>4 Probable</div></div><div>Probability</div></div>

[4] Compliance Management System (Webpage)

Accessed on 08/04/2020

https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/compliance_management_system_1/index.php
Compliance Reporting

Reporting within the Compliance Organization and to statutory bodies such as the Supervisory Board, the Management Board and the management boards as well as to the management of the matrix organization takes place in a standardized form.

Essentially, reports are submitted annually to the Supervisory Board's Audit Committee and monthly to Rheinmetall AG's Executive Board and the divisional executive boards within the matrix organization. Irrespective of this, the Compliance Organization is structurally and personnel-wise in a position to report at any time on request or in the event of unforeseen events.

[15] Annual Report 2019 (Document)

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[p.76] The Rheinmetall Group's risk management system

As part of its principles of corporate governance, Rheinmetall AG is committed to a responsible, fair, reliable and transparent corporate policy that is geared toward expanding and leveraging entrepreneurial potential, achieving medium-term financial targets and increasing the company value systematically and over the long term. The standardized risk management system that was introduced throughout the Group is based on risk policy principles stipulated by the Executive Board of Rheinmetall AG, which are geared toward financial resources and strategic and operational planning. It is designed to systematically identify developments early on that could jeopardize the continued existence of the Group and control risks that could endanger the company's success. It comprises the ad hoc, operational and strategic risk management pillars and pursues the "three lines of defence" approach.

Three lines of defence model



The first line of defence lies with the management of the operating activities, which is responsible for recording, assessing and managing the risks that arise there. The second line of defence comprises the risk management, the compliance management and the internal control system. Internal Audit is the third line of defence and acts as the independent control organ of the Executive Board of Rheinmetall AG.

[p.77] As of January 1, 2019, a fundamentally overhauled guideline for the Rheinmetall Group's risk management system entered force. This covers not only the regulatory framework conditions, the 15 risk type categories, roles and responsibilities, but also the handling and documentation of identified risks and thresholds.

The risk management system helps to ensure that the corporate targets can be met. It provides high-quality information for Group management, clearly defines responsibilities for identifying and controlling risks, ensures effective risk analysis, control and monitoring thanks to clearly defined risk fields and types and closer dovetailing with other corporate governance systems.

The risk management process in the Rheinmetall Group is based on the IDW PS 981 standard and takes into account the legal requirements regarding the monitoring duty of the Supervisory Board and the diligence and organizational duties of the Executive Board. The risk management process comprises the following elements:
Risk identification – The regular and systematic analysis of internal and external risk-containing developments with respect to defined targets;

Risk assessment – Systematic risk assessment by means of standardized assessment procedures, taking into account the extent of loss and probability of occurrence;

Risk control – Measures designed to prevent, reduce, transfer and/or accept risks;

Risk reporting – Timely risk reports prepared so that they are suitable for the respective target group.

Identified risks are evaluated in terms of their net value with regard to their extent of damage and probability of occurrence by means of empirical values, expert knowhow and function-specific risk analysis, on the basis of a scenario that is as realistic as possible. This means that established countermeasures and checks are taken into account in the evaluation of the potential extent of damage. This results in an aggregated assessment of the risk types and risk fields as well as an evaluated risk portfolio of the Rheinmetall Group. All information used in the assessment and aggregation of risk types and fields is documented as part of strategic risk management in special risk management software. Ad hoc risks entailing a “high” minimum damage extent and “medium” probability of occurrence can be identified by any employee during the year between the operational and strategic risk managements reporting cycles and communicated as part of a defined process. If it is not possible to immediately control the ad hoc risk, it can be taken into account as part of operational and, if necessary, strategic risk management. In the analysis and assessment of individual risks in terms of the extent of damage, which must be performed quarterly, operational risk management focuses exclusively on the “performance” risk dimension. The thresholds for reporting these individual risks are a potential extent of damage of at least a €5 billion impact on EBIT (category 2: “medium”) and a probability of occurrence of more than 30% (category 3: possible). The period under review relates to the ongoing fiscal year and the two following years.

[p.79] Significant corporate risks

[...]

Risk field: Compliance
Risk class: Medium risk
Affected sector/ Group: Group

[p.86] Compliance

Compliance cases can cause many different types of damage and can have serious consequences such as the discontinuation of business relationships, exclusion from orders, negative assessments on capital markets, the imposition of fines, the absorption of profits, claims for damages and civil or criminal proceedings. There is also the risk of significant and lasting damage to the Group’s reputation. Customers, shareholders, employees and also the general public could lose trust in our company. In itself, the examination and clarification of alleged cases can result in considerable internal and external costs.

Compliance risks can occur in every area of the company. The compliance organization is therefore designed to ensure proper modes of conduct and behavior on the part of a company and its employees and to make sure that potential or actual infringements of external or internal regulations are responded to appropriately. This is supposed to prevent any liability risks, risks of a penalty or a fine and reputation risks, in addition to other financial disadvantages, loss or damage that the company may incur as a result of misconduct or violations of the law. The regular execution of a Group-wide compliance risk assessment (top-down and bottom-up) helps to identify systemic and company-specific compliance risks. Measures to introduce or improve international or local structures, guidelines, processes, IT systems and training content are derived from the results.

However, despite extensive and multi-level inspection and control mechanisms, the possibility of risks arising from unlawful activities of individual parties cannot be ruled out. Alleged cases are investigated actively. In investigative proceedings we cooperate with the relevant authorities. Proven misconduct results in consequences for those involved as well as adjustments in the organization. However, the financial impact of compliance cases on the Group’s results is very difficult to estimate. Depending on the case and the circumstances, a considerable range is to be assumed.

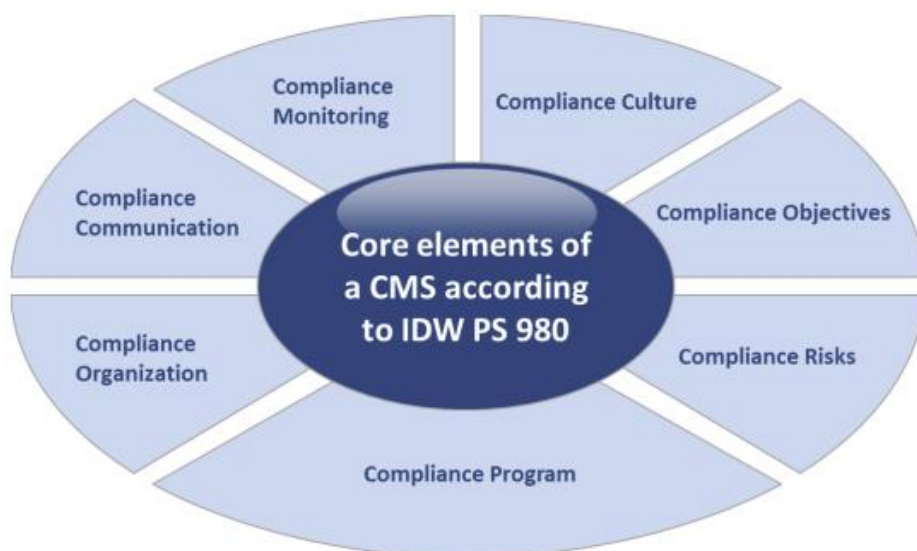
[p.121] The Chief Compliance Officer, who regularly reports to Executive Board meetings, keeps the Executive Board and Supervisory Board's Audit Committee constantly informed of the status and effectiveness of the compliance management system and of the latest developments.

[...]

Compliance management system

Compliance is taken into account as an aspect of risk in decision-making processes, not only when it comes to considerations regarding the strategic and operational alignment of the Rheinmetall Group, but also in day-to-day business. The central compliance management system, with its integrated and dynamic focus on constantly updated key risk aspects, such as corruption, anti-trust and breaches of export controls, is firmly anchored in the Group-wide management and control structures and includes all instruments, processes, guidelines, instructions and extensive measures intended to ensure that procedures in the companies of the Rheinmetall Group comply with the applicable country-specific legislation, general legal conditions, regulatory provisions and the company's own guidelines. It also creates an organizational structure that allows the applicable standards to be publicized across the divisions. If binding legal regulations in individual countries deviate from the rules set out in the compliance management system, the stricter regulation shall apply.

The compliance management system is updated at regular intervals, not only in line with the applicable legal requirements but also in the light of new findings from reporting, comparisons with other compliance systems and the assessment of external specialists (benchmarking). It is also reviewed on an ad-hoc basis if any breach of compliance regulations is suspected or discovered. Implementation of the compliance management system is monitored by monthly reports prepared by the Compliance Officer for the Corporate Compliance Office and by routine and special audits conducted by the internal audit team and the compliance organization.

Question
2.2. Is the company's anti-bribery and corruption programme subject to regular internal or external audit, and are policies and procedures updated according to audit recommendations?
Score
2
Comments
<p>There is evidence that the company's entire anti-bribery and corruption programme is subject to a regular audit process to ensure the programme is consistent with best practice and the business risks facing the company. There is evidence this includes provisions for continuous improvement, supplemented by internal and external audits. There is also evidence that high-level audit findings are presented to the board, with ownership assigned to the internal audit department to monitor improvements to the anti-bribery and corruption programme. There is evidence that these audits are conducted four to five times a year.</p>
Evidence
<p>[19] Compliance Management System 2020 (Webpage) Accessed 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/compliance_management_system_1/index.php CMS Audits On the basis of a risk-oriented audit plan approved by the Rheinmetall Group Board, the central Internal Audit department examines processes, structures and procedures annually for compliance, effectiveness and efficiency. A key component and focus of the audit plan is the regular review of the Compliance Management Systems of the individual companies and management units in order to ensure that the Company and its employees behave in accordance with the rules. The audit content is based on the clear requirements and standards of a Compliance management system based on IDW PS 980 and assesses the suitability and effectiveness of all basic elements of the Compliance management system. In addition, the application of and Compliance with the relevant Compliance guidelines are checked as part of a random sample evaluation, which includes the procedures of the business partner audit, the grant guidelines and the donations. On the one hand, a final report contains an assessment of the implemented CMS basic elements and their suitability for identifying and preventing significant risks and violations; on the other hand, the final report identifies measures and potential for improvement, the timely implementation of which is monitored by Internal Audit as part of a defined follow-up process.</p>

<p>CMS audits focusing on all aspects of Rheinmetall's Compliance Framework are at least performed 4-5 times per year. These contain in-depth reviews of our strict ABC Compliance regulations (i.e. Gift Policy, Business Partner Policy, Sponsoring & Donations Policy, AML Policy and Code of Conduct).</p>
<p>[15] Annual Report 2019 (Document) Accessed 08/04/2020</p>

<https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf>

[p.121] The compliance management system is updated at regular intervals, not only in line with the applicable legal requirements but also in the light of new findings from reporting, comparisons with other compliance systems and the assessment of external specialists (benchmarking). It is also reviewed on an ad-hoc basis if any breach of compliance regulations is suspected or discovered. Implementation of the compliance management system is monitored by monthly reports prepared by the Compliance Officer for the Corporate Compliance Office and by routine and special audits conducted by the internal audit team and the compliance organization.

[2] Compliance Extract from the Annual Report 2018 (Document)

Accessed on 07/08/2019

https://www.rheinmetall.com/media/en/editor_media/rheinmetallag/group/compliance_1/pdf_1/corporate_compliance_gb_2018.pdf

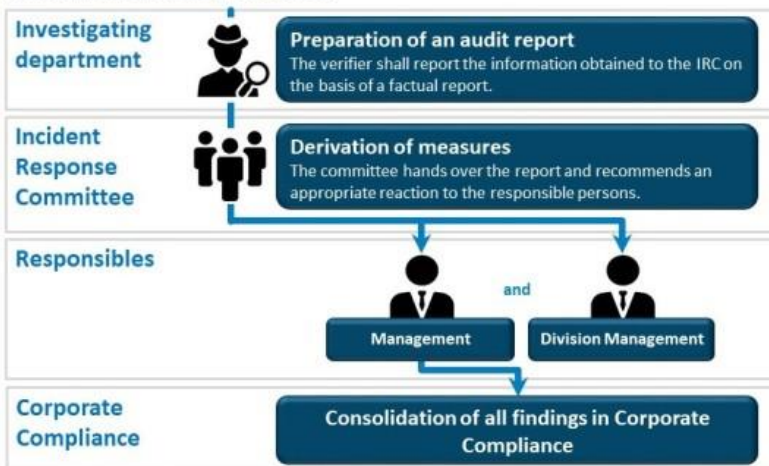
[p.109] Compliance management system

Compliance is taken into account as an aspect of risk in decision-making processes, not only when it comes to considerations regarding the strategic and operational alignment of the Rheinmetall Group, but also in day-to-day business. The central compliance management system, with its integrated and dynamic focus on constantly updated key risk aspects, such as corruption, cartels and breaches of export controls, is firmly anchored in the Group-wide management and control structures and includes all instruments, processes, guidelines, instructions and extensive measures intended to ensure that procedures in the companies of the Rheinmetall Group comply with the applicable country-specific legislation, general legal conditions, regulatory provisions and the company's own guidelines. It also creates an organizational structure that allows the applicable standards to be publicized across the divisions. If binding legal regulations in individual countries deviate from the rules set out in the compliance management system, the stricter regulation shall apply.

The compliance management system is updated at regular intervals, not only in line with the applicable legal requirements but also in the light of new findings from reporting, comparisons with other compliance systems and the assessment of external specialists. It is also reviewed on an ad-hoc basis if any breach of compliance regulations is suspected or discovered. Implementation of the compliance management system is monitored by monthly reports prepared by the Compliance Officer for the Corporate Compliance Office and by routine and special audits conducted by Internal Audit and the compliance organization.

Question
2.3. Does the company have a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels?
Score
2
Comments
<p>There is evidence that the company publicly commits to investigating incidents, and there is a specific procedure in place to deal with whistleblowing cases, which stipulates documentation and actions to be taken at each step, from receipt to final outcome. This includes a commitment to notifying whistleblowers on the outcome of the investigation. There is evidence indicating that investigations are conducted by the company's compliance team and overseen by the company's independent Ombudsman. There is evidence that information on each investigation is documented and reviewed on an ongoing basis by the company's compliance organisation.</p>
Evidence
<p>[3] Incident Management (Webpage) Accessed on 08/04/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/incident_management_1/index.php Whistleblowing Process</p> <p>In accordance with the Rheinmetall Code of Conduct, rule violations within the Rheinmetall Group are generally to be reported to the Compliance Organization. In an effort to protect whistleblowers, the compliance organization has created the possibility of anonymous communication channels:</p> <p>Ombudsman - Dr. Buchert as Ombudsman is a lawyer and thus enjoys the legal privilege. In this respect, the communication of the whistleblower with him enjoys a high degree of legal protection. He can be contacted by whistleblowers in several languages and immediately informs Rheinmetall AG's central compliance organization about incoming information so that it can react in a timely manner.</p> <p>Direct contact with the Compliance Organization - Corporate Compliance as the central compliance organization of the Rheinmetall Group can be contacted directly in several ways (post/telephone/e-mail). This ensures that the information on demand of the whistleblower can be communicated to an independent body within the group in addition to the local companies.</p> <p>In these ways, hints from around the world can be given to the compliance organization in a variety of ways. Corporate Compliance is currently working on a global whistleblower system available in the primary languages. This whistleblowing system will make it easier and more efficient to deliver and to manage the provided indication.</p> <p>Assignment of note processing</p> <pre> graph TD CO[Compliance Officer] --> IRC[Incident Response Committee] IRC --> IM[Investigation Mandate] IM --> C[Compliance] IM --> O[or others] </pre>

Recommendation of measures



Incident Management- / Investigation Process

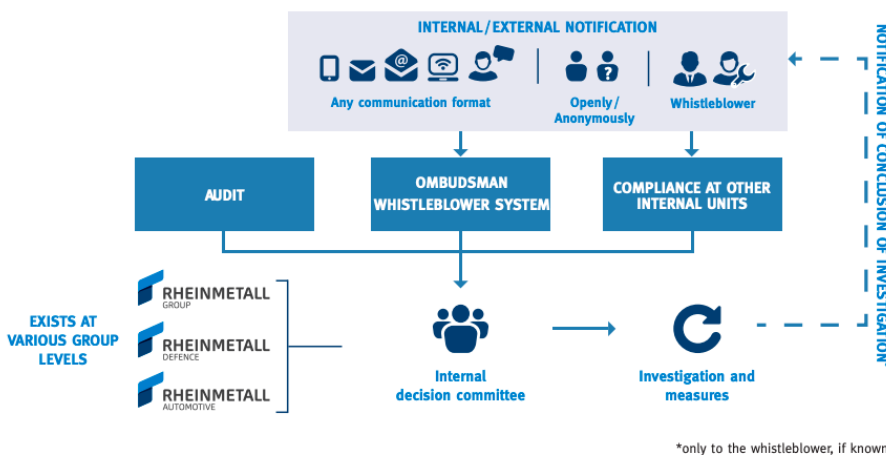
Every incoming notice must always be made known to the Compliance Organization. This records the notification centrally and forwards it to a multi-member body. This body is interdisciplinary and decides independently on how to deal with the hint. If necessary, a department is tasked with examining this information, which then informs the panel of the results of the investigation. Finally, the panel makes recommendations for a possible response to the report to those responsible for making a decision on their response to the study outcome. The test result and the resulting reaction are ultimately recorded centrally.

[1] Code of Conduct (Document)

Accessed on 07/08/2019

https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/compliance_1/pdf_1/conduct_flyer_en.pdf
[p.22]

2.3 DEALING WITH SUSPECTED VIOLATIONS



[15] Annual Report 2019 (Document)

Accessed 08/04/2020

<https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf>

[p.123] Handling information

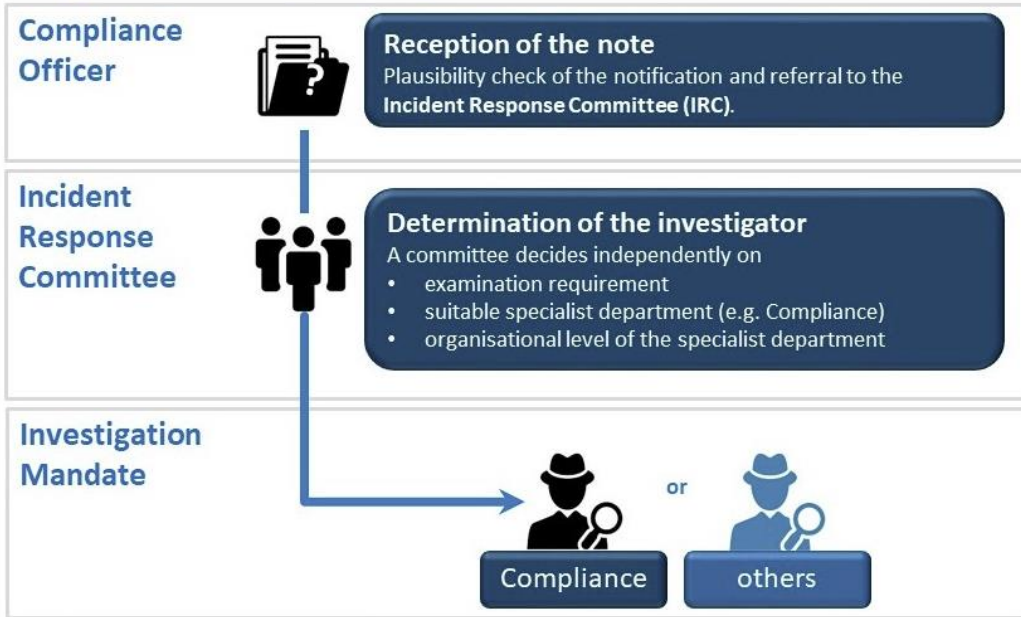
If employees have information on questionable activities that have been observed, specific breaches of regulations or business practices that may be prohibited, they can contact not only their line manager but also – and in full confidence – various internal offices as well as an independent, external ombudsman (lawyer) and so avert losses

for the company. Following the examination in 2018 of all the technical requirements for the introduction of a whistleblower platform for all companies in the Rheinmetall Group, "incident management" will from 2020 be supported by a Group-wide electronic whistleblower platform. In addition, employees can contact the Compliance organization if they suspect or know of breaches of regulations or business practices. In addition to employees, external third parties can contact the ombudsman by telephone or e-mail, send an e-mail to speakup@rheinmetall.com or contact a specialist compliance officer by telephone.

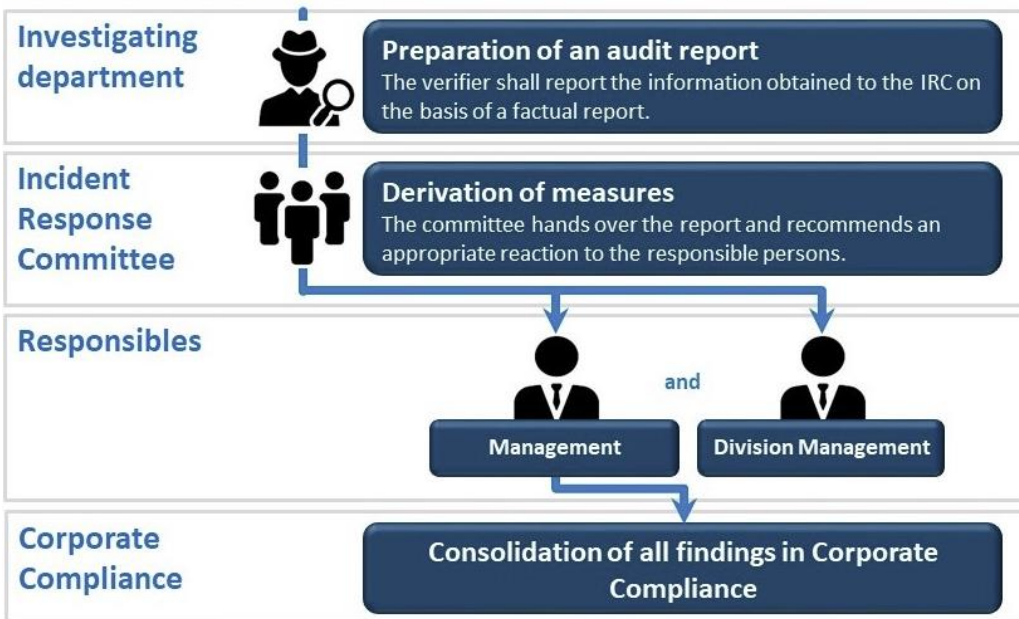
Protection is guaranteed for all whistleblowers, who need not fear discrimination. Employees involved in investigations into possible breaches of compliance will be assumed to be innocent until proven otherwise. Any information that is received will be systematically analyzed. A new management guideline on how to deal with suspected cases and on the standardized processing of compliance cases aims to ensure that the handling of information is also independent, transparent and fair as well as being subject to high standards that are comparable across the Group. It also offers legal certainty when carrying out investigations, meaning that appropriate account can be taken of the interests of employees and the employer. Systematic follow-up checks are performed on the basis of this incident management guideline and appropriate measures are taken to properly clarify the facts that have been reported, if necessary with the involvement of external specialists. Confidentiality and discretion take top priority here. If necessary, we will involve the relevant authorities and cooperate with them to resolve the matter. Proven misconduct is sanctioned and entails organizational measures and, for the employees who committed the offense(s), consequences under labor law, civil law and criminal law. The 18 Incident Response Committees (a total of 22 are planned) established in the year under review to conduct rapid, interdisciplinary initial evaluations of reports help to ensure that suspected cases can be identified and clarified without delay.

Question
2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?
Score
1
Comments
<p>There is evidence that the company assures itself of the quality of its internal investigations, including those reported through whistleblowing channels. Any complaints about the handling of concerns and investigations are overseen by an appropriate senior management officer and a procedure is in place to handle the escalation of complaints. There is some indication that the company reviews its procedure in response to any changes in the regulatory environment.</p> <p>However, there is no evidence that the company mentions specific training for the staff conducting investigations. There is also no evidence that the company reviews its investigations procedure at least every three years.</p>
Evidence
<p>[20] Incident Management 2020 (Webpage) Accessed 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/incident_management_1/index.php</p> <p>The Rheinmetall Group investigates any concerns about breaches by employees or external parties in the spirit of good corporate governance irrespective of the level of hierarchy and organizational assignment of the concerned individuals or entities, and ensures that these concerns about breaches of the rules are properly processed ("zero tolerance").</p> <p>Whistleblowing Process</p> <p>In accordance with the Rheinmetall Code of Conduct, violations of internal rules must be generally reported to the Compliance Organization. In an effort to protect whistleblowers, the Compliance Organization has created different ways how hints from around the world can be given to the Compliance Organization on an anonymous basis:</p> <ul style="list-style-type: none"> • Ombudsman - Dr. Buchert as Ombudsman is a lawyer and thus enjoys the legal privilege. In this respect, the communication of the whistleblower with him enjoys a high degree of legal protection. He can be contacted by whistleblowers in several languages and immediately informs Rheinmetall AG's central compliance organization about incoming information so that it can react in a timely manner. • Direct contact with the Compliance Organization - Corporate Compliance as the central compliance organization of the Rheinmetall Group can be contacted directly in several ways (post/telephone/e-mail). This ensures that the information on demand of the whistleblower can be communicated to an independent body within the group in addition to the local companies. • New: Before 2019 multiple isolated whistleblowing solutions were operated independently by various individual Rheinmetall companies. Meanwhile a central whistleblowing system is introduced which, in a standardized manner, brings together all the information, i.e. ranging from basic to highly critical nature, worldwide and transmits it to the Corporate Compliance organization for their referral. Subsequently, the Corporate Compliance Organization ensures that the information is properly dealt with, kept confidential on a strict need-to-know-basis and followed up correctly by the relevant stakeholders to be involved. Whistleblowers and other parties involved in an investigation are always treated fairly and receive relevant feedback on the outcome of the investigation. <p>Information about whistleblower incidents or contents of an internal investigation is regularly considered company confidential and will therefore not be disclosed on our website. However in certain cases it may be opportune to report certain incidents to the public. This will be decided on a case-by-case basis by the senior management. More important than openly presenting detailed information on our investigations, Rheinmetall Group ensures a globally standardized communication channel for investigation matters – offered to internal and external parties. The Group Works Council and Corporate Compliance have concluded a Collective Bargaining Agreement on the Compliance Management System in 2018 which also clearly emphasizes the company's uncompromising commitment to ensure non-retaliation of whistleblowers.</p>

Assignment of note processing



Recommendation of measures



Incident Management- / Investigation Process

Every incoming notice must always be made known to the Compliance Organization. This records the notification centrally and forwards it to a multi-member body. This body is interdisciplinary and decides independently on how to deal with the hint. If necessary, a department is tasked with examining this information, which then informs the panel of the results of the investigation. Finally, the panel makes recommendations for a possible response to the report to those responsible for making a decision on their response to the study outcome. The test result and the resulting reaction are ultimately recorded centrally.

Quality of investigations

The Rheinmetall Group attaches great importance to a thorough investigation of any indications of violations of its internal rules. For this reason, the following measures have been established within the Rheinmetall Group in order to regularly ensure a high qualitative standard of these investigations in accordance with our defined processes:

- Through continuous reporting in a central database, the appropriate progress in each case is transparently presented to the Corporate Compliance department.
- Furthermore, each case is concluded in the form of a final report, which must be confirmed by a specialist control committee before finalization. In this respect, a direct control of the content takes place at this point.
- The investigation process itself requires the completion of each investigation in the form of several essential documents that must be prepared and centrally archived in order to make a minimum claim on each case for proper completion.

The Incident Management process updated regularly or on an event-driven basis as can be seen in the following excerpt of the internal policy.

[...]

Management level attention

Of course, we recognize a great interest in reporting incidents with a potentially high risk to senior management. On their side, too, there is naturally a desire to prevent damage to the company and to play a part in preventing it. According to the defined process, major incidents, e.g. those involving the responsibility of a member of the Management Board, are reported immediately to the Chairman of the Management Board and also to the Supervisory Board.

The heads of the Corporate Legal and Compliance departments are involved in every assessment of major incidents. Within the scope of this assessment, the specialist expertise means that particularly critical issues are brought to the attention of the Management Board or the Supervisory Board.

The involvement of authorities due to criminally relevant facts is also decided on a case-by-case basis by a supervisory body together with the company's managers. To this end, the heads of the Corporate Legal and Compliance departments are regularly engaged in a close professional exchange.

Not every mere indication of a breach of the rules is reported to an authority. Particularly for the protection of our employees, we only approach authorities in such cases where the facts of the case prove a sufficiently probable suspicion.

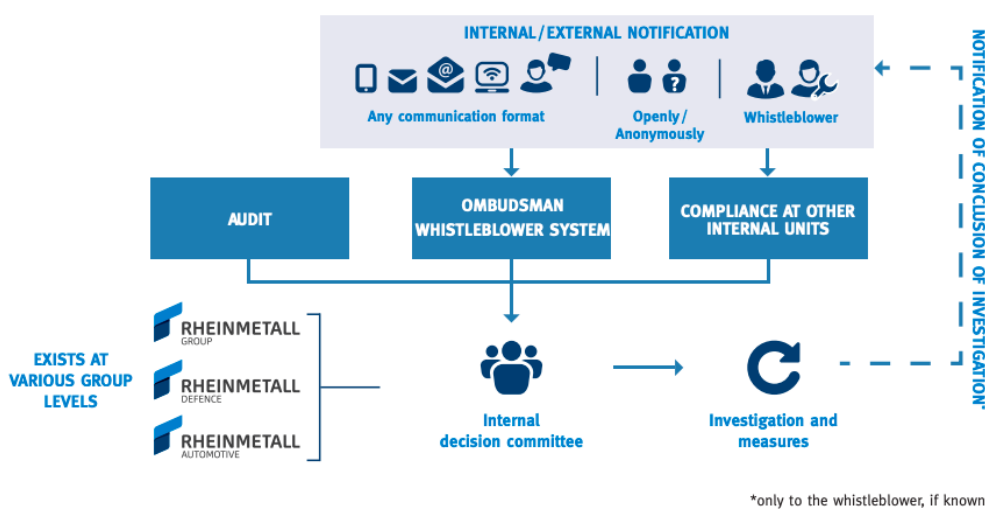
[1] Code of Conduct (Document)

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https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/compliance_1/pdf_1/conduct_flyer_en.pdf

[p.22]

2.3 DEALING WITH SUSPECTED VIOLATIONS



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[p.123] Handling information

If employees have information on questionable activities that have been observed, specific breaches of regulations or business practices that may be prohibited, they can contact not only their line manager but also – and in full confidence – various internal offices as well as an independent, external ombudsman (lawyer) and so avert losses for the company. Following the examination in 2018 of all the technical requirements for the introduction of a whistleblower platform for all companies in the Rheinmetall Group, “incident management” will from 2020 be supported by a Group-wide electronic whistleblower platform. In addition, employees can contact the Compliance organization if they suspect or know of breaches of regulations or business practices. In addition to employees, external third parties can contact the ombudsman by telephone or e-mail, send an e-mail to speakup@rheinmetall.com or contact a specialist compliance officer by telephone.

Protection is guaranteed for all whistleblowers, who need not fear discrimination. Employees involved in investigations into possible breaches of compliance will be assumed to be innocent until proven otherwise. Any information that is received will be systematically analyzed. A new management guideline on how to deal with suspected cases and on the standardized processing of compliance cases aims to ensure that the handling of information is also independent, transparent and fair as well as being subject to high standards that are comparable across the Group. It also offers legal certainty when carrying out investigations, meaning that appropriate account can be taken of the interests of employees and the employer. Systematic follow-up checks are performed on the basis of this incident management guideline and appropriate measures are taken to properly clarify the facts that have been reported, if necessary with the involvement of external specialists. Confidentiality and discretion take top priority here. If necessary, we will involve the relevant authorities and cooperate with them to resolve the matter. Proven misconduct is sanctioned and entails organizational measures and, for the employees who committed the offense(s), consequences under labor law, civil law and criminal law. The 18 Incident Response Committees (a total of 22 are planned) established in the year under review to conduct rapid, interdisciplinary initial evaluations of reports help to ensure that suspected cases can be identified and clarified without delay.

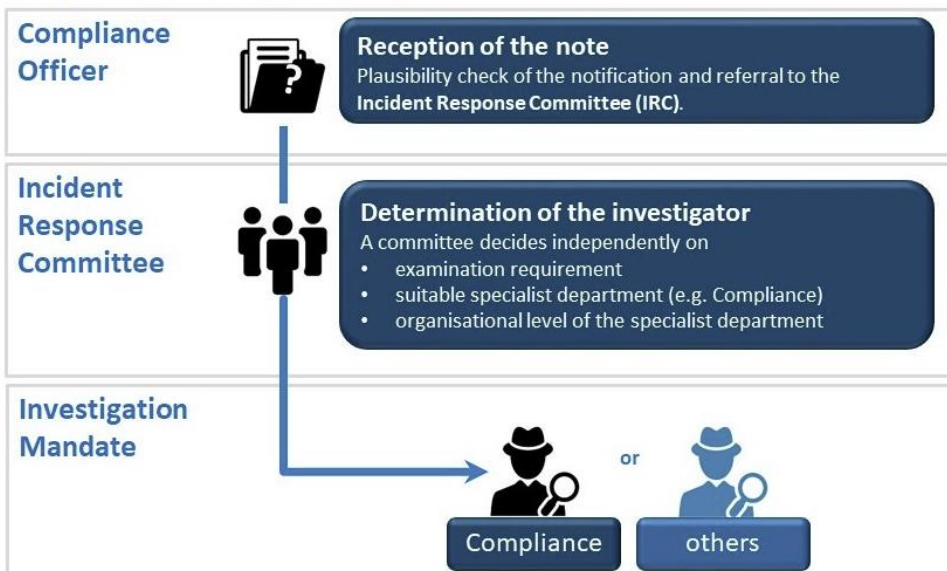
Question
2.5. Does the company's investigative procedure include a commitment to report material findings of bribery and corruption to the board and any criminal conduct to the relevant authorities?
Score
1
Comments
<p>There is evidence that the company reports material findings of bribery and corruption from investigations to the board. The company states that it will cooperate with the relevant authorities to resolve matters if necessary.</p> <p>However, there is no clear evidence that an appropriate senior individual is responsible for ensuring that the disclosure of criminal offences to relevant authorities is evaluated and acted upon if necessary.</p>
Evidence
<p>[15] Annual Report 2019 (Document) Accessed 08/04/2020 https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf</p> <p>[p.121] The Chief Compliance Officer, who regularly reports to Executive Board meetings, keeps the Executive Board and Supervisory Board's Audit Committee constantly informed of the status and effectiveness of the compliance management system and of the latest developments. In serious cases, the committees are informed immediately. In addition to the Executive Board members of the Automotive and Defence sectors, the heads of the divisions will also be kept informed monthly by Corporate Compliance of current developments in the area of compliance, new rules, planned training measures or possible compliance infringements and the status of possible investigations.</p> <p>[p.123] A new management guideline on how to deal with suspected cases and on the standardized processing of compliance cases aims to ensure that the handling of information is also independent, transparent and fair as well as being subject to high standards that are comparable across the Group. It also offers legal certainty when carrying out investigations, meaning that appropriate account can be taken of the interests of employees and the employer. Systematic follow-up checks are performed on the basis of this incident management guideline and appropriate measures are taken to properly clarify the facts that have been reported, if necessary with the involvement of external specialists. Confidentiality and discretion take top priority here. If necessary, we will involve the relevant authorities and cooperate with them to resolve the matter. Proven misconduct is sanctioned and entails organizational measures and, for the employees who committed the offense(s), consequences under labor law, civil law and criminal law. The 18 Incident Response Committees (a total of 22 are planned) established in the year under review to conduct rapid, interdisciplinary initial evaluations of reports help to ensure that suspected cases can be identified and clarified without delay.</p> <p>[20] Incident Management 2020 (Webpage) Accessed 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/incident_management_1/index.php</p> <p>The Rheinmetall Group investigates any concerns about breaches by employees or external parties in the spirit of good corporate governance irrespective of the level of hierarchy and organizational assignment of the concerned individuals or entities, and ensures that these concerns about breaches of the rules are properly processed ("zero tolerance").</p> <p>Whistleblowing Process</p> <p>In accordance with the Rheinmetall Code of Conduct, violations of internal rules must be generally reported to the Compliance Organization. In an effort to protect whistleblowers, the Compliance Organization has created different ways how hints from around the world can be given to the Compliance Organization on an anonymous basis:</p> <ul style="list-style-type: none"> • Ombudsman - Dr. Buchert as Ombudsman is a lawyer and thus enjoys the legal privilege. In this respect, the communication of the whistleblower with him enjoys a high degree of legal protection. He can be contacted by whistleblowers in several languages and immediately informs Rheinmetall AG's central compliance organization about incoming information so that it can react in a timely manner. • Direct contact with the Compliance Organization - Corporate Compliance as the central compliance organization of the Rheinmetall Group can be contacted directly in several ways (post/telephone/e-mail). This ensures that the

information on demand of the whistleblower can be communicated to an independent body within the group in addition to the local companies.

- New: Before 2019 multiple isolated whistleblowing solutions were operated independently by various individual Rheinmetall companies. Meanwhile a central whistleblowing system is introduced which, in a standardized manner, brings together all the information, i.e. ranging from basic to highly critical nature, worldwide and transmits it to the Corporate Compliance organization for their referral. Subsequently, the Corporate Compliance Organization ensures that the information is properly dealt with, kept confidential on a strict need-to-know-basis and followed up correctly by the relevant stakeholders to be involved. Whistleblowers and other parties involved in an investigation are always treated fairly and receive relevant feedback on the outcome of the investigation.

Information about whistleblower incidents or contents of an internal investigation is regularly considered company confidential and will therefore not be disclosed on our website. However in certain cases it may be opportune to report certain incidents to the public. This will be decided on a case-by-case basis by the senior management. More important than openly presenting detailed information on our investigations, Rheinmetall Group ensures a globally standardized communication channel for investigation matters – offered to internal and external parties. The Group Works Council and Corporate Compliance have concluded a Collective Bargaining Agreement on the Compliance Management System in 2018 which also clearly emphasizes the company's uncompromising commitment to ensure non-retaliation of whistleblowers.

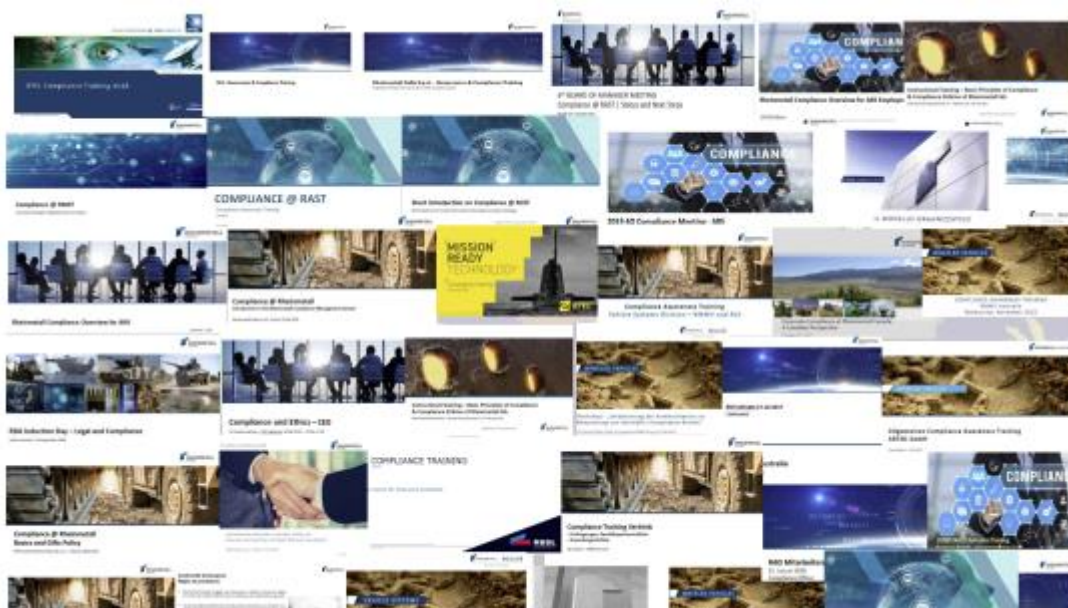
Assignment of note processing



Recommendation of measures



Question
2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or bribery and corruption investigations or disciplinary actions involving its employees.
Evidence
No evidence found.



For classroom trainings, we follow a tailoring approach in order to properly address the different functional areas and management levels of our audiences. The Compliance Trainings Matrix (part of the Compliance Trainings Guideline) can provide further insights on how we focus our different trainings throughout topics and audiences.

[15] Annual Report 2019 (Document)

Accessed 08/04/2020

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[p.122] Training and advice

To make employees at all hierarchical levels aware of compliance risks, numerous seminars and workshops are held, some of which are tailored to specific functions such as management, buyers or sales staff. Legislation and important regulations are explained and further content is provided.

[p.123] Attention is also drawn to internal compliance requirements, risks and possible sanctions and, based on case studies, practical advice is given on correct conduct in specific situations during everyday work. These classroom training sessions, which also serve as a practical forum for discussions, are accompanied by interactive online programs. Each year, as part of Compliance Awareness training, employees at sites in Germany and abroad not only receive training in general compliance topics but also in the prevention of corruption, money laundering and CEO fraud, export control and antitrust and competition law. The content of the training is adjusted in accordance with the needs of the participants or supplemented with country-specific or regional peculiarities. In fiscal 2019, around 7,300 Group employees attended classroom training programs on compliance (e.g. introductory or specialist training or events on the War Weapons Control Act / Foreign Trade and Payments Act / weapons law). In addition, around 1,000 employees completed compliance training via elearning platforms in the year under review.

[2] Compliance Extract from the Annual Report 2018 (Document)

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https://www.rheinmetall.com/media/en/editor_media/rheinmetallag/group/compliance_1/pdf_1/corporate_compliance_gb_2018.pdf

[p.4] Training and advice

To make employees at all hierarchical levels aware of compliance risks, numerous seminars and workshops are held, some of which are tailored to specific functions such as management, buyers or sales staff. Legislation and important regulations are explained further content is provided. Attention is also drawn to internal compliance requirements, risks and possible sanctions and, based on case studies, practical advice is given on correct conduct in specific situations during every day work. These classroom training sessions, which also serve as a practical forum for discussions, are accompanied by interactive online programs. Each year, as part of Compliance Awareness training, employees at sites in Germany and abroad not only receive training in general compliance topics but also in the prevention of corruption, money laundering and CEO fraud, export control and antitrust and competition law. The content of the training is adjusted in accordance with the needs of the participants or supplemented with country-specific or regional peculiarities. Numerous employees of the Group once again attended classroom training programs on compliance (e.g. awareness training, targeted training for procurement and sales, or events on the War Weapons Control Act / Foreign Trade and Payments Act / weapons law) in fiscal 2018. In addition, 8,290 employees (previous year: 3,418) completed compliance training via e-learning platforms in the year under review.

29

For classroom trainings, we follow a tailoring approach in order to properly address the different functional areas and management levels of our audiences. The Compliance Trainings Matrix (part of the Compliance Trainings Guideline) can provide further insights on how we focus our different trainings throughout topics and audiences.

CORPORATE COMPLIANCE
COMPLIANCE TRAININGS GUIDELINE



TRAINING TOPICS	RESPONSIBLE	ADDRESSES	PRESENCE TRAINING		E-LEARNING
			Basic training	Technical training	
Anti-Corruption	Corporate Compliance	Sales, Purchasing	X	X	Compulsory course
Antitrust Law	Legal, Corporate Compliance	Management Boards Managers Legal Compliance Sales, Services, Purchasing, Business Development, Offset, Project Management	X	X	Compulsory course
Blacklisting	Accounting	Sales, Purchasing Accounting Compliance Legal	no	X	no
CMS System	Corporate Compliance	Everybody	X	Compliance employees	no
Code of Conduct	Corporate Compliance	Everybody (Train-the-Trainer approach for Managers)	X	none	Compulsory course
Compliance in the bid approval process	Corporate Compliance	Project managers Compliance employees	X	X	no
Compliance Reporting	Corporate Compliance	Members of the Compliance Organization	no	X	no
Compliance Risk Assessment	Corporate Compliance	Compliance Interested Users	no	X	no
Data Protection	Corporate Compliance	Managers Everyone with a PC workstation	X	X	Compulsory course
Dawn Raids	Corporate Compliance	Managing Directors Members of reaction and support teams Compliance employees Selected employees (HR, IT, Finance ...)	no	X	no
Donations & Sponsoring	Corporate Communications	Executive Board Management Boards Head of Department Compliance employees	X	no	as part of the prevention of corruption
Export Control	Legal, Export Control Organization	Employees of the export control organisation Compliance and all employees who come into contact with foreign trade law	(X)	X	Compulsory course
Grants (Anti-Corruption)	Corporate Compliance	Management Management Secretariats Purchasing, Sales, Accounting	X	X	as part of the prevention of corruption
Incident Management (internal)	Corporate Compliance	Managing Directors Executives Incident Response Committee Members	no	X	no
Investigation	Corporate Compliance	Compliance Managers Security, IT Legal	no	X Possible participants	no
Non-discrimination	HR	Everybody	no	no	X
Offset	Offset	Managers Defence Offset Selected purchasers in Defence	(X)	X	no
Prevention of money laundering	Treasury	Managers Sales Compliance Finance	X	X	as part of the anti-corruption
Selection, review and monitoring of Business Partners	Corporate Compliance	Compliance Managing Directors Sales, Accounting	X	X	as part of the anti-corruption
Whistleblowing system for reporting incidents (EQS)	Corporate Compliance	Everybody Compliance	X	X	no

[15] Annual Report 2019 (Document)

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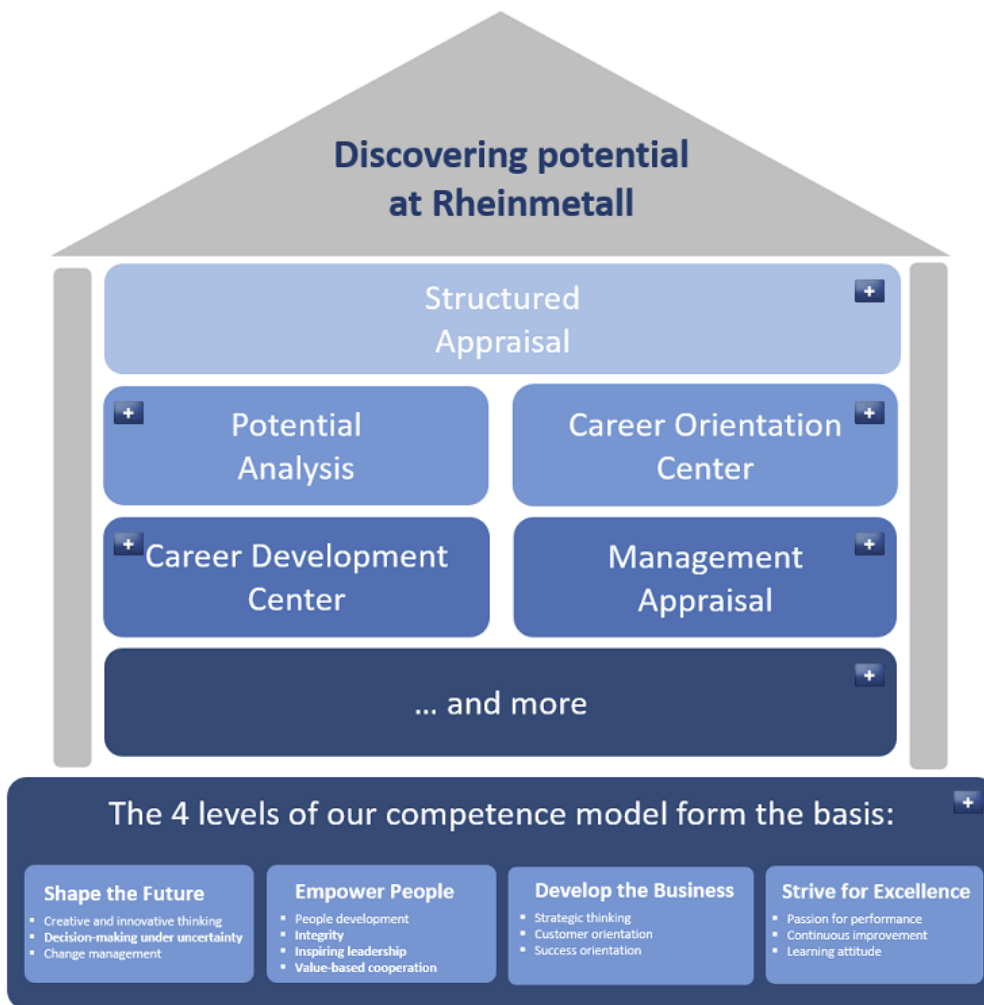
[p.122] Training and advice

To make employees at all hierarchical levels aware of compliance risks, numerous seminars and workshops are held, some of which are tailored to specific functions such as management, buyers or sales staff. Legislation and important regulations are explained and further content is provided.

[p.123] The content of the training is adjusted in accordance with the needs of the participants or supplemented with country-specific or regional peculiarities.

Question
3.3. Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?
Score
1
Comments
<p>There is some evidence that the company reviews its anti-bribery and corruption communications and personnel training programme.</p> <p>However, the measures appear to be limited to tracking the number of personnel trained. There is no evidence the results are used to update specific parts of the company's anti-bribery and corruption communications and training programme.</p>
Evidence
<p>[19] Compliance Management System (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/compliance_management_system_1/index.php^T The Corporate Compliance department and the local Compliance teams ensure the quality of their trainings by regular surveys and bilateral discussions amongst management and staff. The consolidated results of the training efforts are reported to the Supervisory Board by the Chief Compliance Officer.</p> <p>[15] Annual Report 2019 (Document) Accessed 08/04/2020 https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf [p.123] In fiscal 2019, around 7,300 Group employees attended classroom training programs on compliance (e.g. introductory or specialist training or events on the War Weapons Control Act / Foreign Trade and Payments Act / weapons law). In addition, around 1,000 employees completed compliance training via elearning platforms in the year under review.</p>

Question
3.4. Does the company ensure that its employee incentive schemes are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
0
Comments
There is no clear evidence that the company's incentive schemes incorporate ethical or anti-bribery and corruption principles.
Evidence
<p>[4] Compliance Management System (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/career_1/personalentwicklung/potenzial_entdecken/index.php Strong Role Model Function</p> <p>The factors integrity, role model function and understanding of Compliance are specifically evaluated within the framework of the Employee Competence Model, which is part of the Group's overarching human resources development strategy. A positive assessment of the employee against these criteria is a prerequisite for his or her personal suitability as part of Rheinmetall's senior management team.</p> <p>The Employee Competence Model, which is part of the Group's overarching human resources development strategy, consists of four different focus areas including "Empower People". Here, the sub-factor "Integrity" requires elevated skills in self-awareness, role model function and compliance behaviour from our employees. Amongst the 13 different criteria of the Competence Model "Integrity" is one of only four so-called "critical incidents" meaning that you must fulfil this requirement in order to proof your personal suitability to climb the ranks to Rheinmetall's senior management team. The following graphic depicts the Competence Model in more detail.</p>



[15] Annual Report 2019 (Document)

Accessed 08/04/2020

<https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf>

[p.113] Modern remuneration systems

Appropriate, fair and standard market pay systems are a key aspect in recruiting and retaining dedicated staff at the company. Rheinmetall offers attractive contractual terms. In addition to the category of work, these are based on the content of the role and the amount of responsibility and are linked to market rates. In addition to fixed remuneration components in line with market requirements, performance-related bonuses and variable salary components are also paid.

The “Management by Objectives” concept is linked to variable salary components for managers and employees not covered by collective wage agreements. An individual variable portion of income is paid in accordance with the achievement of individually agreed targets and depending on the company’s performance. Depending on the extent to which targets are achieved, this amounts to between 0% and 200% of variable target income. The fact that these income components are based on targets provides incentives for employees to act independently and to take on challenges.

Division heads, managers and executives receive a long-term incentive in addition to this short-term component. This is geared towards long-term corporate success and includes payment of 40% of the long-term incentive amount in Rheinmetall shares, which are subject to a four-year lockup period. The number of shares granted is based on a reference share price which corresponds to the average price on the last five trading days in February of the subsequent fiscal year. A total of 60% of the long-term incentive amount is paid in cash and is also used for the immediate payment of tax on Rheinmetall shares.

[p.144] Remuneration of the Executive Board

Rheinmetall AG's pay system is geared towards sustainable corporate development. Using an assessment basis spanning several years, incentives are provided for a sustainable corporate management strategy, in particular as part of the long-term incentive program (LTI). The Supervisory Board of Rheinmetall AG resolves upon and regularly reviews the amount of Executive Board remuneration and any significant employment contract elements following preparation work carried out by the Personnel Committee.

The Supervisory Board regularly performs an extensive review of the remuneration system of the Executive Board on the basis of all relevant information, and looks in particular at whether the total remuneration of Executive Board members is proportionate to the scope of responsibilities of the Executive Board member in question, his personal performance and the economic situation and success of the company in comparison with industry peers and ensuring that this remuneration does not exceed standard remuneration unless there are special reasons for this. The Supervisory Board most recently reviewed the appropriateness of the Executive Board remuneration at its meeting on December 5, 2019, and adjusted it to standard market conditions with effect from January 1, 2020. In addition, and in accordance with the act on the transposition of the Second Shareholder Rights Directive and the recommendations of the German Corporate Governance Code, the Supervisory Board reviewed the remuneration system and, with effect from January 1, 2020, agreed to amendments for newly joined Executive Board members or Executive Board members whose contracts are due for renewal. Remuneration is calculated in such a way as to ensure that it is competitive on a national and international scale, thus offering an incentive for dedicated and successful work.

Total remuneration is performance-based and is made up of various components. These comprise fixed annual remuneration not linked to performance, performance-related variable remuneration comprising a short-term incentive program (STI) and a long-term incentive program (LTI) as well as fringe benefits and pension commitments. The fixed component makes up 60% and the STI 40% of the annual target salary.

Fixed remuneration

The fixed component is paid out on a monthly basis in twelve equal portions. In addition, Executive Board members receive fringe benefits in the form of non-cash remuneration. This mainly consists of contributions to statutory social pension insurance (or any exempting life insurance in lieu) plus the use of a company car.

Performance-related variable remuneration

Performance-related variable remuneration comprises two elements, the STI and the LTI. The target value (100%) for the STI is based on planning for the fiscal year. This is subject to the development of two key figures, EBT and return on capital employed (ROCE), which are each weighted at 50% and used as criteria for determining this figure. The amount paid from the STI ranges between 0% and 200% of the target amount. Here, 200% of the target amount is paid if the planned value is exceeded by 10%. No payment is made from the STI if target achievement undershoots the planned value by 30%. In the case of intermediate target achievement values, a corresponding value within the range is paid out. The target parameters are also used, in combination with others, by managerial staff in order to ensure the uniformity and consistency of the target system in the Group as a whole in this respect.

[p.145] In order to gear the Executive Board remuneration structure more strongly towards sustainable corporate development, an LTI is part of the Executive Board remuneration. The LTI provides for a distribution at the end of the fiscal year in question based on the calculation of the average adjusted EBT from the last three fiscal years. This distribution amount is divided into a cash portion and an equity portion. The number of shares granted is based on a reference share price which corresponds to the average price on the last five trading days in February of the subsequent fiscal year. The shares granted are subject to a four-year lockup period, during which they are subject to all opportunities and risks inherent in capital market performance. The vesting period is canceled if a member of the Executive Board retires.

As part of the LTI, the figure to be taken into account when calculating the distribution amount (average adjusted EBT from the last three fiscal years) is limited to a maximum of €300 million. This is therefore a cap that is intrinsic to the system. The cash portion is mainly used to pay the tax bill incurred upon receipt of the shares and the cash portion.

Question
3.5. Does the company commit to and assure itself that it will support and protect employees who refuse to act unethically, even when it might result in a loss of business?
Score
0
Comments
There is no evidence that the company commits to support or protect employees who refuse to act unethically, even when it might result in a loss of business.
Evidence
No evidence found.

Question
3.6. Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?
Score
1
Comments
<p>There is evidence the company has a policy of non-retaliation against both whistleblowers and employees who report bribery and corruption incidents that explicitly applies to all employees across the organisation. There is also evidence that the company's whistleblowing line is open to external business partners.</p> <p>However, there is no evidence that the company assures itself of its employees' confidence in this commitment through surveys, usage data, or other clearly stated means.</p>
Evidence
<p>[1] Code of Conduct (Document) Accessed on 07/08/2019 https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/compliance_1/pdf_1/conduct_flyer_en.pdf [p.21] Reporting violations or suspected violations shall not result in negative or repressive measures against the reporting person under any circumstances. The submission of reports must, however, always be carried out in a truthful manner. Rheinmetall guarantees the confidentiality / anonymity of whistleblowers at their request.</p> <p>[15] Annual Report 2019 (Document) Accessed 08/04/2020 https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf [p.123] Protection is guaranteed for all whistleblowers, who need not fear discrimination.</p> <p>[16] Reporting Violations (Webpage) Accessed 08/04/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/regelverstoesse_melden_1/index.php The principles of good corporate governance include, in particular, the elements of adherence to the rules in operational conduct and the protection of employees.</p> <p>In order to make this possible, modern whistleblower systems must be installed which are available to all employees throughout the Rheinmetall Group and also to external parties, so that suspicious events can be reported.</p> <p>International whistleblower systems are an indispensable pillar of any modern Compliance Management System (CMS). Employees and also external persons such as business partners are thus given the opportunity to report compliance violations without having to reckon with personal sanctions.</p> <p>For this purpose, Rheinmetall has created several ways of reporting a compliance violation. The whistleblower is thus free to choose how he wishes to report his information to Rheinmetall.</p> <p>If there is any suspicion of criminal offences or serious irregularities detrimental to the company, anyone at Rheinmetall can confidentially contact either the ombudsman (lawyer of confidence) or Corporate Compliance. Learn more about the possibility of reporting to the <u>Ombudsman</u> (external contact). Find out more about the possibility of reporting to the <u>Corporate Compliance Department</u> (internal contact persons).</p> <p>[20] Incident Management 2020 (Webpage) Accessed 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/incident_management_1/index.php The Rheinmetall Group investigates any concerns about breaches by employees or external parties in the spirit of good corporate governance irrespective of the level of hierarchy and organizational assignment of the concerned individuals or entities, and ensures that these concerns about breaches of the rules are properly processed ("zero tolerance"). Whistleblowing Process</p>

In accordance with the Rheinmetall Code of Conduct, violations of internal rules must be generally reported to the Compliance Organization. In an effort to protect whistleblowers, the Compliance Organization has created different ways how hints from around the world can be given to the Compliance Organization on an anonymous basis:

- Ombudsman - Dr. Buchert as Ombudsman is a lawyer and thus enjoys the legal privilege. In this respect, the communication of the whistleblower with him enjoys a high degree of legal protection. He can be contacted by whistleblowers in several languages and immediately informs Rheinmetall AG's central compliance organization about incoming information so that it can react in a timely manner.
- Direct contact with the Compliance Organization - Corporate Compliance as the central compliance organization of the Rheinmetall Group can be contacted directly in several ways (post/telephone/e-mail). This ensures that the information on demand of the whistleblower can be communicated to an independent body within the group in addition to the local companies.
- New: Before 2019 multiple isolated whistleblowing solutions were operated independently by various individual Rheinmetall companies. Meanwhile a central whistleblowing system is introduced which, in a standardized manner, brings together all the information, i.e. ranging from basic to highly critical nature, worldwide and transmits it to the Corporate Compliance organization for their referral. Subsequently, the Corporate Compliance Organization ensures that the information is properly dealt with, kept confidential on a strict need-to-know-basis and followed up correctly by the relevant stakeholders to be involved. Whistleblowers and other parties involved in an investigation are always treated fairly and receive relevant feedback on the outcome of the investigation.

Information about whistleblower incidents or contents of an internal investigation is regularly considered company confidential and will therefore not be disclosed on our website. However in certain cases it may be opportune to report certain incidents to the public. This will be decided on a case-by-case basis by the senior management. More important than openly presenting detailed information on our investigations, Rheinmetall Group ensures a globally standardized communication channel for investigation matters – offered to internal and external parties.

The Group Works Council and Corporate Compliance have concluded a Collective Bargaining Agreement on the Compliance Management System in 2018 which also clearly emphasizes the company's uncompromising commitment to ensure non-retaliation of whistleblowers.

Question
3.7. Does the company provide multiple whistleblowing and advice channels for use by all (e.g. employees and external parties), and do they allow for confidential and, wherever possible, anonymous reporting?
Score
2
Comments
<p>There is evidence that the company has multiple channels to report instances of suspected corrupt activity and seek advice on the company's anti-bribery and corruption programme. Channels are sufficiently varied to allow the employee to raise concerns across the management chain and to an independent Ombudsman. These channels allow for confidential and, wherever possible, anonymous reporting. They are available and accessible to all employees in all jurisdictions where the company operates, including those employed by the group as third parties, suppliers and joint venture partners, and in multiple relevant languages.</p>
Evidence
<p>[5] SpeakUp – Reporting Violations (Webpage) Accessed on 08/04/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/regelverstoesse_melden_1/zentralbereich_corporate_compliance_1/index.php Speakup - Corporate Compliance: internal Contact Persons</p> <p>The aim of Rheinmetall's compliance organization is to prevent violations of laws and internal regulations in order to avert as far as possible personal harm to employees and the company. This includes the earliest possible intervention in cases of such violations.</p> <p>This task is performed by obtaining information on violations of the rules. For this reason, such reports can be communicated directly <u>Speakup</u> to Corporate Compliance, which is directly assigned to Rheinmetall AG's CEO and thus enjoys a high degree of independence within the Rheinmetall Group.</p> <p>Especially with regard to our employees, we expressly emphasize that the provision of serious and truthful information is not sanctioned. We hereby offer you the opportunity to report any violations of the rules to us in a collegial and unbiased manner within the Group.</p> <p>Every report depends on successful communication. The information communicated with the best of intentions has no effect if it is not understood. For this reason, we ask you to ensure that you always have an opportunity to ask questions. Therefore, please leave your telephone availability or contact us via an e-mail address that you have set up so that we can always reach you via this address.</p> <p>If you wish to contribute to the protection of your anonymity, we recommend that you contact us via a pseudonymised e-mail address.</p> <p>Direct contact</p> <p>If you would like to get in touch with the contact persons at Corporate Compliance, the following contact options are available. We will process all information received in the best possible way. Information in German or English can be obtained via any contact channel. Please understand that we first have to translate notes in other languages, so please use the e-mail address provided for this purpose.</p> <p>Corporate Compliance Rheinmetall Platz 1 40476 Düsseldorf Phone: +49 211 473-4233</p> <p>speakup@rheinmetall.com</p>
[6] Ombudsman (Webpage)

Accessed on 08/04/2020

https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/regelverstoesse_melden_1/ombudsmann_1/index.php

Ombudsman: independent, external Contact Person

The ombudsman protects the identity of a whistleblower through his obligation of secrecy as a lawyer. The identity of the whistleblower will only be disclosed to the investigating bodies of the company upon request and with the express consent of the whistleblower. A professional infrastructure and clearly defined processes from receipt to processing of a report ensure that all reports are processed quickly.

Rheinmetall AG has appointed the Frankfurt lawyer Dr. Rainer Buchert as ombudsman of the Group and its subsidiaries. He serves all Rheinmetall employees worldwide as an external contact point for compliance violations. In Dr. Rainer Buchert, Rheinmetall has been able to secure the services of an experienced and internationally renowned lawyer for the function of ombudsman. For many years, he has assumed this role for renowned large and medium-sized companies. These currently include Volkswagen AG, Lufthansa AG, Diehl Group, Schott AG, STADA AG, Heraeus GmbH, Karstadt Warenhaus GmbH and the OTTO Group.

Whistleblower Platform

If you would like to give a confidential note or transfer encrypted information, please use this online contact form . By using the contact form a high IT security standard is guaranteed in the communication between you as whistleblower and the ombudsman.

Direct Contact

If you wish to address the ombudsman (lawyer of confidence) personally, you will be put through to him in his office without further inquiry. You can also reach him directly by telephone or e-mail.

Dr. Buchert und Partner
Bleidenstraße 1
60311 Frankfurt am Main
Tel: +49 69 710 33 330 (Kanzlei)
Tel: +49 6105 921 355 (direkte Durchwahl)
Fax: +49 69 710 34 444
dr-buchert@dr-buchert.de

If you are unsure how to evaluate facts or observations, Dr. Buchert will be happy to advise you in German and English.

This also applies if you fear that you have made yourself liable to prosecution. Even then, confidentiality is guaranteed. In no case will you incur any costs.

Please understand, however, that our ombudsman is not a complaints office and cannot be a box of grievances. Complaints are neither processed nor forwarded by him.

[1] Code of Conduct (Document)

Accessed on 07/08/2019

https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/compliance_1/pdf_1/conduct_flyer_en.pdf

[p.21] Any of our employees who become aware of, or suspect, that the general business principles described above have been or will be violated, must immediately report this to one of the following points of contact:

- Local responsible Compliance Organization (all violation types)
- Corporate Compliance department (all violation types)
- External Ombudsman (all violation types)
- Electronic whistleblower system (all violation types)
- Data protection officer (data protection violations)
- Treasury (suspected money laundering reports)
- HR department (violations of ethical standards, conflicts of interest)

If an employee wishes to submit an anonymous report, the external Ombudsman / various whistleblower systems at the local level are also available in addition to confidential discussions with an internal unit.

[15] Annual Report 2019 (Document)

Accessed 08/04/2020

<https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf>

[p.123] If employees have information on questionable activities that have been observed, specific breaches of regulations or business practices that may be prohibited, they can contact not only their line manager but also – and in full confidence – various internal offices as well as an independent, external ombudsman (lawyer) and so avert losses for the company. Following the examination in 2018 of all the technical requirements for the introduction of a whistleblower platform for all companies in the Rheinmetall Group, “incident management” will from 2020 be supported by a Group-wide electronic whistleblower platform. In addition, employees can contact the Compliance organization if they suspect or know of breaches of regulations or business practices. In addition to employees, external third parties can contact the ombudsman by telephone or e-mail, send an e-mail to speakup@rheinmetall.com or contact a specialist compliance officer by telephone.

[p.125] Complaints and reports of suspected or actual human rights violations can be submitted externally to the ombudsman or using the Speak Up program through a variety of communication channels within the framework of the Compliance organization. Points of contact are also already established in the companies/locations. Employees can contact executives, HR managers or the Works Council in full confidence. Compliance policies ensure that circumstances that are reported to them will be followed up on.

[16] Reporting Violations (Webpage)

Accessed 08/04/2020

https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/regilverstoesse_melden_1/index.php

The principles of good corporate governance include, in particular, the elements of adherence to the rules in operational conduct and the protection of employees.

In order to make this possible, modern whistleblower systems must be installed which are available to all employees throughout the Rheinmetall Group and also to external parties, so that suspicious events can be reported.

International whistleblower systems are an indispensable pillar of any modern Compliance Management System (CMS). Employees and also external persons such as business partners are thus given the opportunity to report compliance violations without having to reckon with personal sanctions.

For this purpose, Rheinmetall has created several ways of reporting a compliance violation. The whistleblower is thus free to choose how he wishes to report his information to Rheinmetall.

If there is any suspicion of criminal offences or serious irregularities detrimental to the company, anyone at Rheinmetall can confidentially contact either the ombudsman (lawyer of confidence) or Corporate Compliance. Learn more about the possibility of reporting to the Ombudsman (external contact).

Find out more about the possibility of reporting to the Corporate Compliance Department (internal contact persons).

4. Conflict of Interest

Question
4.1. Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members?
Score
2
Comments
There is evidence that the company has a policy that defines conflicts of interest, including actual and potential conflicts. The policy covers employee relationships, financial interests, government relationships, and other employment.
Evidence
<p>[17] Avoiding Conflicts of Interest (Webpage) Accessed 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/conflicts_of_interest/index.php Behavior which could bring employees or a commissioned person acting on behalf of the company (e.g. commercial agent, consultant or cooperation partner) into conflict with their obligations to the corporate well-being of Rheinmetall will not be tolerated.</p> <p>For this reason, the selection of business partners, initiation of new business, personnel decisions, submission of tenders, approval procedures and comparable commercial decisions must be made exclusively on the basis of transparent commercial factors / objective criteria and the applicable processes.</p> <p>Financial or other involvements in business partner companies of the Rheinmetall Group which could result in benefits for the employee in question in the event of the conclusion of a transaction must be disclosed in due time in order to exclude conflicts of interest.</p> <p>Secondary activities must be declared promptly by employees in the context of the applicable HR processes, and must generally be organized such that they do not come into conflict with the primary service obligations under the employment contract. Competition with the primary activity is prohibited. The applicable regulations concerning working hours must be observed.</p> <p>In cases of doubt, the Compliance Organization should be consulted.</p> <p>There is a detailed outline of different procedures applied in the company to detect, cope with, avoid and monitor conflict of interests under par. 1.7 of the Code of Conduct (p.14). In addition, a specific policy on handling Conflicts of Interest is currently under development.</p> <p>[...]</p> <p>The third party assessment as part of the business partner approval process includes a dedicated area of investigating conflicts of interest entailed by new relationships with business partners, freelancers or key employees (including ex-PEPs). It goes without saying that the hiring or contracting of active PEPs is strongly prohibited! Legally applicable grace or cooling-off periods for public officials and politicians are strictly adhered to before hiring or contracting any such party.</p> <p>[1] Code of Conduct (Document) Accessed on 07/08/2019 https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/compliance_1/pdf_1/conduct_flyer_en.pdf [p.14] Behavior which could bring our employees or a commissioned person acting on behalf of our company (e.g. commercial agent, consultant or cooperation partner) into conflict with their obligations to the corporate well-being of Rheinmetall will not be tolerated.</p> <p>For this reason, the selection of business partners, initiation of new business, personnel decisions, submission of tenders, approval procedures and comparable commercial decisions must be made exclusively on the basis of transparent commercial factors /objective criteria and the applicable processes.</p>

Close personal relationships of an employee with customers, suppliers, competitors or approval-relevant decision-makers at authorities which could result in benefits for the employee in question in the event of the conclusion of a transaction must be reported to the Line manager in due time before the conclusion of a transaction and corresponding conflicts of interest must be excluded.*

Financial or other involvements in business partner companies of the Rheinmetall Group which could result in benefits for the employee in question in the event of the conclusion of a transaction must be disclosed in due time in order to exclude conflicts of interest.

Secondary activities must be declared promptly by employees in the context of the applicable HR processes, and must generally be organized such that they do not come into conflict with the primary service obligations under the employment contract. Competition with the primary activity is prohibited. The applicable regulations concerning working hours must be observed.

[15] Annual Report 2019 (Document)

Accessed 08/04/2020

<https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf>

[p.122] As a shared service center, the central Compliance Assessment & Monitoring center of expertise conducts not only pre-employment checks on applicants for key positions, but also all compliance due diligence checks on new and existing business partners (e.g. purchasing, cooperation, and sales partners) on a Group-wide basis. The focus lies here on determining whether the commitment is legally permissible, whether all attributable people can be identified and whether conflicts of interest are excluded, and determining the general capacity and integrity of the business partner.

[16] Code of Conduct 2020 (Document)

Accessed 15/06/2020

https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/corporategovernance/codeofconduct/Rheinmetall_AG_Code_of_conduct_en.pdf

[p.14] Behavior which could bring our employees or a commissioned person acting on behalf of our company (e.g. commercial agent, consultant or cooperation partner) into conflict with their obligations to the corporate well-being of Rheinmetall will not be tolerated.

For this reason, the selection of business partners, initiation of new business, personnel decisions, submission of tenders, approval procedures and comparable commercial decisions must be made exclusively on the basis of transparent commercial factors /objective criteria and the applicable processes.

Financial or other involvements in business partner companies of the Rheinmetall Group which could result in benefits for the employee in question in the event of the conclusion of a transaction must be disclosed in due time in order to exclude conflicts of interest.

Secondary activities must be declared promptly by employees in the context of the applicable HR processes, and must generally be organized such that they do not come into conflict with the primary service obligations under the employment contract. Competition with the primary activity is prohibited. The applicable regulations concerning working hours must be observed.

The first person to involve for the discussion and resolution of a potential conflict of interest is the employee's superior. In addition, departments like HR, Legal or Procurement can be approached to collect expert opinions. In cases of doubt, also the Compliance Organization should be involved.

Close personal relationships of an employee with customers, suppliers, competitors or approval-relevant decision-makers at authorities which could result in benefits for the employee in question in the event of the conclusion of a transaction must be reported to the Line manager in due time before the conclusion of a transaction and corresponding conflicts of interest must be excluded.*

Question
4.2. Are there procedures in place to identify, declare and manage conflicts of interest, which are overseen by a body or individual ultimately accountable for the appropriate management and handling of conflict of interest cases?
Score
1
Comments
<p>There is some evidence that the company has procedures to identify, declare and manage conflicts of interest. There is evidence that the Compliance Organisation is responsible for handling cases and that disciplinary measures will apply for breaches of the company's policy.</p> <p>However, there is no evidence that all employee and board member declarations are held in a dedicated register or central depository that is accessible to those responsible for oversight of the process. There is also no evidence that the company mentions examples of criteria for recusal.</p>
Evidence
<p>[17] Avoiding Conflicts of Interest (Webpage) Accessed 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/conflicts_of_interest/index.php Behavior which could bring employees or a commissioned person acting on behalf of the company (e.g. commercial agent, consultant or cooperation partner) into conflict with their obligations to the corporate well-being of Rheinmetall will not be tolerated.</p> <p>For this reason, the selection of business partners, initiation of new business, personnel decisions, submission of tenders, approval procedures and comparable commercial decisions must be made exclusively on the basis of transparent commercial factors / objective criteria and the applicable processes.</p> <p>Financial or other involvements in business partner companies of the Rheinmetall Group which could result in benefits for the employee in question in the event of the conclusion of a transaction must be disclosed in due time in order to exclude conflicts of interest.</p> <p>Secondary activities must be declared promptly by employees in the context of the applicable HR processes, and must generally be organized such that they do not come into conflict with the primary service obligations under the employment contract. Competition with the primary activity is prohibited. The applicable regulations concerning working hours must be observed.</p> <p>In cases of doubt, the Compliance Organization should be consulted.</p> <p>There is a detailed outline of different procedures applied in the company to detect, cope with, avoid and monitor conflict of interests under par. 1.7 of the Code of Conduct (p.14). In addition, a specific policy on handling Conflicts of Interest is currently under development.</p> <p>[...]</p> <p>The third party assessment as part of the business partner approval process includes a dedicated area of investigating conflicts of interest entailed by new relationships with business partners, freelancers or key employees (including ex-PEPs). It goes without saying that the hiring or contracting of active PEPs is strongly prohibited! Legally applicable grace or cooling-off periods for public officials and politicians are strictly adhered to before hiring or contracting any such party.</p> <p>[1] Code of Conduct (Document) Accessed on 07/08/2019 https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/compliance_1/pdf_1/conduct_flyer_en.pdf [p.14] Behavior which could bring our employees or a commissioned person acting on behalf of our company (e.g. commercial agent, consultant or cooperation partner) into conflict with their obligations to the corporate well-being of Rheinmetall will not be tolerated. For this reason, the selection of business partners, initiation of new business, personnel decisions, submission of tenders, approval procedures and comparable commercial decisions must be made exclusively on the basis of transparent commercial factors /objective criteria and the applicable processes.</p>

Close personal relationships of an employee with customers, suppliers, competitors or approval-relevant decision-makers at authorities which could result in benefits for the employee in question in the event of the conclusion of a transaction must be reported to the Line manager in due time before the conclusion of a transaction and corresponding conflicts of interest must be excluded.*

Financial or other involvements in business partner companies of the Rheinmetall Group which could result in benefits for the employee in question in the event of the conclusion of a transaction must be disclosed in due time in order to exclude conflicts of interest.

Secondary activities must be declared promptly by employees in the context of the applicable HR processes, and must generally be organized such that they do not come into conflict with the primary service obligations under the employment contract. Competition with the primary activity is prohibited. The applicable regulations concerning working hours must be observed.

[p.22] Violations of this Code of Conduct can jeopardize not only the commercial success of Rheinmetall, but above all also the well-being and professional future of each individual employee.

For this reason, the company does not tolerate any damage to its reputation or the appearance of its employees or commissioned persons due to impermissible activities or conduct.

For this reason, any violation of this Code of Conduct will be met with corresponding sanctions. These can range, for example, from contract terminations to disciplinary measures to the notification of law enforcement authorities.

[15] Annual Report 2019 (Document)

Accessed 08/04/2020

<https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf>

[p.122] As a shared service center, the central Compliance Assessment & Monitoring center of expertise conducts not only pre-employment checks on applicants for key positions, but also all compliance due diligence checks on new and existing business partners (e.g. purchasing, cooperation, and sales partners) on a Group-wide basis. The focus lies here on determining whether the commitment is legally permissible, whether all attributable people can be identified and whether conflicts of interest are excluded, and determining the general capacity and integrity of the business partner.

Question
4.3. Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?
Score
1
Comments
<p>There is evidence that the company has a policy that addresses the risks associated with the employment of public officials.</p> <p>However, the controls that the policy has to assess and regulate the employment of current or former public officials are too vague.</p>
Evidence
<p>[17] Avoiding Conflicts of Interest (Webpage) Accessed 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/conflicts_of_interest/index.php The third party assessment as part of the business partner approval process includes a dedicated area of investigating conflicts of interest entailed by new relationships with business partners, freelancers or key employees (including ex-PEPs). It goes without saying that the hiring or contracting of active PEPs is strongly prohibited! Legally applicable grace or cooling-off periods for public officials and politicians are strictly adhered to before hiring or contracting any such party.</p>

Question
4.4. Does the company report details of the contracted services of serving politicians to the company?
Score
1
Comments
The company states that it does not contract serving politicians, however, it does provide evidence which suggests that an active politician serves on its supervisory board.
Evidence
<p>[17] Avoiding Conflicts of Interest (Webpage) Accessed 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/conflicts_of_interest/index.php It goes without saying that the hiring or contracting of active PEPs is strongly prohibited! Legally applicable grace or cooling-off periods for public officials and politicians are strictly adhered to before hiring or contracting any such party.</p> <p>[8] Business Partner Management (Webpage) Accessed on 08/04/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/geschaeftpartner_management_1/index.php Rheinmetall Defence has representative offices in Berlin and Brussels. Rheinmetall does not send or employ any staff in ministries.</p> <p>[22] Supervisor Board – Biography (Webpage) Accessed 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/press/news/archiv/archive2014/index_4032.php Dr. Franz Josef Jung</p> <p>[...]</p>

1972 to 1987	Kreistag representative for the Rheingau-Taunus district
1983 to 2005	Member of the Hesse Landtag
1987 to 1991	General secretary of the Hesse CDU
1987 to 1999	Chief whip of the CDU Landtag fraction
1989 to 2017	Member of the 9th to 16th Federal Assembly
1998 to 2014	Deputy Chairman of the Hesse CDU
1998 to 2016	Member of the Federal Executive Board of CDU Germany
1999 to 2000	Hessian Minister for Federal and European Affairs and Head of State Chancellery
2003 to 2005	CDU Fraction Chief in the Hesse Landtag for the 16th electoral period
Since 2005	Member of the German Bundestag
2005 to 2009	German Federal Minister of Defense
October 28, 2009 to November 30, 2009	German Federal Minister of Labor and Social Affairs
2012 – 2014	Chairman of the Media Policy Expert Group of CDU Germany
2013 to January 2015	Deputy Chairman of the CDU/CSU Bundestag fraction for Nutrition, Agriculture and Consumer Protection
Since 2014	CDU/CSU Bundestag fraction officer for churches and religious communities
Since January 2015	Deputy Chairman of the CDU/CSU Bundestag fraction For Foreign Affairs, Security Policy, European Council
Since 2015	Board member of the Saint Petersburg Dialog
Since 2015	Chairman of the Federal Work Group for Soldier Care (BAS)

[23] News Archive (Webpage)

Accessed 15/06/2020

https://www.rheinmetall.com/en/rheinmetall_ag/press/news/archiv/archive2014/index_4032.php

Dirk Niebel to take up international duties at Rheinmetall starting in 2015

Former German government minister Dirk Niebel will be joining Rheinmetall AG of Düsseldorf in January 2015. He will support the Rheinmetall Group's Executive Board in all questions and matters relating to global strategy-making and expanding international ties at governmental level. Mr Niebel was Federal Minister for Economic Cooperation and Development from 2009 to 2013.

Listed on the German MDAX exchange, Rheinmetall AG serves the global automotive industry and meets the defence technology needs of many nations. With over 23,000 employees worldwide, Group sales last year came to €4.6 billion. During the past decade, Rheinmetall has pushed forward with its strategy of internationalization in both sectors, and now has some 45 development and production locations outside of Germany. Besides Europe, Rheinmetall has a major presence above all in the United States and Canada, China, India, Brazil and Mexico as well as in Japan, Australia and South Africa. In 2013 international sales accounted for some 72% of total Group revenue. The Rheinmetall Executive Board recently made it clear that the Group will continue to press ahead with its systematic strategy of internationalization.

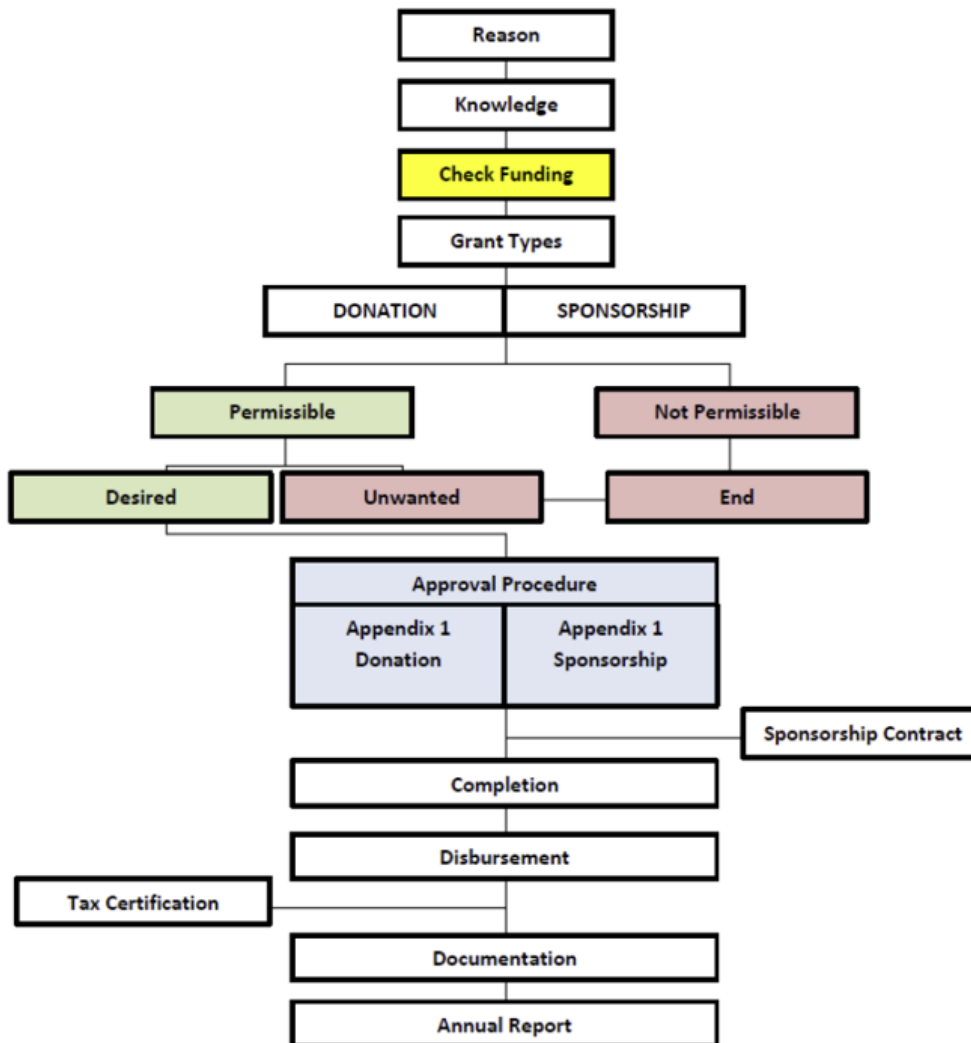
5. Customer Engagement

5.1 Contributions, Donations and Sponsorships

Question
5.1.1. Does the company have a clearly defined policy and/or procedure covering political contributions?
Score
0
Comments
There is evidence that the company permits political contributions, and therefore receives a score of '0'.
Evidence
<p>[8] Business Partner Management (Webpage) Accessed on 08/04/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/geschaeftpartner_management_1/index.php Contributions to democratic political parties are subject to applicable laws and internal, often stricter compliance regulations. They fall within the remit of Rheinmetall AG's Executive Board, which restrictively handles approvals.</p> <p>[1] Code of Conduct (Document) Accessed on 07/08/2019 https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/compliance_1/pdf_1/conduct_flyer_en.pdf [p.10] Rheinmetall is conscious of its responsibility, and as such is committed to supporting charitable causes financially and through donations in kind. These must always be appropriate, transparent and in accordance with the applicable law. For this reason, any donation commitment, particularly to parties and institutions adjacent to them, campaigns from the area of "corporate citizenship" and sponsorship of cultural, social events or sports events must always be structured on the basis of the applicable Rheinmetall internal policies.</p> <p>[7] Handling of Gifts and Hospitality, Sponsoring, Donations (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/umgang_mit_zuwendungen_spenden_sponsoring_1/index.php Information on political contributions made by Rheinmetall and its subsidiaries is also published by the German Government on a regular basis (see link below) what guarantees for a high level of transparency. As Rheinmetall endeavors to achieve the highest possible transparency in this area as well, this enables NGOs such as www.abgeordnetenwatch.de to validate and publish relevant information on Rheinmetall's donation and contribution activities on an ongoing basis, too. In addition to the protective mechanisms and publications described above, further details on donations and sponsorship are regularly published – e.g. in the annual report 2019 on p. 124: "In 2019, the Rheinmetall Group spent around EUR 876 thousand on sponsoring and donated EUR 486 thousand. Donations to political parties are released exclusively by the Chairman of the Executive Board."</p>

Question
5.1.2. Does the company publish details of all political contributions made by the company and its subsidiaries, or a statement that it has made no such contribution?
Score
0
Comments
There is no evidence that the company discloses details of its political contributions.
Evidence
<p>[7] Handling of Gifts and Hospitality, Sponsoring, Donations (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/umgang_mit_zuwendungen_spenden_sponsoring_1/index.php</p> <p>Information on political contributions made by Rheinmetall and its subsidiaries is also published by the German Government on a regular basis (see link below) what guarantees for a high level of transparency. As Rheinmetall endeavors to achieve the highest possible transparency in this area as well, this enables NGOs such as www.abgeordnetenwatch.de to validate and publish relevant information on Rheinmetall's donation and contribution activities on an ongoing basis, too.</p> <p>In addition to the protective mechanisms and publications described above, further details on donations and sponsorship are regularly published – e.g. in the annual report 2019 on p. 124: "In 2019, the Rheinmetall Group spent around EUR 876 thousand on sponsoring and donated EUR 486 thousand. Donations to political parties are released exclusively by the Chairman of the Executive Board."</p>

Question
5.1.3. Does the company have a clearly defined policy and/or procedure covering charitable donations and sponsorships, whether made directly or indirectly, and does it publish details of all such donations made by the company and its subsidiaries?
Score
1
Comments
<p>There is some evidence that the company has a policy covering both charitable donations and sponsorships.</p> <p>However, the company does not publish sufficient detail of the donations to receive a score of '2'.</p>
Evidence
<p>[18] Code of Conduct 2020 (Document) Accessed on 15/06/2020 https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/corporategovernance/codeofconduct/Rheinmetall_AG_Code_of_conduct_en.pdf [p.10] Donations and sponsorships Rheinmetall is conscious of its responsibility, and as such is committed to supporting charitable causes financially and through donations in kind. These must always be appropriate, transparent and in accordance with the applicable law. For this reason, any donation commitment, particularly to parties and institutions adjacent to them, campaigns from the area of "corporate citizenship" and sponsorship of cultural, social events or sports events must always be structured on the basis of the applicable Rheinmetall internal policies. Donations to political parties are released by the CEO only.</p> <p>[7] Handling of Gifts and Hospitality, Sponsoring, Donations (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/umgang_mit_zuwendungen_spenden_sponsoring_1/index.php Handling of Gifts and Hospitality, Sponsoring, Donations Both the Gifts Policy and the Donations and Sponsorship Policy are important instruments for the prevention of corruption. By imposing value limits and procedural and approval routines, Rheinmetall creates the necessary sensitivity among its employees to the use of funds for third parties in the business, regulatory and political context.</p> <p>Sponsoring & Donations Accepting and granting advantages and bribes are acts that Rheinmetall considers to be "no goes". For this reason, every effort is made to ensure transparent and honest business relations. To this end, Rheinmetall goes to great lengths to comprehensively review potential and existing partners and to review the sustainability of internal financial flows. In addition to an in-depth review of business partners, the instruments for this include the constant comparison of blacklistings, anti-terrorism lists, the provision of information on corruption risks in individual countries, the regulation of grants, donations and sponsorship. These measures are accompanied by constant awareness improvement measures and training of employees on the said topics. All employees must comply with the specifications and approval processes set by the internal Donations & Sponsorship Policy and the Gifts Policy. These policies clearly describe the procedures for the allocation or acceptance of donations and contributions. The cover to the relevant policy and a detailed procedure for handling donations to and from external parties, including politicians and officials, can be inspected as follows:</p>



The business partner approval process also foresees to evaluate recipients of donations and sponsoring efforts prior to a transaction in order to avoid conflicts of interest or similar.

2.2.1.4 Charity Partners

Charity Partners must undergo a Compliance Review from the following value limits:

- Donation recipient > EUR 5,000 donation volume
- Sponsorship partner > EUR 10,000 sponsorship amount

Charity Partners are not generally subject to a Compliance Review in accordance with Section 2.3 et seqq. of this policy, but the background of a donation/sponsorship campaign with the named business partners of the Charity Partner category must always be checked by CD. If necessary, a TPA can be ordered from CAM on request.

The principles of the donations and sponsorship policy must be observed.

Information on political contributions made by Rheinmetall and its subsidiaries is also published by the German Government on a regular basis (see link below) what guarantees for a high level of transparency.

As Rheinmetall endeavors to achieve the highest possible transparency in this area as well, this enables NGOs such as www.abgeordnetetenwatch.de to validate and publish relevant information on Rheinmetall's donation and contribution activities on an ongoing basis, too.

In addition to the protective mechanisms and publications described above, further details on donations and sponsorship are regularly published – e.g. in the annual report 2019 on p. 124: "In 2019, the Rheinmetall Group spent around EUR 876 thousand on sponsoring and donated EUR 486 thousand. Donations to political parties are released exclusively by the Chairman of the Executive Board."

[10] Compliance Framework (Webpage)

Accessed on 08/04/2020

https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/compliance_regelwerk_1/index.php

Donations and Sponsorship Policy

Both the Gifts Policy and the Donations & Sponsorship Policy are important instruments for the prevention of corruption. By imposing value limits and procedural and approval routines, Rheinmetall creates the necessary sensitivity among its employees to the use of funds for third parties in the business, regulatory and political context. Accepting and granting advantages, bribery and bribery are acts that Rheinmetall considers to be "no goes". For this reason, every effort is made to ensure transparent and honest business relations. To this end, Rheinmetall goes to great lengths to comprehensively review potential and existing partners and to review the sustainability of internal financial flows.

In addition to an in-depth review of business partners, the instruments for this include the constant comparison of blacklisting lists, anti-terrorism lists, the provision of information on corruption risks in individual countries, the regulation of grants, donations and sponsorship. These measures are accompanied by constant awareness improvement measures and training of employees on the said topics.


5.2 Lobbying

Question
5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?
Score
1
Comments
<p>There is evidence that the company has a policy on lobbying.</p> <p>However, the company scores '1' as there is no evidence that it defines lobbying or the practices comprising responsible lobbying. The company mentions that consultants and lobbyists are subject to high compliance standards, however, there is no evidence that the company publishes specific details of these standards or controls, or information about oversight mechanisms that apply to all types of lobbyists.</p>
Evidence
<p>[8] Business Partner Management (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/geschaeftpartner_management_1/index.php Relations to Government, Authorities and Politics</p> <p>As a Group for leading technologies in mobility and security, we always present ourselves to our customers transparently, impartially, and with the requisite professional distance, regardless of whether customers are from the public or private sector or how far back the business history extends. We only use critically preselected consultants or lobbyists at the interface to politics and authorities. They are subject to the same high compliance standards as Rheinmetall employees themselves.</p> <p>Rheinmetall Defence has representative offices in Berlin and Brussels. Rheinmetall does not send or employ any staff in ministries. Contributions to democratic political parties are subject to applicable laws and internal, often stricter compliance regulations. They fall within the remit of Rheinmetall AG's Executive Board, which restrictively handles approvals.</p> <p>We conduct lobbying in accordance with the rule of law as well as the principles of openness, traceability and accountability. Neutrality in dealing with political parties and interest groups is a matter of course for us. Unfair influence on politics and legislation is not permitted.</p>

Question
5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?
Score
0
Comments
There is no evidence that the company publishes any information on its lobbying aims, topics or activities.
Evidence
No evidence found.

Question
5.2.3 Does the company publish full details of its global lobbying expenditure?
Score
0
Comments
There is no evidence that the company provides any details about its global lobbying expenditure.
Evidence
No evidence found.

5.3 Gifts and Hospitality

Question
5.3.1 Does the company have a policy and/or procedure on gifts and hospitality to ensure they are bona fide to prevent undue influence or other corruption?
Score
1
Comments
<p>There is some evidence that the company has a policy on the giving and receipt of gifts and hospitality to ensure they are not used for bribery. This policy refers to the risks associated with gifts and hospitality given to public officials. The policy also specifies financial or proportional limits or different approval procedures for different types of promotional expenses.</p> <p>However, there is no evidence that all gifts and hospitality above a certain threshold are recorded in a dedicated register or central depository that is accessible to those responsible for oversight of the process.</p>
Evidence
<p>[7] Handling of Gifts and Hospitality, Sponsoring, Donations (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/umgang_mit_zuwendungen_spenden_sponsoring_1/index.php</p> <p>Handling of Gifts and Hospitality, Sponsoring, Donations Both the Gifts Policy and the Donations and Sponsorship Policy are important instruments for the prevention of corruption. By imposing value limits and procedural and approval routines, Rheinmetall creates the necessary sensitivity among its employees to the use of funds for third parties in the business, regulatory and political context.</p> <p>Gifts & Benefits The underlying policy that regulates the handling of gifts and benefits is geared to ensure that all corresponding transactions are made in bona fide and to prevent undue influence or other corruption. The policy is applicable to all Management and staff levels within the Rheinmetall Group. Some further details can be inspected as follows:</p>  <p>Compliance@Rheinmetall Policy on Handling Gifts, Entertainment and Invitations to Events</p>

5. Specific rules for assessing the appropriateness of benefits on a case-by-case basis

To simplify the assessment as to whether a benefit is appropriate using the above criteria, this policy includes rules for the various types of benefits (see Sections 5.1 to 5.3). A "traffic light" system distinguishes among:

- Benefits that are permissible and do not require further approval ("green light"),
- Benefits that are always prohibited ("red light"), and
- Benefits that require special approval and documentation ("yellow light").

Stricter, special rules apply to benefits granted to government officials (see Section 5.4).

In some cases, the acceptance of benefits can represent a cash value received, and must be considered wages subject to payroll tax withholding by the employer. In cases of doubt, the employee should consult with his or her supervisor and the HR department.

5.1 Gifts

5.1.1 Benefits that are always permitted and do not require further approval ("green light")

Gifts with a value of up to €50 incl. VAT (or the equivalent amount in another currency) per person are generally permissible and do not require further approval as long as they are not given on multiple occasions within a short time period. The value of the gift is based on the standard market price at the recipient's main place of domicile.

5.1.2 Gifts that are always prohibited ("red light")

The following gifts are always prohibited:

- Monetary payments (such as cash, transfers or granting interest-free or low-interest loans, etc.), or
- Gifts that the business partner specifically requested, or
- Gifts meant to cause a certain business or operational decision or meant as a thank-you/reward for such a decision.

[1] Code of Conduct (Document)

Accessed on 07/08/2019

https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/compliance_1/pdf_1/conduct_flyer_en.pdf

[p.9] Rheinmetall combats corruption in any form, and forbids its employees, representatives and others acting on behalf of or on the instructions of the Rheinmetall Group from exerting influence illegally in any manner. As such, it is never permissible at Rheinmetall for material or intangible benefits which could give rise to an impression of influence over commercial decisions to be demanded, promised or accepted in dealings with business partners, government officials or third parties involved in business transactions. It is likewise never permissible to promise, offer or grant business partners, government officials or third parties involved in business transactions personal benefits with the intention of winning a contract, securing a transaction or obtaining any other unfair advantage for Rheinmetall. The acceptance or granting of permissible benefits is subject to internal value restrictions depending on the type of benefit recipient, the amount of which can vary on a country-specific basis according to statutory provisions or differences in purchasing power. Furthermore, Rheinmetall employees do not make any "facilitation payments" (i.e. smaller monetary sums or payments in kind to government officials in order to simplify or accelerate administrative procedures or official acts).

Examples of forbidden benefits:

- Cash
- Socially unacceptable gifts
- Invitations to events with an exclusive entertainment portion or "adult entertainment"
- Personal benefits
- Favors

6. Supply Chain Management

Question
6.1. Does the company require the involvement of its procurement department in the establishment of new supplier relationships and in the oversight of its supplier base?
Score
1
Comments
<p>There is evidence that the company's procurement department is involved in the establishment and oversight of supplier relationships. There is evidence that the procurement department is the main body responsible for oversight of the company's supplier base.</p> <p>However, there is no evidence that the company assures itself of the procurement department's involvement at least every three years.</p>
Evidence
<p>[15] Annual Report 2019 (Document) Accessed 08/04/2020 https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf [p.83] Suppliers and procurement</p> <p>The task of the purchasing organization, which is controlled by the Purchasing Council, is to improve Rheinmetall's market position with respect to suppliers and achieve better purchasing conditions. This ranges from lower prices to more favorable, standardized payment and delivery conditions. In addition, the Purchasing Council ensures through regular meetings that the purchasing organization is aligned with the requirements, the purchasing employees are properly trained and that both the organization and processes are described in sufficient detail.</p> <p>[p.117] Purchasing organization</p> <p>As part of the ONE Rheinmetall strategy program and Next Sourcing initiative, a purchasing partnership managed by the Rheinmetall Purchasing Council was created within the Rheinmetall Group and comprises the head of procurement for non-production material (NPM) and the heads of procurement in the six divisions. The task of the new purchasing partnership is to improve Rheinmetall's market position with respect to suppliers and to achieve better purchasing conditions. This ranges from lower prices to more favorable, standardized payment and delivery conditions.</p> <p>The new, Group-wide purchasing guideline entered into force on January 1, 2019. This covers the integration of purchasing in all procurement projects and processes. The handbook for the NPM purchasing organization, which also entered into force on January 1, 2019, describes the functioning of the NPM purchasing organization and covers interaction with the purchasing areas in the divisions. To improve the internal processes, a purchasing system is also to be implemented by mid 2020 for Rheinmetall AG. This system will map the entire order-to-deliver process and support the electronic pay process.</p> <p>The "Supplier Portal: SupplyOn" tool was introduced worldwide for Rheinmetall Automotive to promote close collaboration among the Automotive divisions Mechatronics, Hardparts and Aftermarket. SupplyOn is the shared supply chain collaboration platform of a growing number of globally active companies, most notably from the Automotive and Aerospace sectors, which makes business processes between customers and suppliers more transparent and more secure. Selected modules of this system are currently being used (Business Directory, Sourcing, Performance Monitor, Collaboration Folder, Web EDI and Project Management), with which purchasing processes can be effectively converted to an online format.</p> <p>Transparency in the supply chain</p> <p>We also wish to anchor our values and principles in our supply chains and therefore expect our business partners to share our principles regarding responsible and fair conduct to employees, customers, suppliers and the public</p>

and demonstrate this responsibility accordingly. We therefore support and explicitly encourage our business partners to take into account and to apply the principles laid down in our Supplier Code of Conduct in their own corporate policy and to view them as an advantageous basis for further business relationships. With this Supplier Code of Conduct, Rheinmetall also complies with the guiding principles for the automotive industry for improving sustainability in the supply chain, which have been developed by the Association of the German Automotive Industry (VDA) and which describe the minimum expectations regarding ethical business conduct, environmental standards, working conditions, human rights as well as harassment and discrimination. In the year under review, the central areas Procurement and Corporate Social Responsibility conducted a review of the Supplier Code of Conduct and took some initial steps to update it.

[p.118] In fiscal 2019, the central Compliance Assessment & Monitoring Center of Competence extended the parameters used during business partner reviews to include CSR aspects such as human rights and the environment. In the event of any anomalies, the central area Corporate Social Responsibility is informed and then, in conjunction with the specialist department in question, checks and clarifies the issue identified.

As part of the project designed to promote transparency in the supply chain, the central areas Procurement, Corporate Social Responsibility and Compliance defined with reference to the business partner reviews the procedure for existing and new suppliers, requirements and value limits for a more in-depth supplier review; this procedure is to be applied in fiscal 2020 as a pilot project initially in the Mechatronics division, before being rolled out phase by phase to other divisions.

Furthermore, a structural analysis of the Rheinmetall Group's suppliers and focusing on CSR aspects was performed in the year under review. Details of this are provided on page 125.

In the Hardparts division, KS Kolbenschmidt trialed the use of the econsense app during in-house supplier meetings for a quick check of sustainability-related aspects. It is planned to roll out the use of this app to the purchasing organizations in the divisions of the Rheinmetall Group.

[8] Business Partner Management (Webpage)

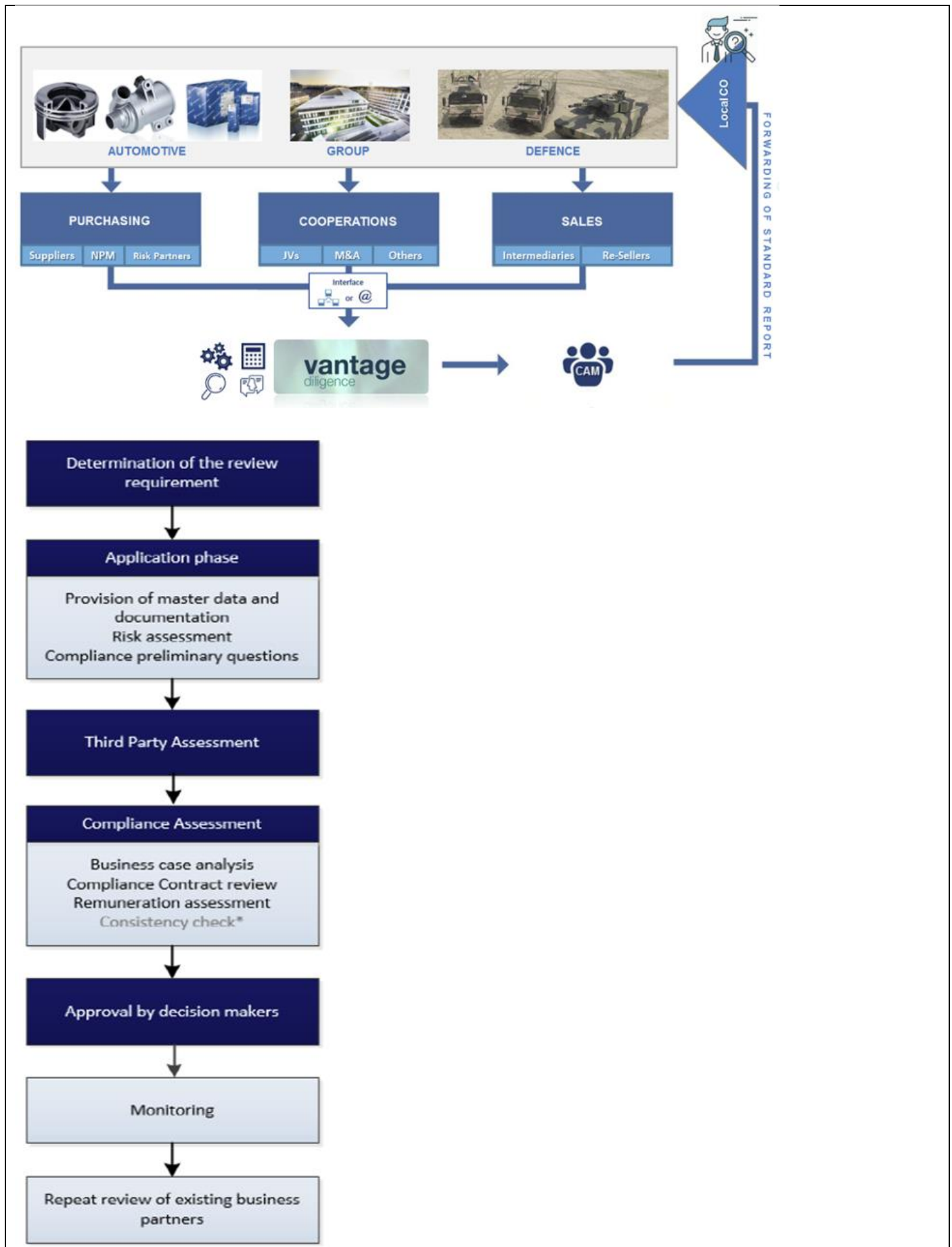
Accessed on 15/06/2020

https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/geschaeftpartner_management_1/index.php

Integrity along the entire Value Chain

To protect the company's reputation and to ensure cooperations built on the basis of trust Rheinmetall expects its suppliers, service partners, sales partners and customers to follow the same behavior and share the same basic attitude. This shared understanding was therefore condensed into our Supplier Code of Conduct (target group = suppliers and service providers) and Business Partner Code of Conduct (target group = intermediaries and re-sellers) which must be confirmed by all of the respective business partners on a mandatory basis.

"Integrity" is therefore an essential selection criterion for cooperating with all kinds of business partners along the entire value chain. Because of the abundance of contracted business partners Rheinmetall follows a risk-based approach if and how to check our third parties which relies on different factors such as value of a transaction, country of registration, type of business and type of company / individual of the prospective business partner. Another criterion is whether a business partner is new to Rheinmetall or has already been audited in the past. The following graphics show the overall structure as well as the detailed flow chart of the globally applicable Rheinmetall Business Partner Approval Process for third parties.



Screening our Supply Chain


The Rheinmetall Group pursues a structured process for the qualification of new suppliers including the assessment of Compliance-related risk factors. The following graphic shows the overall approach.



The process begins with the supplier self-assessment factoring in various commercial, technical and other parameters. On the basis of this data, we evaluate the general suitability of the supplier. This initial assessment is later supplemented by supplier audits.

For selected suppliers - based on the criteria of business country, sales and other risk factors - we additionally apply a variety of more comprehensive evaluation procedures. The following table shows on what basis we determine if a supplier is applicable for this more extensive Compliance Due Diligence or not.

Types of suppliers and service providers	Value limit for review requirement	Examples
Manufacturer	Above an annual procurement volume > EUR 1 million	Suppliers of electronic components or software products
Supplier of raw/base materials or production material	Above an annual procurement volume > EUR 500,000	Supplier of armour steel or plastic granulate for further processing
Supplier for NPM products	Above an annual procurement volume > EUR 100,000	Supplier of office material or IT equipment
Offset supplier	None → <u>Always</u> review!	Supplier/service provider in connection with offset/industrial participation
Service provider for NPM services	Above an annual procurement volume > EUR 100,000	Tradesmen, technical consultants or personnel recruitment
Market research/market analysis service providers	Above an annual procurement volume > EUR 50,000	Creator of market research studies or competition analyses
Service providers with difficult control of service provision	Above an annual procurement volume > EUR 5,000 <u>or</u> no clearly identifiable procurement volume at the time of the review	PR agent or foreign travel agent
Service providers with contact with authorities	None → <u>Always</u> review!	Logistics service providers (if including customs clearance), customs agent, service providers for authorities, visa service providers
Purchasing advisor	None → <u>Always</u> review!	Consultancy services within the framework of complex procurement projects

 **Note:** The review process for suppliers and service providers also applies to procurements that are decentralised (e.g. service purchasing) or from projects (e.g. prototype purchasing).

The principles of the procurement policy must be observed.

These assessments not only include a thorough validation of the supplier's policies, processes and general commitment to ensuring Compliance. We also conduct thorough background checks of:

- KYC factors such as name, registration, ownership and management
- Track record in the relevant line of business / contractual scope
- Integrity and transparency of the business partner and its affiliates
- The supplier's performance on ESG aspects such as human rights, labor rights, occupational safety, gender equality, anti-discrimination and environmental protection.

The following sample assessment result shows how the Compliance Organization informs its internal stakeholders about the results on a Third Party Assessment.

B SAMPLE - THIRD-PARTY ASSESSMENT

Restricted group of recipients!

Business partner category

Description of research objective and degree of detail of detail PICI elements

Description of research objectives and degree of detail of further risks

THIRD PARTY ASSESSMENT

TP DATA

Third Party Type
Provider of Special Services

TP name and legal form
TP Name (TP legal form)
(hereinafter: "Shortened TP name")

Number of findings of the respective category

OVERALL RESULT

Findings
2 2 1

Indices

Country

CAM recommendation

Various country indices (e.g. CPI)

Short status report on the TP country of domicile reg. corruption statistics and polit. situation

Review depth TP in acc. with risk scoring

Availability of information for research

Audit Element	Short Description	Evaluation	Indices	Country
P-C-I-Standard				
Permissibility [P]				
Identifiability [ID]				
Capability [C]				
Integrity [IG]				
Further Risks (no impact on internal rating)				
Financial Risks [F]				
CSR Risks [CSR]				
Other Risks [O]				

Corporate Compliance - Compliance Assessment and Monitoring (CAM) // XX

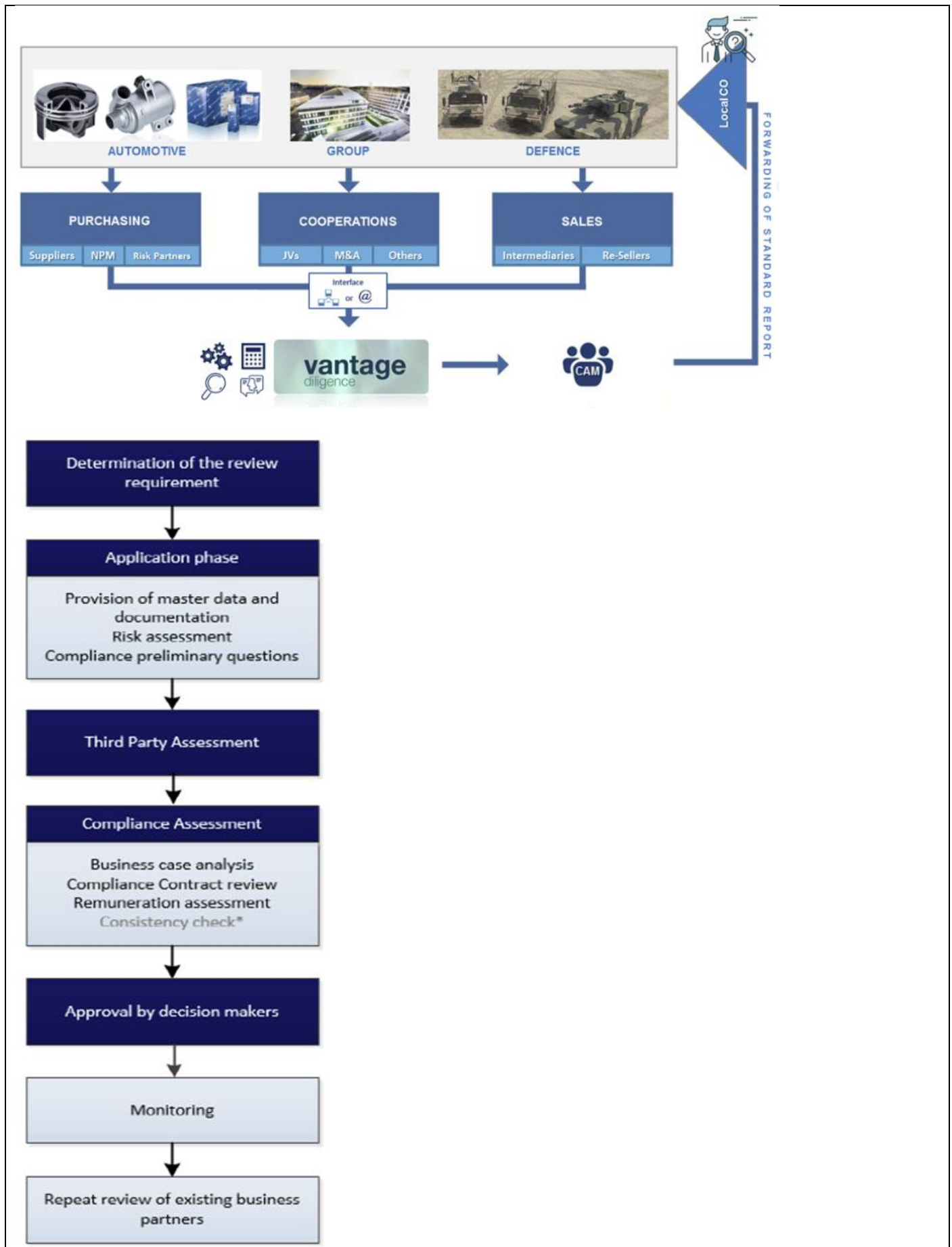
Initials CAM processor

Individual risk assessment per audit element

08.12.2019
Page 1 / 2

In the event of relevant evaluation results, Rheinmetall will work with the supplier to clarify any potential problems identified. The final recommendation as to whether the transaction should be pursued further is made by the Compliance Assessment & Monitoring department, which belongs to the Corporate Compliance organization. During the series delivery phase, Purchasing regularly checks the supplier's quality and ability to deliver. These performance indicators are the most important input for our series supplier evaluation, which is regularly updated and shared with the suppliers. We strive for a continuous improvement of supplier performance through our supplier evaluation. At the same time, selected suppliers are continuously monitored for > 1,000 sanctions, criminal records and databases for adverse media - including human rights-oriented sources of information. Some more information on the oversight of our supplier base can be found in AR 2019 on page 118. Our transparency and responsibility approach regarding our supplier on-boarding activities is also made clear in the AR 2019 on page 120.

Question
6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?
Score
1
Comments
<p>There is evidence that the company has formal procedures to conduct due diligence on all new suppliers. There is evidence that the company might be willing to review or terminate supplier relationships in circumstances where a red flag highlighted in the due diligence cannot be mitigated. There is evidence that due diligence includes checks on ultimate beneficial ownership and that higher risk suppliers are subject to enhanced due diligence.</p> <p>However, it is unclear how frequently due diligence is repeated on existing suppliers.</p>
Evidence
<p>[8] Business Partner Management (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/geschaeftpartner_management_1/index.php Business Partner Management</p> <p>At Rheinmetall, business partner verification or third party assessment means a series of background analyses conducted on a potential business partner (so-called Third Party Assessment) prior to as well as after the conclusion of the contract (so-called Third Party Monitoring). The focus is on excluding potential Compliance risks being introduced to the company through the "back door" by contracting an external party.</p> <p>Such risks can include criminal or unethical conduct on the part of the business partner, opaque ownership structures allowing for tax evasion or money laundering, or conflicts of interest in relation to competitors, customers, bureaucratic structures, political parties or with Rheinmetall personnel. Although the defense and automotive sectors have different risk emphases, the importance of early detection of possible critical scenarios is always paramount.</p> <p>At Rheinmetall, business partner due diligence is conducted on the basis both a risk-scoring mechanism as well as a division of labor procedure between central and decentralized Compliance teams. Hence, a specialist team at Rheinmetall headquarters carries out standardized background checks on business partners whereas the Compliance team in the business area performs business-case and contract-specific reviews – all within one interconnected IT and process framework.</p> <p>Our Business Partner Policy is applicable for all Rheinmetall companies including our joint ventures.</p> <p>Integrity along the entire Value Chain</p> <p>To protect the company's reputation and to ensure cooperations built on the basis of trust Rheinmetall expects its suppliers, service partners, sales partners and customers to follow the same behavior and share the same basic attitude. This shared understanding was therefore condensed into our Supplier Code of Conduct (target group = suppliers and service providers) and Business Partner Code of Conduct (target group = intermediaries and re-sellers) which must be confirmed by all of the respective business partners on a mandatory basis.</p> <p>Integrity" is therefore an essential selection criterion for cooperating with all kinds of business partners along the entire value chain. Because of the abundance of contracted business partners Rheinmetall follows a risk-based approach if and how to check our third parties which relies on different factors such as value of a transaction, country of registration, type of business and type of company / individual of the prospective business partner. Another criterion is whether a business partner is new to Rheinmetall or has already been audited in the past. The following graphics show the overall structure as well as the detailed flow chart of the globally applicable Rheinmetall Business Partner Approval Process for third parties.</p>



Screening our Supply Chain


The Rheinmetall Group pursues a structured process for the qualification of new suppliers including the assessment of Compliance-related risk factors. The following graphic shows the overall approach.



The process begins with the supplier self-assessment factoring in various commercial, technical and other parameters. On the basis of this data, we evaluate the general suitability of the supplier. This initial assessment is later supplemented by supplier audits.

For selected suppliers - based on the criteria of business country, sales and other risk factors - we additionally apply a variety of more comprehensive evaluation procedures. The following table shows on what basis we determine if a supplier is applicable for this more extensive Compliance Due Diligence or not.

Types of suppliers and service providers	Value limit for review requirement	Examples
Manufacturer	Above an annual procurement volume > EUR 1 million	Suppliers of electronic components or software products
Supplier of raw/base materials or production material	Above an annual procurement volume > EUR 500,000	Supplier of armour steel or plastic granulate for further processing
Supplier for NPM products	Above an annual procurement volume > EUR 100,000	Supplier of office material or IT equipment
Offset supplier	None → <u>Always</u> review!	Supplier/service provider in connection with offset/industrial participation
Service provider for NPM services	Above an annual procurement volume > EUR 100,000	Tradesmen, technical consultants or personnel recruitment
Market research/market analysis service providers	Above an annual procurement volume > EUR 50,000	Creator of market research studies or competition analyses
Service providers with difficult control of service provision	Above an annual procurement volume > EUR 5,000 <u>or</u> no clearly identifiable procurement volume at the time of the review	PR agent or foreign travel agent
Service providers with contact with authorities	None → <u>Always</u> review!	Logistics service providers (if including customs clearance), customs agent, service providers for authorities, visa service providers
Purchasing advisor	None → <u>Always</u> review!	Consultancy services within the framework of complex procurement projects

 **Note:** The review process for suppliers and service providers also applies to procurements that are decentralised (e.g. service purchasing) or from projects (e.g. prototype purchasing).

The principles of the procurement policy must be observed.

These assessments not only include a thorough validation of the supplier's policies, processes and general commitment to ensuring Compliance. We also conduct thorough background checks of:

- KYC factors such as name, registration, ownership and management
- Track record in the relevant line of business / contractual scope
- Integrity and transparency of the business partner and its affiliates
- The supplier's performance on ESG aspects such as human rights, labor rights, occupational safety, gender equality, anti-discrimination and environmental protection.

The following sample assessment result shows how the Compliance Organization informs its internal stakeholders about the results on a Third Party Assessment.

B SAMPLE - THIRD-PARTY ASSESSMENT

THIRD PARTY ASSESSMENT

Restricted group of recipients! RESTRICTED USE FOR OPERATIONAL REQUESTOR / COMPLIANCE ONLY

Business partner category

Description of research objective and degree of detail PICI elements

Description of research objectives and degree of detail of further risks

TP DATA

Third Party Type
Provider of Special Services

TP name and legal form
TP Name (TP legal form)
(hereinafter: "Shortened TP name")

Number of findings of the respective category

OVERALL RESULT
Findings: 2 (Green), 2 (Yellow), 1 (Red)

Traffic light eval-

RHEINMETALL GROUP

CAM recommendation

Various country indices (e.g. CPI)

Short status report on the TP country of domicile reg. corruption statistics and polit. situation

Review depth TP in acc. with risk scoring

Availability of information for research

Audit Element	Short Description	Evaluation	Indices	Country
Permissibility [P]				
Identifiability [ID]				
Capability [C]				
Integrity [IG]				
Financial Risks [F]				
CSR Risks [CSR]				
Other Risks [O]				

Further Risks (no impact on research report)

Initials CAM processor

Individual risk assessment per audit element

05.12.2019
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In the event of relevant evaluation results, Rheinmetall will work with the supplier to clarify any potential problems identified. The final recommendation as to whether the transaction should be pursued further is made by the Compliance Assessment & Monitoring department, which belongs to the Corporate Compliance organization. During the series delivery phase, Purchasing regularly checks the supplier's quality and ability to deliver. These performance indicators are the most important input for our series supplier evaluation, which is regularly updated and shared with the suppliers. We strive for a continuous improvement of supplier performance through our supplier evaluation. At the same time, selected suppliers are continuously monitored for > 1,000 sanctions, criminal records and databases for adverse media - including human rights-oriented sources of information. Some more information on the oversight of our supplier base can be found in AR 2019 on page 118. Our transparency and responsibility approach regarding our supplier on-boarding activities is also made clear in the AR 2019 on page 120.

[15] Annual Report 2019 (Document)

Accessed 08/04/2020

<https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf>

[p.119] The supply chain sustainability working group, formed by the Association of the German Automotive Industry and of which Rheinmetall Automotive is a member, is formulating a comprehensive, 11- category evaluation sheet for assessing the sustainability performance of companies in the automotive supply chain. The content focuses primarily on social sustainability as well as on issues relating to occupational safety, environmental protection and fire safety. This assessment can be integrated in existing corporate processes and acts as an aid in the design and implementation of corporate due diligence. The mutual recognition of the results, which the participating companies can share with each other on a web-based platform, is designed to prevent repeat audits and promote the targeted, structured further development of sustainability within the industry. The text label, which is issued by external, accredited certification companies, confirms that, in accordance with the standards of implementation, no indications of fundamental or critical violations were identified.

[p.122] As a shared service center, the central Compliance Assessment & Monitoring center of expertise conducts not only pre-employment checks on applicants for key positions, but also all compliance due diligence checks on new and existing business partners (e.g. purchasing, cooperation, and sales partners) on a Group-wide basis. The focus lies here on determining whether the commitment is legally permissible, whether all attributable people can be identified and whether conflicts of interest are excluded, and determining the general capacity and integrity of the business partner. The local Compliance organization will continue concentrating on assessing the transaction-specific compliance risk associated with the commitment of a business partner at company level. In the year under

review, the existing guideline for selecting, checking and monitoring business partners was completely revised and now includes, for example, risk-based elements. In this connection, new check criteria from the area of Corporate Social Responsibility have also been included to reflect the growing importance of sustainability. The center of expertise will be integrated in day-to-day operational business through various technical and procedural interfaces. The selection, management and supervision of sales partners, in particular, will be fundamentally improved through the implementation of a business partner database, which started at the same time. Around 870 business partners and people who applied for key positions at the Rheinmetall Group were subjected to a check in the past fiscal year (previous year: around 800 people).

Question
6.3 Does the company require all of its suppliers to have adequate standards of anti-bribery and corruption policies and procedures in place?
Score
1
Comments
<p>There is evidence that the company ensures that its suppliers have adequate anti-bribery and corruption policies and procedures in place. The company takes active steps to ensure this by requiring that all suppliers follow its Supplier Code of Conduct, which prohibits corruption, and refers to policies to address conflicts of interest and gifts and hospitality. There is evidence that the company assures itself of its suppliers' adherence to this through ongoing monitoring throughout the lifecycle of the relationship.</p> <p>However, there is no evidence that the company requires all suppliers to have in place policies that prohibit facilitation payments as well as procedures covering whistleblowing.</p>
Evidence
<p>[9] Supplier Code of Conduct (Document) Accessed on 10/08/2019 https://www.rheinmetall.com/media/en/editor_media/rheinmetallag/einkauf/Rheinmetall_Supplier-Code-of-Conduct.pdf <p>[p.3] COMPLIANCE</p> <p>5.1. Compliance requirement</p> <p>Our stakeholders assess us on how Rheinmetall manages its business. Our reputation is therefore critical for the continuity and profitability of the Rheinmetall Group. No legal violation can be justified on the basis of supposed business requirements. Rheinmetall therefore demands correct business conduct from its suppliers and their employees, subcontractors, intermediaries and consultants in the form of compliance with all applicable legislation, ordinances and industrial standards. Corruption or attempted corruption of any kind and other illegal practices such as fraud, extortion, embezzlement, misappropriation, tax evasion or money laundering will not be tolerated. Rheinmetall expects the supplier to have put processes in place to monitor compliance with all applicable legislation, ordinances and industrial standards and to maintain them permanently.</p> <p>5.2 Gifts & Benefits</p> <p>Rheinmetall expects its suppliers not to have accepted, demanded or received any donations, which could lead to a conflict of interests. These include, in particular, improper donations, bribes and kickbacks or other illegal payments (e.g. to speed up routine administrative tasks) to government officials or other persons in the context of the business relationship). Processes to enforce and monitor these requirements must be introduced and applied.</p> <p>5.3 Dealing with authorities</p> <p>Rheinmetall expects its suppliers to comply with the legal regulations in dealing with government authorities and public institutions. When participating in public tenders, they shall comply with the respective legal regulations and the rules of fair and free competition.</p> <p>5.4 Use of intermediaries and consultants</p> <p>Rheinmetall expects its suppliers only to use intermediaries and consultants in compliance with the respective national legislation. In particular, they shall ensure that the remuneration paid is only granted for brokering and consulting services actually supplied and the remuneration is appropriate to the service supplied.</p> <p>[p.4] CONFLICTS OF INTEREST</p> <p>6.1 Rheinmetall expects its suppliers to make decisions solely on the basis of objective, business-related criteria and not to be influenced by private or financial interests or personal relationships. Each potential or actual conflict of interest with employees of Rheinmetall will be disclosed to Rheinmetall by the supplier.</p> <p>[p.5] COMPLIANCE</p> <p>For Rheinmetall, compliance with environmental, social and compliance rules in the value chain is of major significance. Together with our suppliers, Rheinmetall aims to improve them continuously.</p> </p>

The Supplier Code of Conduct is an integral part of the order. All suppliers are required to provide evidence of compliance with the Supplier Code of Conduct through a self-assessment process. Rheinmetall reserves the right to review compliance with the requirements subsequently, through audits or other measures seen as suitable by Rheinmetall, for instance, and, if applicable, to define the measures needed for improvement with the supplier.

Rheinmetall expects its suppliers to pass on the expectations and content of the Supplier Code of Conduct to its subcontractors and suppliers, to oblige them accordingly and to ensure compliance.

Each violation against the rules and standards listed in this Supplier Code of Conduct will be considered as compromising the business relationship and the contractual relationship. Rheinmetall expects its suppliers actively to clarify any suspected violations and to cooperate with Rheinmetall unconditionally in this process. Rheinmetall reserves the right to demand information about the matter in question if there is any suspicion of non-compliance (e.g. in the case of negative media reports).

Rheinmetall would like to encourage its suppliers to inform their point of contact at Rheinmetall or – if preferred also anonymously – via Rheinmetall head office of a possible violation against the rules and standards of this Supplier Code of Conduct, which is committed by a third party or a representative of Rheinmetall itself.

The Supplier Code of Conduct is available to download from the website of Rheinmetall AG, of Rheinmetall Automotive and Rheinmetall Defence. Rheinmetall reserves the right to update the content of the Supplier Code of Conduct from time to time, if legislative or regulatory changes require this.

[8] Business Partner Management (Webpage)

Accessed on 15/06/2020

https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/geschaeftpartner_management_1/index.php

Business Partner Management

At Rheinmetall, business partner verification or third party assessment means a series of background analyses conducted on a potential business partner (so-called Third Party Assessment) prior to as well as after the conclusion of the contract (so-called Third Party Monitoring). The focus is on excluding potential Compliance risks being introduced to the company through the “back door” by contracting an external party.

Such risks can include criminal or unethical conduct on the part of the business partner, opaque ownership structures allowing for tax evasion or money laundering, or conflicts of interest in relation to competitors, customers, bureaucratic structures, political parties or with Rheinmetall personnel. Although the defense and automotive sectors have different risk emphases, the importance of early detection of possible critical scenarios is always paramount.

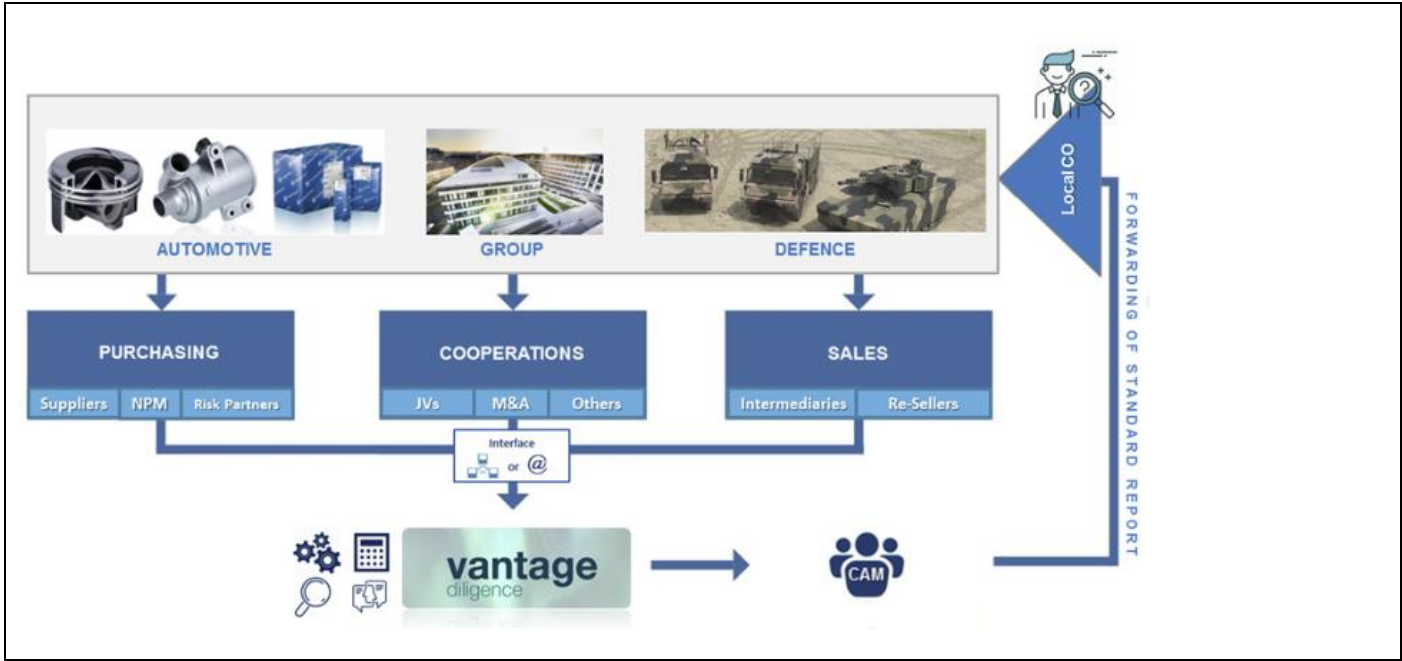
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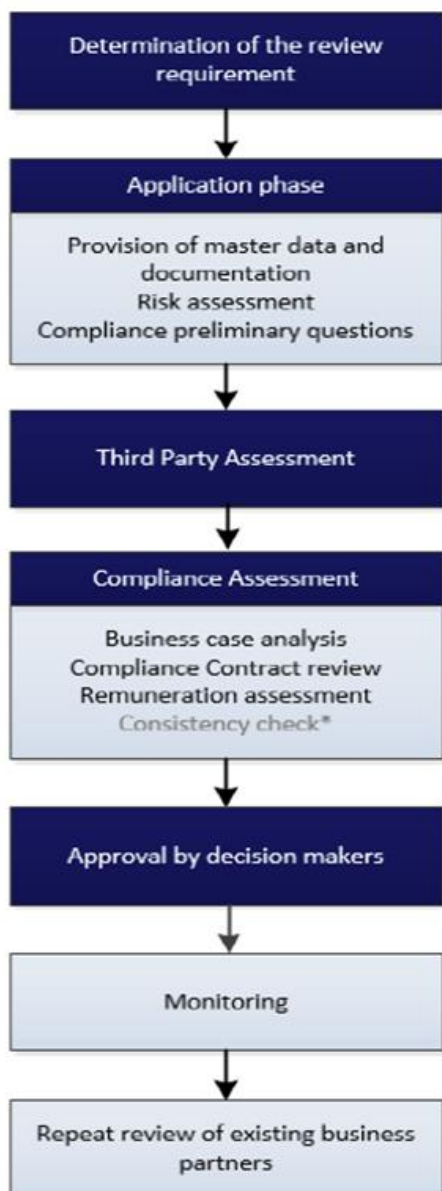
Our Business Partner Policy is applicable for all Rheinmetall companies including our joint ventures.

Integrity along the entire Value Chain

To protect the company's reputation and to ensure cooperations built on the basis of trust Rheinmetall expects its suppliers, service partners, sales partners and customers to follow the same behavior and share the same basic attitude. This shared understanding was therefore condensed into our Supplier Code of Conduct (target group = suppliers and service providers) and Business Partner Code of Conduct (target group = intermediaries and re-sellers) which must be confirmed by all of the respective business partners on a mandatory basis.

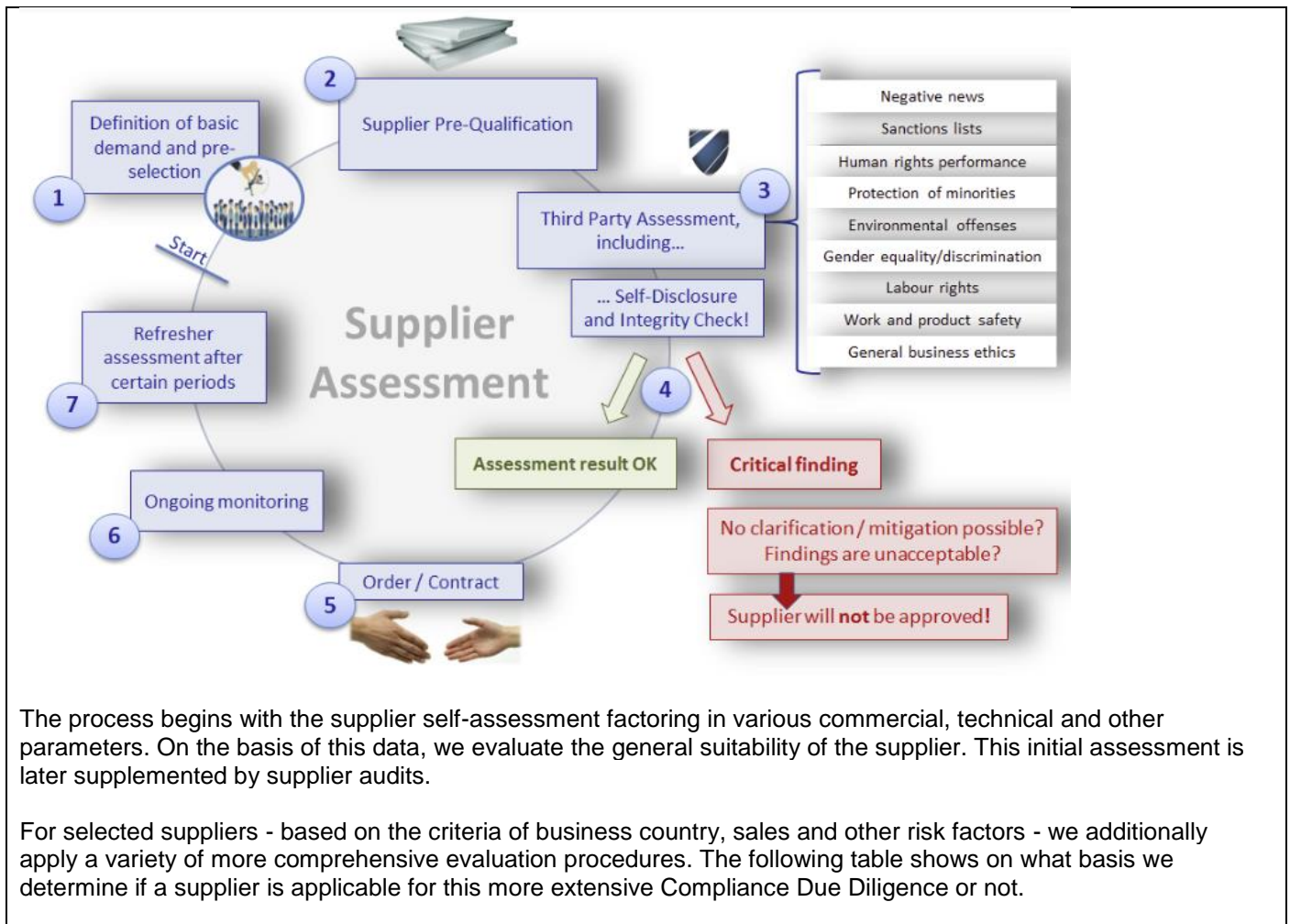
"Integrity" is therefore an essential selection criterion for cooperating with all kinds of business partners along the entire value chain. Because of the abundance of contracted business partners Rheinmetall follows a risk-based approach if and how to check our third parties which relies on different factors such as value of a transaction, country of registration, type of business and type of company / individual of the prospective business partner. Another criterion is whether a business partner is new to Rheinmetall or has already been audited in the past. The following graphics show the overall structure as well as the detailed flow chart of the globally applicable Rheinmetall Business Partner Approval Process for third parties.






Screening our Supply Chain

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Supplier for NPM products	Above an annual procurement volume > EUR 100,000	Supplier of office material or IT equipment
Offset supplier	None → <u>Always</u> review!	Supplier/service provider in connection with offset/industrial participation
Service provider for NPM services	Above an annual procurement volume > EUR 100,000	Tradesmen, technical consultants or personnel recruitment
Market research/market analysis service providers	Above an annual procurement volume > EUR 50,000	Creator of market research studies or competition analyses
Service providers with difficult control of service provision	Above an annual procurement volume > EUR 5,000 <u>or</u> no clearly identifiable procurement volume at the time of the review	PR agent or foreign travel agent
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 **Note:** The review process for suppliers and service providers also applies to procurements that are decentralised (e.g. service purchasing) or from projects (e.g. prototype purchasing).

The principles of the procurement policy must be observed.

These assessments not only include a thorough validation of the supplier's policies, processes and general commitment to ensuring Compliance. We also conduct thorough background checks of:

- KYC factors such as name, registration, ownership and management
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- The supplier's performance on ESG aspects such as human rights, labor rights, occupational safety, gender equality, anti-discrimination and environmental protection.

The following sample assessment result shows how the Compliance Organization informs its internal stakeholders about the results on a Third Party Assessment.

B SAMPLE - THIRD-PARTY ASSESSMENT

THIRD PARTY ASSESSMENT									
TP DATA Third Party Type Provider of Special Services		TP name and legal form TP Name (TP legal form) (hereinafter: "Shortened TP name")		Number of findings of the respective category		OVERALL RESULT Findings: 2 (Green), 2 (Yellow), 1 (Red)		No remarks regarding the envisaged relationship with business partner	
Audit Element		Short Description		Evaluation		Indices		Country	
P-C-I Standard		Permissibility [P] Identifiability [ID] Capability [C] Integrity [IG]							
Further Risks (no impact on overall result)		Financial Risks [F] CSR Risks [CSR] Other Risks [O]							
Corporate Compliance - Compliance Assessment and Monitoring (CAM) // XX									
Initials CAM processor				Individual risk assessment per audit element				09.12.2019 Page 1 / 2	

Annotations:

- Restricted group of recipients!** (points to TP DATA)
- Business partner category** (points to TP DATA)
- Description of research objective and degree of detail of detail PCI elements** (points to P-C-I Standard)
- Description of research objectives and degree of detail of further risks** (points to Further Risks)
- Traffic light eval-** (points to OVERALL RESULT)
- CAM recommendation** (points to No remarks...)
- Various country indices (e.g. CPI)** (points to Country column)
- Short status report on the TP country of domicile reg. corruption statistics and polit. situation** (points to Country column)
- Review depth TP in acc. with risk scoring** (points to Country column)
- Availability of information for research** (points to Country column)

In the event of relevant evaluation results, Rheinmetall will work with the supplier to clarify any potential problems identified. The final recommendation as to whether the transaction should be pursued further is made by the Compliance Assessment & Monitoring department, which belongs to the Corporate Compliance organization. During the series delivery phase, Purchasing regularly checks the supplier's quality and ability to deliver. These performance indicators are the most important input for our series supplier evaluation, which is regularly updated and shared with the suppliers. We strive for a continuous improvement of supplier performance through our supplier evaluation. At the same time, selected suppliers are continuously monitored for > 1,000 sanctions, criminal records and databases for adverse media - including human rights-oriented sources of information. Some more information on the oversight of our supplier base can be found in AR 2019 on page 118. Our transparency and responsibility approach regarding our supplier on-boarding activities is also made clear in the AR 2019 on page 120.

Question
6.4 Does the company ensure that its suppliers require all their sub-contractors to have anti-corruption programmes in place that at a minimum adhere to the standards established by the main contractor?
Score
2
Comments
<p>There is evidence that the company takes steps to ensure that its sub-contractors have adequate anti-bribery and corruption programmes in place and that the substance of its anti-corruption and bribery programme and standards are included in subcontracts throughout the supply chain. This evidence is in the form of a clear statement, short description or set of supplier principles that sets the minimum standards of ethical behaviour expected throughout the supply chain.</p>
Evidence
<p>[9] Supplier Code of Conduct (Document) Accessed on 10/08/2019 https://www.rheinmetall.com/media/en/editor_media/rheinmetallag/einkauf/Rheinmetall_Supplier-Code-of-Conduct.pdf [p.3] Rheinmetall therefore demands correct business conduct from its suppliers and their employees, subcontractors, intermediaries and consultants in the form of compliance with all applicable legislation, ordinances and industrial standards. Corruption or attempted corruption of any kind and other illegal practices such as fraud, extortion, embezzlement, misappropriation, tax evasion or money laundering will not be tolerated.</p> <p>[p.5] Rheinmetall expects its suppliers to pass on the expectations and content of the Supplier Code of Conduct to its subcontractors and suppliers, to oblige them accordingly and to ensure compliance.</p> <p>[8] Business Partner Management (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/geschaeftpartner_management_1/index.php Business Partner Management</p> <p>At Rheinmetall, business partner verification or third party assessment means a series of background analyses conducted on a potential business partner (so-called Third Party Assessment) prior to as well as after the conclusion of the contract (so-called Third Party Monitoring). The focus is on excluding potential Compliance risks being introduced to the company through the "back door" by contracting an external party.</p> <p>Such risks can include criminal or unethical conduct on the part of the business partner, opaque ownership structures allowing for tax evasion or money laundering, or conflicts of interest in relation to competitors, customers, bureaucratic structures, political parties or with Rheinmetall personnel. Although the defense and automotive sectors have different risk emphases, the importance of early detection of possible critical scenarios is always paramount.</p> <p>At Rheinmetall, business partner due diligence is conducted on the basis both a risk-scoring mechanism as well as a division of labor procedure between central and decentralized Compliance teams. Hence, a specialist team at Rheinmetall headquarters carries out standardized background checks on business partners whereas the Compliance team in the business area performs business-case and contract-specific reviews – all within one interconnected IT and process framework.</p> <p>Our Business Partner Policy is applicable for all Rheinmetall companies including our joint ventures.</p> <p>Integrity along the entire Value Chain</p> <p>To protect the company's reputation and to ensure cooperations built on the basis of trust Rheinmetall expects its suppliers, service partners, sales partners and customers to follow the same behavior and share the same basic attitude. This shared understanding was therefore condensed into our Supplier Code of Conduct (target group = suppliers and service providers) and Business Partner Code of Conduct (target group = intermediaries and re-sellers) which must be confirmed by all of the respective business partners on a mandatory basis.</p>

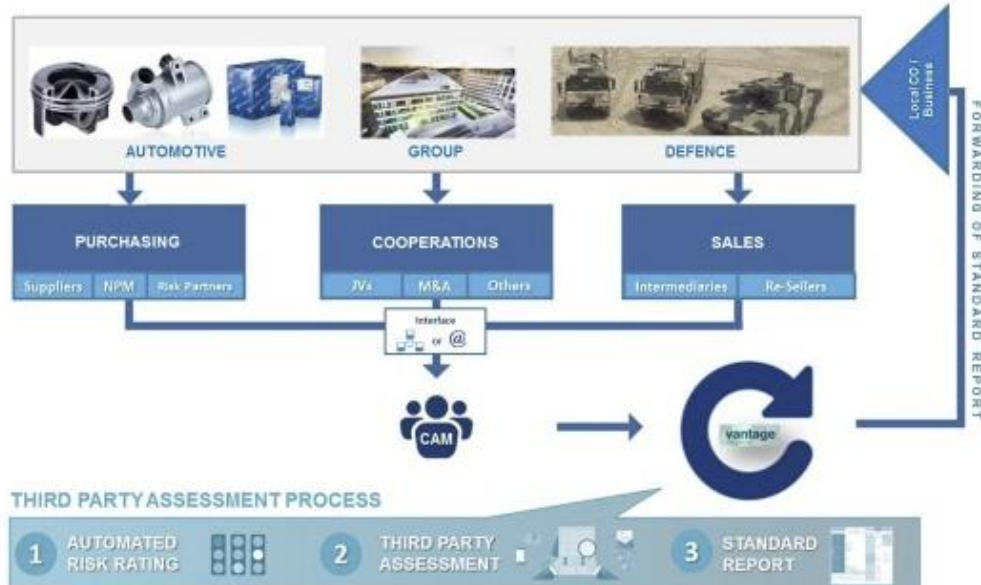
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Question
6.5 Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or anti-bribery and corruption investigations relating to its suppliers, or the associated disciplinary actions.
Evidence
No evidence found.

7. Agents, Intermediaries and Joint Ventures

7.1 Agents and Intermediaries

Question
7.1.1 Does the company have a clear policy on the use of agents?
Score
2
Comments
<p>There is some evidence the company has a policy on the use of agents as part of its business partner management programme and addresses the corruption risks associated with the use of agents. The company's controls include due diligence on agents. There is evidence that the company commits to establishing and verifying that the use of agents is, in each case, necessary to perform a legitimate business function. The policy applies company-wide, to all subsidiaries and joint ventures.</p>
Evidence
<p>[8] Business Partner Management (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/geschaeftpartner_management_1/index.php At Rheinmetall, business partner verification or third party assessment means a series of background analyses conducted on a potential business partner (so-called Third Party Assessment) prior to as well as after the conclusion of the contract (so-called Third Party Monitoring). The focus is on excluding potential Compliance risks being introduced to the company through the "back door" by contracting an external party.</p> <p>Such risks can include criminal or unethical conduct on the part of the business partner, opaque ownership structures allowing for tax evasion or money laundering, or conflicts of interest in relation to competitors, customers, bureaucratic structures, political parties or with Rheinmetall personnel. Although the defense and automotive sectors have different risk emphases, the importance of early detection of possible critical scenarios is always paramount.</p> <p>At Rheinmetall, business partner due diligence is conducted on the basis both a risk-scoring mechanism as well as a division of labor procedure between central and decentralized Compliance teams. Hence, a specialist team at Rheinmetall headquarters carries out standardized background checks on business partners whereas the Compliance team in the business area performs business-case and contract-specific reviews – all within one interconnected IT and process framework.</p> <p>Our Business Partner Policy is applicable for all Rheinmetall companies including our joint ventures.</p> <p>3. Scope</p> <p>This policy applies to all companies in the Rheinmetall Group² and therefore must be implemented in a suitable way by the responsible bodies of all companies to ensure that it applies to all affected bodies and employees in the respective company. In addition, efforts should be made to ensure that comparable rules and procedures are implemented where Rheinmetall AG has minority holdings and affiliated companies.</p> <p>[...]</p>



Third Party Assessment Process at Rheinmetall

[...]

Safeguarding the Sales Process

Given the generally elevated Compliance risks when it comes to sales-related business partners such as agents, sales consultants, re-sellers, dealers or JV partners Rheinmetall applies an even stronger third party assessment regime to those kinds of commercial counterparts. This means that the parties as shown in the following tables undergo not only a screening, but also a very thorough business case and remuneration / commercial evaluation process performed by our operational Compliance teams to substantially decrease the risk for bribery, corruption, fraud, export control or competition law-related offences by or funneled through our sales partners. The following excerpt from our Business Partner Policy shows what kinds of cooperation partners and sales partners are prone to undergo the described elevated third party Due Diligence evaluation process.

Types of intermediaries	Definition	Remuneration
Commercial representatives	Classic “sales agents”, permanently ¹ employed	Performance-based remuneration on a commission basis
Brokers	Classic “sales agents”, employed on a project basis	Performance-based remuneration on a commission basis
Sales advisers	<u>Not</u> classic “sales agents”, employed permanently or on a project basis	Non-performance-related remuneration on fixed remuneration basis
Lobbyist	Not classic “sales agents”, permanently employed	Non-performance-related remuneration on fixed remuneration basis
Offset broker	Intermediary in connection with offset and industrial involvement, employed on a project basis	Performance-based remuneration or remuneration on a fixed remuneration basis

Resellers

Resellers within the meaning of this policy are business partners who procure products/services of the Rheinmetall Group in their own name and for their own account and resell them either with or without modification (construction, finishing or processing activities) or fully integrate them into their own trade before selling them. Two types of reseller are differentiated:

- usually with higher Compliance risk (technologically costly products/services usually distributed as part of larger projects)
- Resellers of mass-produced/simple products – usually with lower Compliance risk (commodity/merchandise, usually distributed on an order basis)

In this case, each Rheinmetall company uses its own terminology (such as distributor, authorised dealer, engine repairer or system integrator), but to which the provisions of this policy apply equally.

In our global defence contract database that is operated and maintained by our divisional headquarters as well as larger subsidiaries, we have currently a greater number of pre-approved and closely monitored external sales supporters including sales agents deployed all around the globe. In order to assure and incentivize Compliance amongst our external sales support, each contract for sales agents contains a clause on compliant conduct and a special termination right that becomes valid in cases of misconduct. See our standard Conduct Clause as follows.

Article 5 – Conduct

5.1 Each of the PARTIES hereto warrants that it has not, and covenants that it will not, in connection with this Agreement or its performance hereunder, directly or indirectly, offer, pay, promise to pay, or authorize the payment of, or give, promise to give, or authorize the giving of, any money or thing of value to any governmental official or to any person, where circumstances would seem to suggest that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to a governmental official, for the purpose of influencing any act or decision of such governmental official, including a decision to fail to perform his lawful duty, or inducing such governmental official to use his influence with any Government or instrumentality thereof to affect or influence any act or decision of such Government or instrumentality, in order to assist COMPANY, or in obtaining or retaining business or directing business to any other party.

Each of the PARTIES hereto warrants that it has not, and covenants that it will not, in connection with this Agreement or its performance hereunder, directly or indirectly, offer, pay, promise to pay or authorize the payment of, or give, promise to give, or authorize the giving of, any money or thing of value to any director, employee, agent, representative or any other person acting on behalf or in the interest of a commercial entity for the purpose of influencing any act or decision of such person to use his influence within such commercial entity in order to give the COMPANY directly or indirectly dishonest and unfair preferential treatment with regard to a procurement of goods or services as reflected under this Agreement.

AGENT warrants that all of his directors, shareholders, officers, employees and consultants, commercial agents will comply with the obligations contained herein.

5.2 As used in this Article 5, the term "governmental official" means officer or employee of any government or any department, agency, instrumentality or majority owned or directly or indirectly controlled corporation thereof, or any person acting in an official capacity for or on behalf of any such government or department, agency, instrumentality or majority owned or directly or indirectly controlled or corporation thereof, or any political party or political party official, or any candidate for political office.

5.3 AGENT acknowledges that no employee of COMPANY (including any of its divisions or affiliates) has any authority to give any direction, written or oral, in connection with the making of any payment or commitment by AGENT to any third party in contravention of the foregoing. (Affiliate hereby defined as any company which directly or indirectly owns a majority in the shares in or otherwise controls a company or is directly or indirectly majority owned or controlled by a company.)

5.4 If AGENT violates the provisions of this Article 5, COMPANY shall be entitled to immediate termination of this Agreement, AGENT shall surrender any claim for payment hereunder and shall, immediately upon COMPANY's written request, refund any payments made to it by COMPANY hereunder. AGENT further more

agrees that in case of a termination by COMPANY as provided for under this Article 5.4 each Affiliate of COMPANY shall be entitled to immediately terminate any existing Agency Agreement or agreement of similar kind between such Affiliate and AGENT.

5.5 AGENT acknowledges that a failure to observe strictly these terms and conditions may subject COMPANY, its Affiliates companies, management and employees as well as AGENT to substantial fines, penalties, damages, expenses, the imposition of additional taxes or the loss of tax deductions, the loss of business opportunities including those which are sought in connection with this Agreement, and other consequential losses, damages and expenses.

5.6 AGENT represents and warrants that neither AGENT, its shareholders, directors, officers or employees, nor any of its consultants or agents who may be involved in the performance of this Agreement, are "governmental officials" (as defined in Article 5.2) of the TERRITORY. If at any time during the term of this Agreement, AGENT or any of its shareholders, directors, officers or employees, or consultants or agents becomes, or proposes to become, a governmental official in the TERRITORY, AGENT shall immediately notify COMPANY and COMPANY shall have the unilateral right, without provision of any compensation whatsoever, to modify or terminate the Agreement if necessary to ensure that any applicable laws, regulations or policies of the country where COMPANY has its registered office or of the TERRITORY will not be violated.

In this case AGENT will not be entitled to any compensation.

5.7 If at any time during the term of this Agreement, administrative or criminal proceedings alleging corruption or other illegal practices should be opened against AGENT or any of his shareholders, directors, officers or employees, or consultants or agents, AGENT shall notify COMPANY without delay and COMPANY shall be entitled to terminate this AGREEMENT and/or to instruct AGENT to immediately refrain from any activities considered under this Agreement.

Involving important Interfaces

As Compliance is not a one-man-show, it is paramount to involve multiple important interfaces within the company when it comes to third party Due Diligence:

- Management bodies that are responsible for the implementation of the policies in terms of personnel, organization and administration
- Departments outside the Compliance Organization that are in direct contact with business partners (e.g. sales, purchasing, M&A, export control, project management, marketing)
- Departments/functions that are involved in the initiation of a business relationship and in the creation of contracts
- Departments that perform audit or control functions (e.g. legal department, treasury, or export control)
- Internal Audit to verify compliance with the requirements of this Directive

[15] Annual Report 2019 (Document)

Accessed 08/04/2020

<https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf>

[p.122] As a shared service center, the central Compliance Assessment & Monitoring center of expertise conducts not only pre-employment checks on applicants for key positions, but also all compliance due diligence checks on new and existing business partners (e.g. purchasing, cooperation, and sales partners) on a Group-wide basis. The focus lies here on determining whether the commitment is legally permissible, whether all attributable people can be identified and whether conflicts of interest are excluded, and determining the general capacity and integrity of the business partner. The local Compliance organization will continue concentrating on assessing the transaction-specific compliance risk associated with the commitment of a business partner at company level. In the year under review, the existing guideline for selecting, checking and monitoring business partners was completely revised and now includes, for example, risk-based elements. In this connection, new check criteria from the area of Corporate Social Responsibility have also been included to reflect the growing importance of sustainability. The center of expertise will be integrated in day-to-day operational business through various technical and procedural interfaces. The selection, management and supervision of sales partners, in particular, will be fundamentally improved through the implementation of a business partner database, which started at the same time. Around 870 business partners

and people who applied for key positions at the Rheinmetall Group were subjected to a check in the past fiscal year (previous year: around 800 people).

[1] Code of Conduct (Document)

Accessed on 07/08/2019

https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/compliance_1/pdf_1/conduct_flyer_en.pdf

[p.8] 1.6 Involvement with business partners and third parties

It is our conviction that commercial success can never be achieved through bribery, unfair influence, fraudulent activities or nepotism.

It is of the greatest importance for us to always make business decisions on the basis of objective criteria such as quality, reliability, competitiveness, consideration of recognized compliance standards (e.g. UN and OECD conventions /guidelines) as well as the principles of good corporate management.

The selection of serious and honest business partners and the concomitant protection of the reputation of the company and its employees hold the highest priority for Rheinmetall.

Examples of quality assurance measures employed when dealing with business partners:

- Implementation of a specialized integrity assessment of business partners
- Inclusion of Compliance requirements in contracts with business partners
- Proactively approaching business partners to discuss the central importance of compliant conduct
- Regular checks of the service performance of business partners
- Specialized monitoring of the payment of remuneration for specific business relationships / contract types

[9] Supplier Code of Conduct (Document)

Accessed on 10/08/2019

https://www.rheinmetall.com/media/en/editor_media/rheinmetallag/einkauf/Rheinmetall_Supplier-Code-of-Conduct.pdf

[p.3] COMPLIANCE

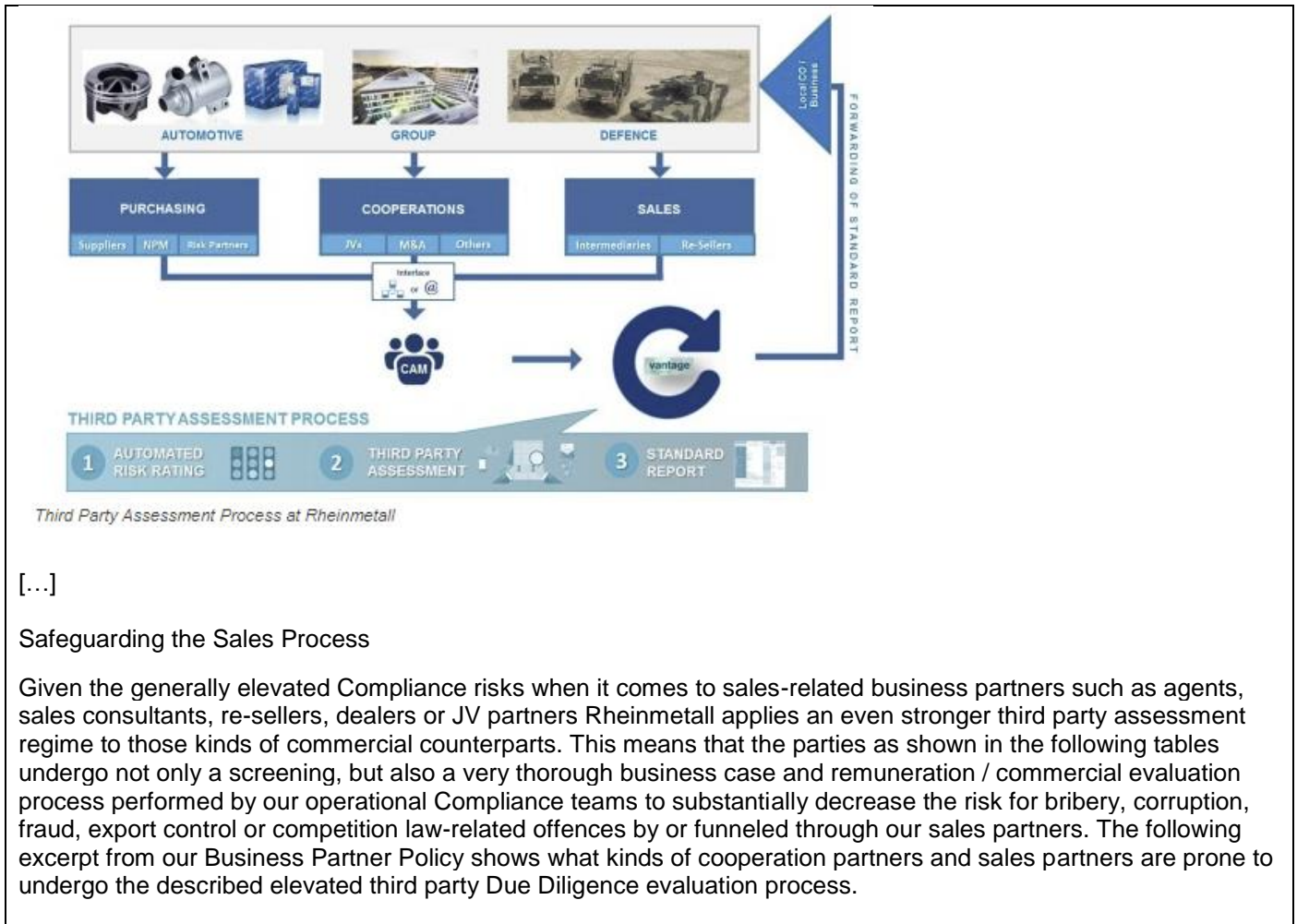
5.1. Compliance requirement

Our stakeholders assess us on how Rheinmetall manages its business. Our reputation is therefore critical for the continuity and profitability of the Rheinmetall Group. No legal violation can be justified on the basis of supposed business requirements. Rheinmetall therefore demands correct business conduct from its suppliers and their employees, subcontractors, intermediaries and consultants in the form of compliance with all applicable legislation, ordinances and industrial standards. Corruption or attempted corruption of any kind and other illegal practices such as fraud, extortion, embezzlement, misappropriation, tax evasion or money laundering will not be tolerated.

[...]

5.4 Use of intermediaries and consultants – Rheinmetall expects its suppliers only to use intermediaries and consultants in compliance with the respective national legislation. In particular, they shall ensure that the remuneration paid is only granted for brokering and consulting services actually supplied and the remuneration is appropriate to the service supplied.

Question
7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its agents and intermediaries?
Score
1
Comments
<p>There is evidence that the company conducts anti-bribery and corruption due diligence prior to engaging with its third parties and agents. There is evidence that highest risk intermediaries are subject to enhanced due diligence.</p> <p>However, there is no evidence that due diligence is conducted at least every two years or when there is a significant change in the business relationship.</p>
Evidence
<p>[8] Business Partner Management (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/geschaeftpartner_management_1/index.php At Rheinmetall, business partner verification or third party assessment means a series of background analyses conducted on a potential business partner (so-called Third Party Assessment) prior to as well as after the conclusion of the contract (so-called Third Party Monitoring). The focus is on excluding potential Compliance risks being introduced to the company through the “back door” by contracting an external party.</p> <p>Such risks can include criminal or unethical conduct on the part of the business partner, opaque ownership structures allowing for tax evasion or money laundering, or conflicts of interest in relation to competitors, customers, bureaucratic structures, political parties or with Rheinmetall personnel. Although the defense and automotive sectors have different risk emphases, the importance of early detection of possible critical scenarios is always paramount.</p> <p>At Rheinmetall, business partner due diligence is conducted on the basis both a risk-scoring mechanism as well as a division of labor procedure between central and decentralized Compliance teams. Hence, a specialist team at Rheinmetall headquarters carries out standardized background checks on business partners whereas the Compliance team in the business area performs business-case and contract-specific reviews – all within one interconnected IT and process framework.</p> <p>Our Business Partner Policy is applicable for all Rheinmetall companies including our joint ventures.</p> <p>3. Scope</p> <p>This policy applies to all companies in the Rheinmetall Group³ and therefore must be implemented in a suitable way by the responsible bodies of all companies to ensure that it applies to all affected bodies and employees in the respective company. In addition, efforts should be made to ensure that comparable rules and procedures are implemented where Rheinmetall AG has minority holdings and affiliated companies.</p> <p>[...]</p>



Types of intermediaries	Definition	Remuneration
Commercial representatives	Classic "sales agents", permanently employed	Performance-based remuneration on a commission basis
Brokers	Classic "sales agents", employed on a project basis	Performance-based remuneration on a commission basis
Sales advisers	<u>Not</u> classic "sales agents", employed permanently or on a project basis	Non-performance-related remuneration on fixed remuneration basis
Lobbyist	Not classic "sales agents", permanently employed	Non-performance-related remuneration on fixed remuneration basis
Offset broker	Intermediary in connection with offset and industrial involvement, employed on a project basis	Performance-based remuneration or remuneration on a fixed remuneration basis

Resellers

Resellers within the meaning of this policy are business partners who procure products/services of the Rheinmetall Group in their own name and for their own account and resell them either with or without modification (construction, finishing or processing activities) or fully integrate them into their own trade before selling them. Two types of reseller are differentiated:

- usually with higher Compliance risk (technologically costly products/services usually distributed as part of larger projects)
- Resellers of mass-produced/simple products – usually with lower Compliance risk (commodity/merchandise, usually distributed on an order basis)

In this case, each Rheinmetall company uses its own terminology (such as distributor, authorised dealer, engine repairer or system integrator), but to which the provisions of this policy apply equally.

In our global defence contract database that is operated and maintained by our divisional headquarters as well as larger subsidiaries, we have currently a greater number of pre-approved and closely monitored external sales supporters including sales agents deployed all around the globe. In order to assure and incentivize Compliance amongst our external sales support, each contract for sales agents contains a clause on compliant conduct and a special termination right that becomes valid in cases of misconduct. See our standard Conduct Clause as follows.

Article 5 – Conduct

5.1 Each of the PARTIES hereto warrants that it has not, and covenants that it will not, in connection with this Agreement or its performance hereunder, directly or indirectly, offer, pay, promise to pay, or authorize the payment of, or give, promise to give, or authorize the giving of, any money or thing of value to any governmental official or to any person, where circumstances would seem to suggest that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to a governmental official, for the purpose of influencing any act or decision of such governmental official, including a decision to fail to perform his lawful duty, or inducing such governmental official to use his influence with any Government or instrumentality thereof to affect or influence any act or decision of such Government or instrumentality, in order to assist COMPANY, or in obtaining or retaining business or directing business to any other party.

Each of the PARTIES hereto warrants that it has not, and covenants that it will not, in connection with this Agreement or its performance hereunder, directly or indirectly, offer, pay, promise to pay or authorize the payment of, or give, promise to give, or authorize the giving of, any money or thing of value to any director, employee, agent, representative or any other person acting on behalf or in the interest of a commercial entity for the purpose of influencing any act or decision of such person to use his influence within such commercial entity in order to give the COMPANY directly or indirectly dishonest and unfair preferential treatment with regard to a procurement of goods or services as reflected under this Agreement.

AGENT warrants that all of his directors, shareholders, officers, employees and consultants, commercial agents will comply with the obligations contained herein.

5.2 As used in this Article 5, the term "governmental official" means officer or employee of any government or any department, agency, instrumentality or majority owned or directly or indirectly controlled corporation thereof, or any person acting in an official capacity for or on behalf of any such government or department, agency, instrumentality or majority owned or directly or indirectly controlled or corporation thereof, or any political party or political party official, or any candidate for political office.

5.3 AGENT acknowledges that no employee of COMPANY (including any of its divisions or affiliates) has any authority to give any direction, written or oral, in connection with the making of any payment or commitment by AGENT to any third party in contravention of the foregoing. (Affiliate hereby defined as any company which directly or indirectly owns a majority in the shares in or otherwise controls a company or is directly or indirectly majority owned or controlled by a company.)

5.4 If AGENT violates the provisions of this Article 5, COMPANY shall be entitled to immediate termination of this Agreement, AGENT shall surrender any claim for payment hereunder and shall, immediately upon COMPANY's written request, refund any payments made to it by COMPANY hereunder. AGENT further more

agrees that in case of a termination by COMPANY as provided for under this Article 5.4 each Affiliate of COMPANY shall be entitled to immediately terminate any existing Agency Agreement or agreement of similar kind between such Affiliate and AGENT.

5.5 AGENT acknowledges that a failure to observe strictly these terms and conditions may subject COMPANY, its Affiliates companies, management and employees as well as AGENT to substantial fines, penalties, damages, expenses, the imposition of additional taxes or the loss of tax deductions, the loss of business opportunities including those which are sought in connection with this Agreement, and other consequential losses, damages and expenses.

5.6 AGENT represents and warrants that neither AGENT, its shareholders, directors, officers or employees, nor any of its consultants or agents who may be involved in the performance of this Agreement, are "governmental officials" (as defined in Article 5.2) of the TERRITORY. If at any time during the term of this Agreement, AGENT or any of its shareholders, directors, officers or employees, or consultants or agents becomes, or proposes to become, a governmental official in the TERRITORY, AGENT shall immediately notify COMPANY and COMPANY shall have the unilateral right, without provision of any compensation whatsoever, to modify or terminate the Agreement if necessary to ensure that any applicable laws, regulations or policies of the country where COMPANY has its registered office or of the TERRITORY will not be violated.

In this case AGENT will not be entitled to any compensation.

5.7 If at any time during the term of this Agreement, administrative or criminal proceedings alleging corruption or other illegal practices should be opened against AGENT or any of his shareholders, directors, officers or employees, or consultants or agents, AGENT shall notify COMPANY without delay and COMPANY shall be entitled to terminate this AGREEMENT and/or to instruct AGENT to immediately refrain from any activities considered under this Agreement.

Involving important Interfaces

As Compliance is not a one-man-show, it is paramount to involve multiple important interfaces within the company when it comes to third party Due Diligence:

- Management bodies that are responsible for the implementation of the policies in terms of personnel, organization and administration
- Departments outside the Compliance Organization that are in direct contact with business partners (e.g. sales, purchasing, M&A, export control, project management, marketing)
- Departments/functions that are involved in the initiation of a business relationship and in the creation of contracts
- Departments that perform audit or control functions (e.g. legal department, treasury, or export control)
- Internal Audit to verify compliance with the requirements of this Directive

[15] Annual Report 2019 (Document)

Accessed 08/04/2020

<https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf>

[p.122] As a shared service center, the central Compliance Assessment & Monitoring center of expertise conducts not only pre-employment checks on applicants for key positions, but also all compliance due diligence checks on new and existing business partners (e.g. purchasing, cooperation, and sales partners) on a Group-wide basis. The focus lies here on determining whether the commitment is legally permissible, whether all attributable people can be identified and whether conflicts of interest are excluded, and determining the general capacity and integrity of the business partner. The local Compliance organization will continue concentrating on assessing the transaction-specific compliance risk associated with the commitment of a business partner at company level. In the year under review, the existing guideline for selecting, checking and monitoring business partners was completely revised and now includes, for example, risk-based elements. In this connection, new check criteria from the area of Corporate Social Responsibility have also been included to reflect the growing importance of sustainability. The center of expertise will be integrated in day-to-day operational business through various technical and procedural interfaces. The selection, management and supervision of sales partners, in particular, will be fundamentally improved through

the implementation of a business partner database, which started at the same time. Around 870 business partners and people who applied for key positions at the Rheinmetall Group were subjected to a check in the past fiscal year (previous year: around 800 people).

Question
7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?
Score
1
Comments
<p>There is evidence that the company asks agents to disclose their beneficial ownership to the company, and it verifies this information, as part of its due diligence processes.</p> <p>However, there is no evidence that it commits to independently verify beneficial ownership information of high risk agents, and it does not verify the information both before onboarding and over the course of the business relationship. The company does not commit to reviewing or potentially terminating its engagement with agents or intermediaries if beneficial ownership cannot be established.</p>
Evidence
<p>[8] Business Partner Management (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/geschaeftpartner_management_1/index.php At Rheinmetall, business partner verification or third party assessment means a series of background analyses conducted on a potential business partner (so-called Third Party Assessment) prior to as well as after the conclusion of the contract (so-called Third Party Monitoring). The focus is on excluding potential Compliance risks being introduced to the company through the “back door” by contracting an external party.</p> <p>Such risks can include criminal or unethical conduct on the part of the business partner, opaque ownership structures allowing for tax evasion or money laundering, or conflicts of interest in relation to competitors, customers, bureaucratic structures, political parties or with Rheinmetall personnel. Although the defense and automotive sectors have different risk emphases, the importance of early detection of possible critical scenarios is always paramount.</p> <p>At Rheinmetall, business partner due diligence is conducted on the basis both a risk-scoring mechanism as well as a division of labor procedure between central and decentralized Compliance teams. Hence, a specialist team at Rheinmetall headquarters carries out standardized background checks on business partners whereas the Compliance team in the business area performs business-case and contract-specific reviews – all within one interconnected IT and process framework.</p> <p>[...]</p> <p>In our global defence contract database that is operated and maintained by our divisional headquarters as well as larger subsidiaries, we have currently a greater number of pre-approved and closely monitored external sales supporters including sales agents deployed all around the globe. In order to assure and incentivize Compliance amongst our external sales support, each contract for sales agents contains a clause on compliant conduct and a special termination right that becomes valid in cases of misconduct. See our standard Conduct Clause as follows.</p> <p>[...]</p> <p>Involving important Interfaces</p> <p>As Compliance is not a one-man-show, it is paramount to involve multiple important interfaces within the company when it comes to third party Due Diligence:</p> <ul style="list-style-type: none"> • Management bodies that are responsible for the implementation of the policies in terms of personnel, organization and administration • Departments outside the Compliance Organization that are in direct contact with business partners (e.g. sales, purchasing, M&A, export control, project management, marketing) • Departments/functions that are involved in the initiation of a business relationship and in the creation of contracts • Departments that perform audit or control functions (e.g. legal department, treasury, or export control) • Internal Audit to verify compliance with the requirements of this Directive

[15] Annual Report 2019 (Document)

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[p.122] As a shared service center, the central Compliance Assessment & Monitoring center of expertise conducts not only pre-employment checks on applicants for key positions, but also all compliance due diligence checks on new and existing business partners (e.g. purchasing, cooperation, and sales partners) on a Group-wide basis. The focus lies here on determining whether the commitment is legally permissible, whether all attributable people can be identified and whether conflicts of interest are excluded, and determining the general capacity and integrity of the business partner. The local Compliance organization will continue concentrating on assessing the transaction-specific compliance risk associated with the commitment of a business partner at company level. In the year under review, the existing guideline for selecting, checking and monitoring business partners was completely revised and now includes, for example, risk-based elements. In this connection, new check criteria from the area of Corporate Social Responsibility have also been included to reflect the growing importance of sustainability. The center of expertise will be integrated in day-to-day operational business through various technical and procedural interfaces. The selection, management and supervision of sales partners, in particular, will be fundamentally improved through the implementation of a business partner database, which started at the same time. Around 870 business partners and people who applied for key positions at the Rheinmetall Group were subjected to a check in the past fiscal year (previous year: around 800 people).

Question
7.1.4 Does the company's anti-bribery and corruption policy apply to all agents and intermediaries acting for or on behalf of the company, and does it require anti-bribery and corruption clauses in its contracts with these entities?
Score
2
Comments
<p>There is evidence that the company's anti-bribery and corruption policy applies to all agents and intermediaries acting for or on behalf of the company. All agents and intermediaries are subject to anti-bribery and corruption clauses in their contracts, which include clear audit rights and termination rights to detect, control and prevent breaches.</p>
Evidence
<p>[10] Compliance Framework (Webpage) Accessed on 08/04/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/compliance_regelwerk_1/index.php Framework Policy Compliance contractual Reviews</p> <p>As part of business partner reviews, the Compliance Organization is involved in contract design to determine the extent to which Compliance-relevant aspects are taken into account.</p> <p>The audit focuses on the prevention of money laundering and corruption. Particular attention is paid to the background check on the business partner, the assessment of the underlying business model, the level of remuneration and the obligation to provide evidence of performance taking into account tax law aspects.</p> <p>[1] Code of Conduct (Document) Accessed on 07/08/2019 https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/compliance_1/pdf_1/conduct_flyer_en.pdf [p.8] Examples of quality assurance measures employed when dealing with business partners:</p> <ul style="list-style-type: none"> ■ Implementation of a specialized integrity assessment of business partners ■ Inclusion of Compliance requirements in contracts with business partners ■ Proactively approaching business partners to discuss the central importance of compliant conduct ■ Regular checks of the service performance of business partners ■ Specialized monitoring of the payment of remuneration for specific business relationships / contract types <p>[8] Business Partner Management (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/geschaeftpartner_management_1/index.php At Rheinmetall, business partner verification or third party assessment means a series of background analyses conducted on a potential business partner (so-called Third Party Assessment) prior to as well as after the conclusion of the contract (so-called Third Party Monitoring). The focus is on excluding potential Compliance risks being introduced to the company through the "back door" by contracting an external party.</p> <p>Such risks can include criminal or unethical conduct on the part of the business partner, opaque ownership structures allowing for tax evasion or money laundering, or conflicts of interest in relation to competitors, customers, bureaucratic structures, political parties or with Rheinmetall personnel. Although the defense and automotive sectors have different risk emphases, the importance of early detection of possible critical scenarios is always paramount.</p> <p>At Rheinmetall, business partner due diligence is conducted on the basis both a risk-scoring mechanism as well as a division of labor procedure between central and decentralized Compliance teams. Hence, a specialist team at Rheinmetall headquarters carries out standardized background checks on business partners whereas the Compliance team in the business area performs business-case and contract-specific reviews – all within one interconnected IT and process framework.</p> <p>Our Business Partner Policy is applicable for all Rheinmetall companies including our joint ventures.</p>

3. Scope

This policy applies to all companies in the Rheinmetall Group¹ and therefore must be implemented in a suitable way by the responsible bodies of all companies to ensure that it applies to all affected bodies and employees in the respective company. In addition, efforts should be made to ensure that comparable rules and procedures are implemented where Rheinmetall AG has minority holdings and affiliated companies.

[...]

Safeguarding the Sales Process

Given the generally elevated Compliance risks when it comes to sales-related business partners such as agents, sales consultants, re-sellers, dealers or JV partners Rheinmetall applies an even stronger third party assessment regime to those kinds of commercial counterparts. This means that the parties as shown in the following tables undergo not only a screening, but also a very thorough business case and remuneration / commercial evaluation process performed by our operational Compliance teams to substantially decrease the risk for bribery, corruption, fraud, export control or competition law-related offences by or funneled through our sales partners. The following excerpt from our Business Partner Policy shows what kinds of cooperation partners and sales partners are prone to undergo the described elevated third party Due Diligence evaluation process.

Types of intermediaries	Definition	Remuneration
Commercial representatives	Classic "sales agents", permanently ¹ employed	Performance-based remuneration on a commission basis
Brokers	Classic "sales agents", employed on a project basis	Performance-based remuneration on a commission basis
Sales advisers	<u>Not</u> classic "sales agents", employed permanently or on a project basis	Non-performance-related remuneration on fixed remuneration basis
Lobbyist	Not classic "sales agents", permanently employed	Non-performance-related remuneration on fixed remuneration basis
Offset broker	Intermediary in connection with offset and industrial involvement, employed on a project basis	Performance-based remuneration or remuneration on a fixed remuneration basis

Resellers

Resellers within the meaning of this policy are business partners who procure products/services of the Rheinmetall Group in their own name and for their own account and resell them either with or without modification (construction, finishing or processing activities) or fully integrate them into their own trade before selling them. Two types of reseller are differentiated:

- usually with higher Compliance risk (technologically costly products/services usually distributed as part of larger projects)
- Resellers of mass-produced/simple products – usually with lower Compliance risk (commodity/merchandise, usually distributed on an order basis)

In this case, each Rheinmetall company uses its own terminology (such as distributor, authorised dealer, engine repairer or system integrator), but to which the provisions of this policy apply equally.

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Article 5 – Conduct

5.1 Each of the PARTIES hereto warrants that it has not, and covenants that it will not, in connection with this Agreement or its performance hereunder, directly or indirectly, offer, pay, promise to pay, or authorize the payment of, or give, promise to give, or authorize the giving of, any money or thing of value to any governmental official or to any person, where circumstances would seem to suggest that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to a governmental official, for the purpose of influencing any act or decision of such governmental official, including a decision to fail to perform his lawful duty, or inducing such governmental official to use his influence with any Government or instrumentality thereof to affect or influence any act or decision of such Government or instrumentality, in order to assist COMPANY, or in obtaining or retaining business or directing business to any other party.

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AGENT warrants that all of his directors, shareholders, officers, employees and consultants, commercial agents will comply with the obligations contained herein.

5.2 As used in this Article 5, the term "governmental official" means officer or employee of any government or any department, agency, instrumentality or majority owned or directly or indirectly controlled corporation thereof, or any person acting in an official capacity for or on behalf of any such government or department, agency, instrumentality or majority owned or directly or indirectly controlled or corporation thereof, or any political party or political party official, or any candidate for political office.

5.3 AGENT acknowledges that no employee of COMPANY (including any of its divisions or affiliates) has any authority to give any direction, written or oral, in connection with the making of any payment or commitment by AGENT to any third party in contravention of the foregoing. (Affiliate hereby defined as any company which directly or indirectly owns a majority in the shares in or otherwise controls a company or is directly or indirectly majority owned or controlled by a company.)

5.4 If AGENT violates the provisions of this Article 5, COMPANY shall be entitled to immediate termination of this Agreement, AGENT shall surrender any claim for payment hereunder and shall, immediately upon COMPANY's written request, refund any payments made to it by COMPANY hereunder. AGENT further more

agrees that in case of a termination by COMPANY as provided for under this Article 5.4 each Affiliate of COMPANY shall be entitled to immediately terminate any existing Agency Agreement or agreement of similar kind between such Affiliate and AGENT.

5.5 AGENT acknowledges that a failure to observe strictly these terms and conditions may subject COMPANY, its Affiliates companies, management and employees as well as AGENT to substantial fines, penalties, damages, expenses, the imposition of additional taxes or the loss of tax deductions, the loss of business opportunities including those which are sought in connection with this Agreement, and other consequential losses, damages and expenses.

5.6 AGENT represents and warrants that neither AGENT, its shareholders, directors, officers or employees, nor any of its consultants or agents who may be involved in the performance of this Agreement, are "governmental officials" (as defined in Article 5.2) of the TERRITORY. If at any time during the term of this Agreement, AGENT or any of its shareholders, directors, officers or employees, or consultants or agents becomes, or proposes to become, a governmental official in the TERRITORY, AGENT shall immediately notify COMPANY and COMPANY shall have the unilateral right, without provision of any compensation whatsoever, to modify or terminate the Agreement if necessary to ensure that any applicable laws, regulations or policies of the country where COMPANY has its registered office or of the TERRITORY will not be violated.

In this case AGENT will not be entitled to any compensation.

5.7 If at any time during the term of this Agreement, administrative or criminal proceedings alleging corruption or other illegal practices should be opened against AGENT or any of his shareholders, directors, officers or employees, or consultants or agents, AGENT shall notify COMPANY without delay and COMPANY shall be entitled to terminate this AGREEMENT and/or to instruct AGENT to immediately refrain from any activities considered under this Agreement.

Involving important Interfaces

As Compliance is not a one-man-show, it is paramount to involve multiple important interfaces within the company when it comes to third party Due Diligence:

- Management bodies that are responsible for the implementation of the policies in terms of personnel, organization and administration
- Departments outside the Compliance Organization that are in direct contact with business partners (e.g. sales, purchasing, M&A, export control, project management, marketing)
- Departments/functions that are involved in the initiation of a business relationship and in the creation of contracts
- Departments that perform audit or control functions (e.g. legal department, treasury, or export control)
- Internal Audit to verify compliance with the requirements of this Directive

[18] Code of Conduct 2020 (Document)

Accessed 15/06/2020

https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/corporategovernance/codeofconduct/Rheinmetall_AG_Code_of_conduct_en.pdf

[p.8] It is our conviction that commercial success can never be achieved through bribery, unfair influence, fraudulent activities or nepotism.

It is of the greatest importance for us to always make business decisions on the basis of objective criteria such as quality, reliability, competitiveness, consideration of recognized compliance standards (e.g. UN and OECD conventions /guidelines) as well as the principles of good corporate management. The selection of serious and honest joint venture and business partners and the concomitant protection of the reputation of the company and its employees hold the highest priority for Rheinmetall.

As a Group for leading technologies in mobility and security, we always present ourselves to our customers transparently, impartially, and with the requisite professional distance, regardless of whether customers are from the public or private sector or how far back the business history extends.

We consider the individual Compliance provisions of our business partners accordingly in this context, and strive to achieve a uniform consensus on Compliance within the business relationship (for more on this, see also: BDI Recognition Procedure, Annex 1).

Examples of quality assurance measures employed when dealing with business partners:

- Implementation of a specialized integrity assessment of business partners and joint venture partners
- Inclusion of Compliance requirements in contracts with business partners including termination clauses in cases of compliance violations
- Proactively approaching business partners to discuss the central importance of compliant conduct
- Regular checks of the service performance of business partners
- Specialized monitoring of the payment of remuneration for specific business relationships / contract types

Question
7.1.5 Does the company ensure that its incentive schemes for agents are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
1
Comments
<p>There is some evidence that the company recognises remuneration structures for agents as a factor in bribery and corruption risk.</p> <p>However, there is no evidence that it imposes a threshold on the payment of sales commissions to agents, and there is no evidence of a requirement that remuneration is paid in stage payments or into local bank accounts.</p>
Evidence
<p>[1] Code of Conduct (Document) Accessed on 07/08/2019 https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/compliance_1/pdf_1/conduct_flyer_en.pdf [p.8] Examples of quality assurance measures employed when dealing with business partners:</p> <ul style="list-style-type: none"> ■ Implementation of a specialized integrity assessment of business partners ■ Inclusion of Compliance requirements in contracts with business partners ■ Proactively approaching business partners to discuss the central importance of compliant conduct ■ Regular checks of the service performance of business partners ■ Specialized monitoring of the payment of remuneration for specific business relationships / contract types <p>[10] Compliance Framework (Webpage) Accessed on 08/04/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/compliance_regelwerk_1/index.php Framework Policy Compliance contractual Reviews</p> <p>As part of business partner reviews, the Compliance Organization is involved in contract design to determine the extent to which Compliance-relevant aspects are taken into account.</p> <p>The audit focuses on the prevention of money laundering and corruption. Particular attention is paid to the background check on the business partner, the assessment of the underlying business model, the level of remuneration and the obligation to provide evidence of performance taking into account tax law aspects.</p> <p>[8] Business Partner Management (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/geschaeftpartner_management_1/index.php At Rheinmetall, business partner verification or third party assessment means a series of background analyses conducted on a potential business partner (so-called Third Party Assessment) prior to as well as after the conclusion of the contract (so-called Third Party Monitoring). The focus is on excluding potential Compliance risks being introduced to the company through the "back door" by contracting an external party.</p> <p>Such risks can include criminal or unethical conduct on the part of the business partner, opaque ownership structures allowing for tax evasion or money laundering, or conflicts of interest in relation to competitors, customers, bureaucratic structures, political parties or with Rheinmetall personnel. Although the defense and automotive sectors have different risk emphases, the importance of early detection of possible critical scenarios is always paramount.</p> <p>[...]</p> <p>Safeguarding the Sales Process</p> <p>Given the generally elevated Compliance risks when it comes to sales-related business partners such as agents, sales consultants, re-sellers, dealers or JV partners Rheinmetall applies an even stronger third party assessment regime to those kinds of commercial counterparts. This means that the parties as shown in the following tables undergo not only a screening, but also a very thorough business case and remuneration / commercial evaluation process performed by our operational Compliance teams to substantially decrease the risk for bribery, corruption,</p>

fraud, export control or competition law-related offences by or funneled through our sales partners. The following excerpt from our Business Partner Policy shows what kinds of cooperation partners and sales partners are prone to undergo the described elevated third party Due Diligence evaluation process.

Types of intermediaries	Definition	Remuneration
Commercial representatives	Classic “sales agents”, permanently ¹ employed	Performance-based remuneration on a commission basis
Brokers	Classic “sales agents”, employed on a project basis	Performance-based remuneration on a commission basis
Sales advisers	<u>Not</u> classic “sales agents”, employed permanently or on a project basis	Non-performance-related remuneration on fixed remuneration basis
Lobbyist	Not classic “sales agents”, permanently employed	Non-performance-related remuneration on fixed remuneration basis
Offset broker	Intermediary in connection with offset and industrial involvement, employed on a project basis	Performance-based remuneration or remuneration on a fixed remuneration basis

Question
7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the agents currently contracted to act for or on behalf of the company.
Evidence
No evidence found.

Question
7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or bribery and corruption related investigations, incidents or the associated disciplinary actions involving agents.
Evidence
No evidence found.

7.2 Joint Ventures

Question
7.2.1 Does the company conduct risk-based anti-bribery and corruption due diligence when entering into and operating as part of joint ventures?
Score
1
Comments
<p>There is evidence that the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to entering and while operating in a joint venture. There is evidence to suggest that higher-risk joint ventures are subject to enhanced due diligence.</p> <p>However, it is not clear whether the due diligence process includes checks on beneficial ownership or whether due diligence is repeated at least every two years.</p>
Evidence
<p>[8] Business Partner Management (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/geschaeftpartner_management_1/index.php Safeguarding the Sales Process Given the generally elevated Compliance risks when it comes to sales-related business partners such as agents, sales consultants, re-sellers, dealers or JV partners Rheinmetall applies an even stronger third party assessment regime to those kinds of commercial counterparts. This means that the parties as shown in the following tables undergo not only a screening, but also a very thorough business case and remuneration / commercial evaluation process performed by our operational Compliance teams to substantially decrease the risk for bribery, corruption, fraud, export control or competition law-related offences by or funneled through our sales partners. The following excerpt from our Business Partner Policy shows what kinds of cooperation partners and sales partners are prone to undergo the described elevated third party Due Diligence evaluation process.</p> <p>[...]</p> <p>M&A Due Diligence</p> <p>Acquisitions, strategic alliances and joint ventures are a central element of Rheinmetall's ongoing internationalization and growth strategy, in order to improve its market positions, supplement existing business or penetrate new segments. For this, Rheinmetall defines recommended actions based on continuous analyses of the market environment and its own portfolio.</p> <p>In accordance with group-wide guidelines, potential target companies are subjected to a careful analysis of opportunities and risks through standardized processes such as extensive due diligence procedures and are assessed on the basis of strategic, commercial, operational and financial aspects. Following an approval process carried out over several distinct stage gates, the Executive Board and, where the transaction volume exceeds defined value thresholds, the Supervisory Board of Rheinmetall AG decide on the acquisition project.</p> <p>[15] Annual Report 2019 (Document) Accessed 08/04/2020 https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf [p.122] Compliance Officers also monitor important transactions in the companies, such as mergers and acquisitions, the establishment of joint ventures, pre-employment checks and the integration of sales brokers, thereby supporting the respective departments in their work. In addition, Compliance Officers advise the people responsible in the operational units on how to take compliance into account in operational business processes. In the area of sales support, there is a platform containing information on around 150 countries and regions. Moreover, the tender process in the Defence sector is structured to the effect that in the course of the bid/no bid decision a compliance audit using defined criteria is obligatory for projects over a certain value threshold and in some cases supported by IT tools.</p>

A new compliance risk prevention guideline was implemented in the past fiscal year with the aim of ensuring a standardized procedure for systematic risk prevention and creating the structural and organizational preconditions required for this at all levels in the company. Procedures for the first-time performance of risk inventory recording measures to determine the compliance risk situation, derive response measures and plan regular repeat measures are defined for different applications. On this basis, a compliance risk assessment was performed for 100 operational subsidiaries; this assessment additionally contained questions relating to data protection, money laundering and Corporate Social Responsibility.

[11] Annual Report 2018 (Document)

Accessed 27/06/2019

<https://ir.rheinmetall.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2018-EQ-E-00.pdf>

[p.76] Acquisition and integration risks

Acquisitions, strategic alliances and joint ventures remain an important element of the Group's ongoing internationalization and growth strategy, in order to increase its market share, improve its market positions, supplement existing business or penetrate new segments. Potential companies are, according to guidelines, subjected to an analysis of opportunities and risks through standardized processes such as extensive due diligence procedures and are assessed on the basis of yield/risk considerations. When necessary, we involve external experts and consultants in the transaction processes.

[18] Code of Conduct 2020 (Document)

Accessed 15/06/2020

https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/corporategovernance/codeofconduct/Rheinmetall_AG_Code_of_conduct_en.pdf

[p.8] It is our conviction that commercial success can never be achieved through bribery, unfair influence, fraudulent activities or nepotism.

It is of the greatest importance for us to always make business decisions on the basis of objective criteria such as quality, reliability, competitiveness, consideration of recognized compliance standards (e.g. UN and OECD conventions /guidelines) as well as the principles of good corporate management. The selection of serious and honest joint venture and business partners and the concomitant protection of the reputation of the company and its employees hold the highest priority for Rheinmetall.

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We consider the individual Compliance provisions of our business partners accordingly in this context, and strive to achieve a uniform consensus on Compliance within the business relationship (for more on this, see also: BDI Recognition Procedure, Annex 1).

Examples of quality assurance measures employed when dealing with business partners:

- Implementation of a specialized integrity assessment of business partners and joint venture partners
- Inclusion of Compliance requirements in contracts with business partners including termination clauses in cases of compliance violations
- Proactively approaching business partners to discuss the central importance of compliant conduct
- Regular checks of the service performance of business partners
- Specialized monitoring of the payment of remuneration for specific business relationships / contract types

Question
7.2.2 Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture partnerships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?
Score
1
Comments
<p>There is evidence that the company commits to establishing and implementing anti-bribery and corruption policies in all of its joint ventures.</p> <p>However, it is unclear how the company ensures this in practice.</p>
Evidence
<p>[18] Code of Conduct 2020 (Document) Accessed 15/06/2020 https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/corporategovernance/codeofconduct/Rheinmetall_AG_Code_of_conduct_en.pdf [p.8] It is our conviction that commercial success can never be achieved through bribery, unfair influence, fraudulent activities or nepotism. It is of the greatest importance for us to always make business decisions on the basis of objective criteria such as quality, reliability, competitiveness, consideration of recognized compliance standards (e.g. UN and OECD conventions /guidelines) as well as the principles of good corporate management. The selection of serious and honest joint venture and business partners and the concomitant protection of the reputation of the company and its employees hold the highest priority for Rheinmetall. As a Group for leading technologies in mobility and security, we always present ourselves to our customers transparently, impartially, and with the requisite professional distance, regardless of whether customers are from the public or private sector or how far back the business history extends. We consider the individual Compliance provisions of our business partners accordingly in this context, and strive to achieve a uniform consensus on Compliance within the business relationship (for more on this, see also: BDI Recognition Procedure, Annex 1).</p> <p>Examples of quality assurance measures employed when dealing with business partners:</p> <ul style="list-style-type: none"> ■ Implementation of a specialized integrity assessment of business partners and joint venture partners ■ Inclusion of Compliance requirements in contracts with business partners including termination clauses in cases of compliance violations ■ Proactively approaching business partners to discuss the central importance of compliant conduct ■ Regular checks of the service performance of business partners ■ Specialized monitoring of the payment of remuneration for specific business relationships / contract types <p>[8] Business Partner Management (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/geschaeftpartner_management_1/index.php Safeguarding the Sales Process Given the generally elevated Compliance risks when it comes to sales-related business partners such as agents, sales consultants, re-sellers, dealers or JV partners Rheinmetall applies an even stronger third party assessment regime to those kinds of commercial counterparts. This means that the parties as shown in the following tables undergo not only a screening, but also a very thorough business case and remuneration / commercial evaluation process performed by our operational Compliance teams to substantially decrease the risk for bribery, corruption, fraud, export control or competition law-related offences by or funneled through our sales partners. The following excerpt from our Business Partner Policy shows what kinds of cooperation partners and sales partners are prone to undergo the described elevated third party Due Diligence evaluation process.</p> <p>[...]</p> <p>Involving important Interfaces</p> <p>As Compliance is not a one-man-show, it is paramount to involve multiple important interfaces within the company when it comes to third party Due Diligence:</p>

- Management bodies that are responsible for the implementation of the policies in terms of personnel, organization and administration
- Departments outside the Compliance Organization that are in direct contact with business partners (e.g. sales, purchasing, M&A, export control, project management, marketing)
- Departments/functions that are involved in the initiation of a business relationship and in the creation of contracts
- Departments that perform audit or control functions (e.g. legal department, treasury, or export control)
- Internal Audit to verify compliance with the requirements of this Directive

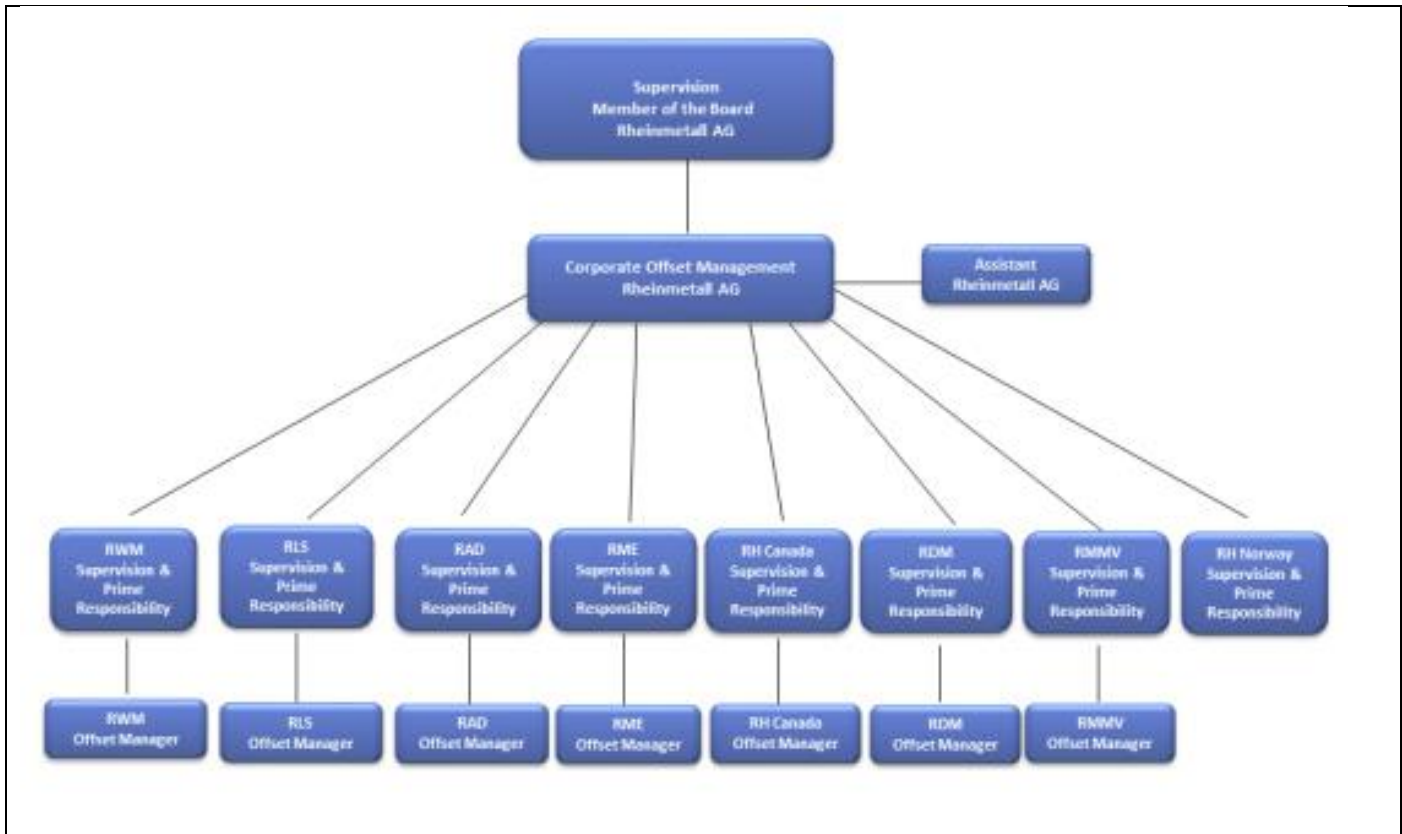
Question
7.2.3 Does the company commit to take an active role in preventing bribery and corruption in all of its joint ventures?
Score
2
Comments
<p>There is evidence that the company commits to take an active role in preventing bribery and corruption in all of its joint ventures. There is clear evidence to support the company's commitment, through practical examples and a statement of possible controls that it may implement.</p>
Evidence
<p>[18] Code of Conduct 2020 (Document) Accessed 15/06/2020 https://www.rheinmetall.com/media/editor_media/rheinmetallag/group/corporategovernance/codeofconduct/Rheinmetall_AG_Code_of_conduct_en.pdf</p> <p>[p.8] It is our conviction that commercial success can never be achieved through bribery, unfair influence, fraudulent activities or nepotism.</p> <p>It is of the greatest importance for us to always make business decisions on the basis of objective criteria such as quality, reliability, competitiveness, consideration of recognized compliance standards (e.g. UN and OECD conventions /guidelines) as well as the principles of good corporate management. The selection of serious and honest joint venture and business partners and the concomitant protection of the reputation of the company and its employees hold the highest priority for Rheinmetall.</p> <p>As a Group for leading technologies in mobility and security, we always present ourselves to our customers transparently, impartially, and with the requisite professional distance, regardless of whether customers are from the public or private sector or how far back the business history extends.</p> <p>We consider the individual Compliance provisions of our business partners accordingly in this context, and strive to achieve a uniform consensus on Compliance within the business relationship (for more on this, see also: BDI Recognition Procedure, Annex 1).</p> <p>Examples of quality assurance measures employed when dealing with business partners:</p> <ul style="list-style-type: none"> ■ Implementation of a specialized integrity assessment of business partners and joint venture partners ■ Inclusion of Compliance requirements in contracts with business partners including termination clauses in cases of compliance violations ■ Proactively approaching business partners to discuss the central importance of compliant conduct ■ Regular checks of the service performance of business partners ■ Specialized monitoring of the payment of remuneration for specific business relationships / contract types <p>[8] Business Partner Management (Webpage) Accessed on 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/geschaeftpartner_management_1/index.php</p> <p>Safeguarding the Sales Process</p> <p>Given the generally elevated Compliance risks when it comes to sales-related business partners such as agents, sales consultants, re-sellers, dealers or JV partners Rheinmetall applies an even stronger third party assessment regime to those kinds of commercial counterparts. This means that the parties as shown in the following tables undergo not only a screening, but also a very thorough business case and remuneration / commercial evaluation process performed by our operational Compliance teams to substantially decrease the risk for bribery, corruption, fraud, export control or competition law-related offences by or funneled through our sales partners. The following excerpt from our Business Partner Policy shows what kinds of cooperation partners and sales partners are prone to undergo the described elevated third party Due Diligence evaluation process.</p> <p>[...]</p> <p>Involving important Interfaces</p> <p>As Compliance is not a one-man-show, it is paramount to involve multiple important interfaces within the company when it comes to third party Due Diligence:</p>

- Management bodies that are responsible for the implementation of the policies in terms of personnel, organization and administration
- Departments outside the Compliance Organization that are in direct contact with business partners (e.g. sales, purchasing, M&A, export control, project management, marketing)
- Departments/functions that are involved in the initiation of a business relationship and in the creation of contracts
- Departments that perform audit or control functions (e.g. legal department, treasury, or export control)

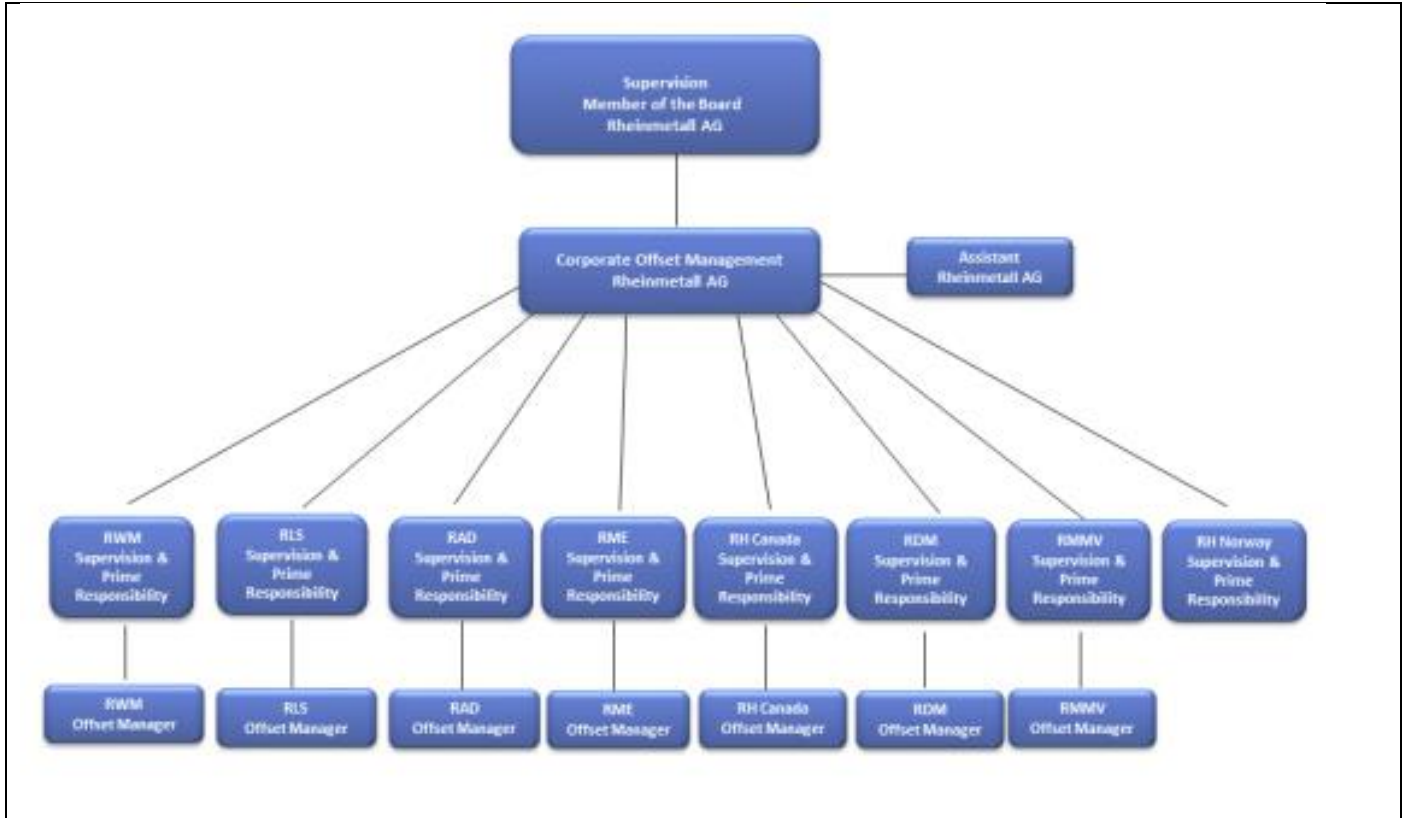
Internal Audit to verify compliance with the requirements of this Directive

8. Offsets

Question
8.1 Does the company explicitly address the corruption risks associated with offset contracting, and is a dedicated body, department or team responsible for oversight of the company's offset activities?
Score
1
Comments
<p>There is evidence that the company recognises corruption risks associated with offset contracting. The company has a dedicated body, department or team involved in managing offset obligations. There is evidence that this team is responsible for monitoring the company's offset activities throughout the lifecycle of each project.</p> <p>However, there is no evidence that all employees within the team receive tailored anti-bribery and corruption training. Additionally, there is little evidence of policies and processes to address the corruption risks associated with offset contracting.</p>
Evidence
<p>[12] Offset Agreements (Webpage) Accessed 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/kompensationsgeschaefte_1/index.php</p> <p>Offset or Industrial Participation is a reciprocal trade agreement between a buying country and an exporting company of industrial goods and services. In most cases, Offset is a mandatory condition in the procurement of goods and services by government owned entities such as, but not limited to a Ministry of Defense. In addition, Offset or Industrial Participation is a key customer requirement in business transactions with state-owned military customers of Rheinmetall. Rheinmetall takes a pro-active approach towards Offset or Industrial Participation requirements with the intention to win customers and satisfy customers against minimal cost and risk for Rheinmetall.</p> <p>Most offset obligations are satisfied by Rheinmetall through local manufacturing and local procurement activities. Due to our in-house capacities and capabilities at Rheinmetall's globally active Corporate Offset Office, Rheinmetall makes limited use of offset brokers and offset agents. In 2019 e.g., Rheinmetall defense contracted no offset brokers or agents at all.</p> <p>Offset agreements are exclusively made with government owned agencies. Before contracting, these undergo an in-house Compliance screening. Furthermore, the Compliance Organization continuously supports the operating divisions with auditing and consulting measures in meeting the offset and industrial participation requirements of government customers. These can play a key role in foreign defence and security projects. In this way, compliance plays a key role in preventing corruption and other fraud offences in this potentially critical business area. Compliance procedures are also established through the internal Corporate Offset Policy that is required to be implemented in all business units.</p> <p>The implementation of and compliance with this policy as well as the overall monitoring of Rheinmetall's offset activities is ensured by the Corporate Offset Office which also assesses the business rationale for each offset activity based on a clear definition of services offered and a comprehensive and transparent calculation for remuneration.</p> <p>Indirect offset activities within Rheinmetall relate primarily to purchase agreements with subcontractors of Rheinmetall that have no causality with the product that caused the offset obligation. Therefore, the beneficiaries of indirect offset activities are subcontractors, suppliers, research and development institutes and the like only. In most cases the beneficiaries of indirect offset activities are published in agreements closed with foreign government owned entities.</p>



Question
8.2 Does the company conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations, which includes an assessment of the legitimate business rationale for the investment?
Score
1
Comments
<p>There is evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence on its offset obligations, and that it assures itself of the legitimacy of the investment.</p> <p>However, the process does not specifically mention checks on beneficial ownership and conflict of interest and there is no evidence that the company refreshes this due diligence continuously or at least when there is a significant change in the business relationship or nature of the partner.</p>
Evidence
<p>[12] Offset Agreements (Webpage) Accessed 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/kompensationsgeschaefte_1/index.php</p> <p>Offset or Industrial Participation is a reciprocal trade agreement between a buying country and an exporting company of industrial goods and services. In most cases, Offset is a mandatory condition in the procurement of goods and services by government owned entities such as, but not limited to a Ministry of Defense. In addition, Offset or Industrial Participation is a key customer requirement in business transactions with state-owned military customers of Rheinmetall. Rheinmetall takes a pro-active approach towards Offset or Industrial Participation requirements with the intention to win customers and satisfy customers against minimal cost and risk for Rheinmetall.</p> <p>Most offset obligations are satisfied by Rheinmetall through local manufacturing and local procurement activities. Due to our in-house capacities and capabilities at Rheinmetall's globally active Corporate Offset Office, Rheinmetall makes limited use of offset brokers and offset agents. In 2019 e.g., Rheinmetall defense contracted no offset brokers or agents at all.</p> <p>Offset agreements are exclusively made with government owned agencies. Before contracting, these undergo an in-house Compliance screening. Furthermore, the Compliance Organization continuously supports the operating divisions with auditing and consulting measures in meeting the offset and industrial participation requirements of government customers. These can play a key role in foreign defence and security projects. In this way, compliance plays a key role in preventing corruption and other fraud offences in this potentially critical business area. Compliance procedures are also established through the internal Corporate Offset Policy that is required to be implemented in all business units.</p> <p>The implementation of and compliance with this policy as well as the overall monitoring of Rheinmetall's offset activities is ensured by the Corporate Offset Office which also assesses the business rationale for each offset activity based on a clear definition of services offered and a comprehensive and transparent calculation for remuneration.</p> <p>Indirect offset activities within Rheinmetall relate primarily to purchase agreements with subcontractors of Rheinmetall that have no causality with the product that caused the offset obligation. Therefore, the beneficiaries of indirect offset activities are subcontractors, suppliers, research and development institutes and the like only. In most cases the beneficiaries of indirect offset activities are published in agreements closed with foreign government owned entities.</p>



Question
8.3 Does the company publish details of all offset agents and brokers currently contracted to act with and/or on behalf of the company?
Score
N/A
Comments
The company indicates that in 2019 it contracted no offset brokers or agents.
Evidence
<p>[12] Offset Agreements (Webpage) Accessed 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/kompensationsgeschaefte_1/index.php Most offset obligations are satisfied by Rheinmetall through local manufacturing and local procurement activities. Due to our in-house capacities and capabilities at Rheinmetall's globally active Corporate Offset Office, Rheinmetall makes limited use of offset brokers and offset agents. In 2019 e.g., Rheinmetall defense contracted no offset brokers or agents at all.</p>

Question
8.4 Does the company publish details about the beneficiaries of its indirect offset projects?
Score
0
Comments
The company does not publish any details about the beneficiaries of its indirect offset projects.
Evidence
<p>[12] Offset Agreements (Webpage) Accessed 15/06/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/kompensationsgeschaefte_1/index.php</p> <p>Offset or Industrial Participation is a reciprocal trade agreement between a buying country and an exporting company of industrial goods and services. In most cases, Offset is a mandatory condition in the procurement of goods and services by government owned entities such as, but not limited to a Ministry of Defense. In addition, Offset or Industrial Participation is a key customer requirement in business transactions with state-owned military customers of Rheinmetall. Rheinmetall takes a pro-active approach towards Offset or Industrial Participation requirements with the intention to win customers and satisfy customers against minimal cost and risk for Rheinmetall.</p> <p>Most offset obligations are satisfied by Rheinmetall through local manufacturing and local procurement activities. Due to our in-house capacities and capabilities at Rheinmetall's globally active Corporate Offset Office, Rheinmetall makes limited use of offset brokers and offset agents. In 2019 e.g., Rheinmetall defense contracted no offset brokers or agents at all.</p> <p>Offset agreements are exclusively made with government owned agencies. Before contracting, these undergo an in-house Compliance screening. Furthermore, the Compliance Organization continuously supports the operating divisions with auditing and consulting measures in meeting the offset and industrial participation requirements of government customers. These can play a key role in foreign defence and security projects. In this way, compliance plays a key role in preventing corruption and other fraud offences in this potentially critical business area. Compliance procedures are also established through the internal Corporate Offset Policy that is required to be implemented in all business units.</p> <p>The implementation of and compliance with this policy as well as the overall monitoring of Rheinmetall's offset activities is ensured by the Corporate Offset Office which also assesses the business rationale for each offset activity based on a clear definition of services offered and a comprehensive and transparent calculation for remuneration.</p> <p>Indirect offset activities within Rheinmetall relate primarily to purchase agreements with subcontractors of Rheinmetall that have no causality with the product that caused the offset obligation. Therefore, the beneficiaries of indirect offset activities are subcontractors, suppliers, research and development institutes and the like only. In most cases the beneficiaries of indirect offset activities are published in agreements closed with foreign government owned entities.</p>

9. High Risk Markets

Question	
9.1 Does the company have enhanced risk management procedures in place for the supply of goods or services to markets or customers in countries identified as at a high risk of corruption?	
Score	
2	
Comments	
There is evidence that the company acknowledges the corruption risks associated with operating in different markets, and there is evidence that it has a risk assessment process in place to account for these specific risks, with clear risk management procedures in place. The results of risk assessments have a direct impact on business decisions and inform the development and implementation of additional controls.	
Evidence	
<p>[13] Risk Assessment (Webpage) Accessed 08/04/2020 https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/risikobewertung_1/index.php Compliance Risk Assessments are carried out in accordance with four key prevention objectives, namely compliance with the legal organizational and supervisory obligations of the management bodies, avoidance of financial risks, protection of reputation and ensuring the operational efficiency of Group-wide Compliance structures and measures.</p> <p>Rheinmetall regularly conducts Group-wide compliance risk assessments consisting of a top-down analysis to identify riskier business segments and a bottom-up analysis for detailed risk assessment at subsidiary level (grss-net risk comparison). The results of these reviews are incorporated into improvements to the Compliance Management System on all Group levels.</p>	
<div><div><div>4 Substantial</div><div>3 Large</div><div>2 Medium</div><div>1 Low</div></div><div><div><div><div></div><div></div><div></div><div></div></div><div><div></div><div><div>R</div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div></div></div><div><div>1 Unlikely</div><div>2 Rare</div><div>3 Possible</div><div>4 Probable</div></div><div>Probability</div></div></div>	

[15] Annual Report 2019 (Document)

Accessed 08/04/2020

<https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf>

[p.121] Compliance management system

Compliance is taken into account as an aspect of risk in decision-making processes, not only when it comes to considerations regarding the strategic and operational alignment of the Rheinmetall Group, but also in day-to-day business. The central compliance management system, with its integrated and dynamic focus on constantly updated key risk aspects, such as corruption, anti-trust and breaches of export controls, is firmly anchored in the Group-wide management and control structures and includes all instruments, processes, guidelines, instructions and extensive measures intended to ensure that procedures in the companies of the Rheinmetall Group comply with the applicable country-specific legislation, general legal conditions, regulatory provisions and the company's own guidelines. It also creates an organizational structure that allows the applicable standards to be publicized across the divisions. If binding legal regulations in individual countries deviate from the rules set out in the compliance management system, the stricter regulation shall apply.

[21] High Risk Markets (Webpage)

Accessed 15/06/2020

https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/risikomaerkte/index.php

Rheinmetall is exposed to a wide variety of risks that vary depending on the business unit, industry and region. Our corporate policy is aimed at generating good return yields over the long term, looking at any opportunities and leveraging and expanding success potential while at the same time avoiding and minimizing the associated risks.

Hence, our standardized risk management system and procedures are designed to systematically identify developments early on that could jeopardize the continued existence of the Group and control risks that could endanger the company's success. While doing so the identification of corruption risks plays a crucial role.

The identification of high risk markets and the connected corruption risks plays a crucial role. Therefore, our approach to new customers, cooperations and sales partners takes into account not only the corruption risk of a certain country which are measured on the basis of internationally acknowledged corruption indices for perceived corruption and the level of democratization in this country, but also the corruption risk measured for specific markets, goods or services.

Based on those factors an individual risk score is calculated for each foreseen business transaction. The risk score defines the depth of the Compliance Due Diligence to be performed on each third party.

Also, as published in connection with our Anti Money Laundering Policy we have clear instructions on how to behave when dealing with so called "offshore countries". Since payments in connection with offshore countries are always subject to an increased risk for tax evasion and economic crimes such as money laundering, corruption or fraud they generally require critical consideration. Business relations with partners in offshore countries are handled by Rheinmetall only in exceptional cases. In particular, the selection of business partners and documentation of services to be performed / actually performed must meet increased requirements and falls under specific scrutiny.

For more information on this subject, please also refer to the new AR 2019, p. 76 and to a statistical overview of 2019 sales by countries divided into corruption risk clusters after Transparency International Corruption Perception Index 2019.

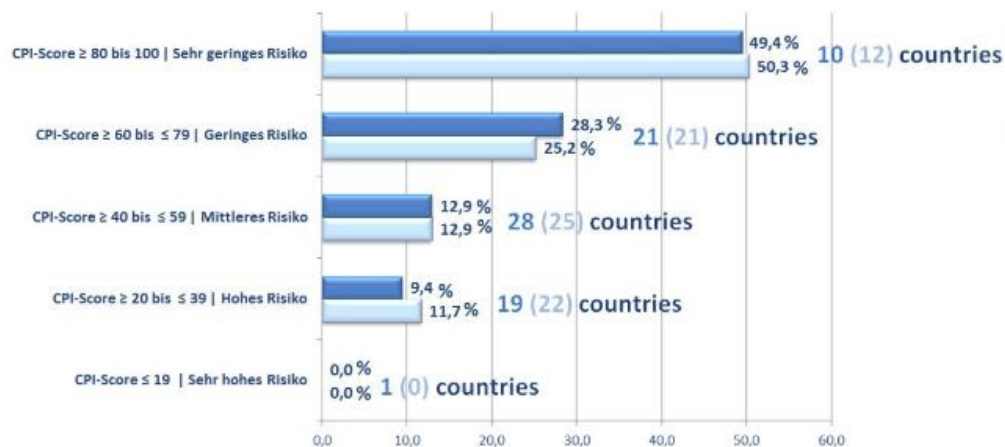


Turnover in Countries sorted by Corruption Risk Rheinmetall Group 2019

Turnover in 79 (80) countries
matched with TI CPI list

Turnover
3.522 (3.221) MioEUR

2019
2018



Question
9.2 Does the company disclose details of all of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities)?
Score
1
Comments
<p>There is evidence that the company publishes a list of its fully consolidated subsidiaries and non-fully consolidated holdings. For each entity, the company discloses its percentage ownership. There is evidence that this list is current and updated on at least an annual basis. The list is accompanied by a statement that it is complete at the time of publication to the best of the company's knowledge.</p> <p>However, it is unclear whether the locations listed are the countries of incorporation or operation or both.</p>
Evidence
<p>[15] Annual Report 2019 (Document) Accessed 08/04/2020 https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf [p.218]</p>

Notes to the consolidated financial statements

Shareholdings

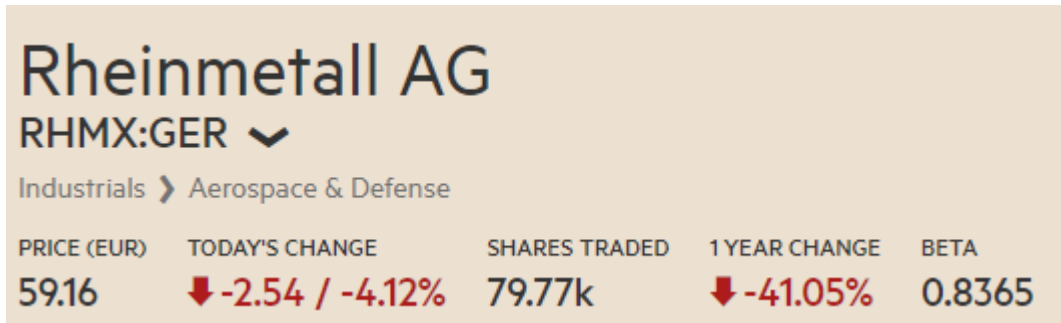
Company		Direct share of capital in %	Indirect share of capital in %
Fully consolidated subsidiaries			
Holding companies/service companies/other			
Amprio GmbH, Neuss/Germany	(a)		100
EMG EuroMarine Electronics GmbH, Neckarsulm/Germany			100
MEG Marine Electronics Holding GmbH, Düsseldorf/Germany			100
Rheinmetall Berlin Verwaltungsgesellschaft mbH, Berlin/Germany	(a)	100	
Rheinmetall Financial Services GmbH, Düsseldorf/Germany	(a)	100	
Rheinmetall Immobilien GmbH, Düsseldorf/Germany		100	
Rheinmetall Immobilien Hamburg Friedensallee GmbH, Düsseldorf/Germany	(a)		100
Rheinmetall Immobilien Hamburg GmbH, Düsseldorf/Germany		100	
Rheinmetall Industrietechnik GmbH, Düsseldorf/Germany	(a)	100	
Rheinmetall Insurance Services GmbH, Düsseldorf/Germany	(a)	100	
Rheinmetall Maschinenbau GmbH, Düsseldorf/Germany			100
Rheinmetall Verwaltungsgesellschaft mbH, Düsseldorf/Germany	(a)		100
SUPRENUM Gesellschaft für numerische Superechner mbH, Bremen/Germany			100
Defence sector			
American Rheinmetall Defense, Inc., Biddeford, Maine/USA		100	
American Rheinmetall Munition Inc., Stafford, Virginia/USA			100
American Rheinmetall Systems, LLC, Biddeford, Maine/USA			100
American Rheinmetall Vehicles LLC, Dover, Delaware/USA			100
Benntec Systemtechnik GmbH, Bremen/Germany	(a)		49
BIL Industriemetalle GmbH & Co. 886 KG, Grünwald/Germany	(a)	94	
Cyber Works AG, Zürich/Switzerland			100
EOD TEKNOLOJILERI LIMITED SIRKETI, Istanbul/Turkey			100
EODC Engineering, Developing, Licensing, Inc., Ottawa, Ontario/Canada			100
Eurometaal N.V., Hengelo/Netherlands			100
IBD Engineering France, Paris/France			100
IBD Italy S.R.L., Bagnolo Mella/Italy			100
Logistic Solutions Australasia Pty. Ltd., Melbourne/Australia			100
Nitrochemie Aschau GmbH, Aschau/Germany			55
Nitrochemie South Africa (Pty) Ltd., Somerset West/South Africa			55
Nitrochemie Wimmis AG, Wimmis/Switzerland			55
Oerlikon Contraves GmbH, Zürich/Switzerland		100	
Provectus Robotics Solutions Inc., Ottawa, Ontario/Canada			100
RD Investment AG, Zürich/Switzerland			69
RFEL LTD, Newport, Isle of Wight/Great Britain			100
RH Mexico Simulation and Training S.A. de C.V., Mexico City/Mexico			100
Rheinmetall Air Defence AG, Zürich/Switzerland		100	
Rheinmetall Aviation Services GmbH, Bremen/Germany			100

[It continues over the following four pages]

[p.223] To the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements of Rheinmetall AG give a true and fair view of the net assets, financial position and results of operations of the Group, and the management report of Rheinmetall AG includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Düsseldorf, February 27, 2020

Rheinmetall Aktiengesellschaft The Executive Board

Question										
9.3 Does the company disclose its beneficial ownership and control structure?										
Score										
2										
Comments										
The company is publicly listed on the Berlin Stock Exchange and therefore receives a score of '2'.										
Evidence										
<p>[14] Financial Times Markets Data (Webpage)</p> <p>Accessed 08/04/2020</p> <p>https://markets.ft.com/data/equities/tearsheet/summary?s=RHM:GER</p>  <table><tr><td>PRICE (EUR)</td><td>TODAY'S CHANGE</td><td>SHARES TRADED</td><td>1 YEAR CHANGE</td><td>BETA</td></tr><tr><td>59.16</td><td>↓ -2.54 / -4.12%</td><td>79.77k</td><td>↓ -41.05%</td><td>0.8365</td></tr></table>	PRICE (EUR)	TODAY'S CHANGE	SHARES TRADED	1 YEAR CHANGE	BETA	59.16	↓ -2.54 / -4.12%	79.77k	↓ -41.05%	0.8365
PRICE (EUR)	TODAY'S CHANGE	SHARES TRADED	1 YEAR CHANGE	BETA						
59.16	↓ -2.54 / -4.12%	79.77k	↓ -41.05%	0.8365						

Question																		
9.4 Does the company publish a percentage breakdown of its defence sales by customer?																		
Score																		
0																		
Comments																		
While the company publishes a breakdown of its defence sales by region, there is no evidence that the company publishes a breakdown of its defence sales by customer. The company indicates that its sales in the German market account for 40.6% of its sales, but this does not meet the minimum threshold of the 50% required to receive a score of '1'.																		
Evidence																		
<p>[15] Annual Report 2019 (Document) Accessed 08/04/2020 https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf [p.64] In addition to the German market (40.6%; previous year: 34.6%), other high-sales regions included the Middle East and Asia (16.9%; previous year: 20.0%), Europe (excluding Germany) (19.7%; previous year: 18.5%), Australia/Oceania (13.0%; previous year: 14.8%) and North America (2.6%; previous year: 4.6%). Other regions accounted for 7.2% of sales (previous year: 7.5%).</p> <p>Sales € million</p> <table><tr><th></th><th>2019</th><th>2018</th></tr><tr><td>Rheinmetall Defence</td><td>3,522</td><td>3,221</td></tr><tr><td>Vehicle Systems</td><td>1,787</td><td>1,568</td></tr><tr><td>Weapon and Ammunition</td><td>1,018</td><td>1,056</td></tr><tr><td>Electronic Solutions</td><td>948</td><td>839</td></tr><tr><td>Others/consolidation</td><td>(231)</td><td>(242)</td></tr></table>		2019	2018	Rheinmetall Defence	3,522	3,221	Vehicle Systems	1,787	1,568	Weapon and Ammunition	1,018	1,056	Electronic Solutions	948	839	Others/consolidation	(231)	(242)
	2019	2018																
Rheinmetall Defence	3,522	3,221																
Vehicle Systems	1,787	1,568																
Weapon and Ammunition	1,018	1,056																
Electronic Solutions	948	839																
Others/consolidation	(231)	(242)																

10. State-Owned Enterprises (SOEs)

Question
10.1 Does the SOE publish a breakdown of its shareholder voting rights?
Score
N/A
Comments
N/A
Evidence

Question
10.2 Are the SOE's commercial and public policy objectives publicly available?
Score
N/A
Comments
N/A
Evidence

Question
10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?
Score
N/A
Comments
N/A
Evidence

Question
10.4 Is the SOE's audit committee composed of a majority of independent directors?
Score
N/A
Comments
N/A
Evidence

Question
10.5 Does the SOE have a system in place to assure itself that asset transactions follow a transparent process to ensure they accord to market value?
Score
N/A
Comments
N/A
Evidence

List of Evidence & Sources

No.	Type (Webpage or Document)	Name	Download Date	Link
01	Document	Code of Conduct	07/08/2019	https://www.rheinmetall.com/media/editor_media/rheinmetall_ag/group/compliance_1/pdf_1/conduct_flyer_en.pdf
02	Document	Compliance Extract from the Annual Report 2018	07/08/2019	https://www.rheinmetall.com/media/en/editor_media/rheinmetallag/group/compliance_1/pdf_1/corporate_compliance_gb_2018.pdf
03	Webpage	Incident Management	08/04/2020	https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/incident_management_1/index.php
04	Webpage	Compliance Management System	08/04/2020	https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/compliance_management_system_1/index.php
05	Webpage	SpeakUp	08/04/2020	https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/regelverstoesse_melden_1/zentralbereich_corporate_compliance_1/index.php
06	Webpage	Ombudsman	08/04/2020	https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/regelverstoesse_melden_1/ombudsmann_1/index.php
07	Webpage	Handling of Gifts and Hospitality, Sponsoring, Donations	08/04/2020	https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/umgang_mit_zuwendungen_spenden_sponsoring_1/index.php
08	Webpage	Business Partner Management	08/04/2020	https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/geschaeftpartner_management_1/index.php
09	Document	Supplier Code of Conduct	10/08/2019	https://www.rheinmetall.com/media/en/editor_media/rheinmetallag/einkauf/Rheinmetall_Supplier-Code-of-Conduct.pdf
10	Webpage	Compliance Framework	08/04/2020	https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/compliance_regelwerk_1/index.php
11	Document	Annual Report 2018	10/08/2019	https://ir.rheinmetall.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2018-EQ-E-00.pdf
12	Webpage	Offset Agreements	08/04/2020	https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/kompensationsgeschaefte_1/index.php
13	Webpage	Risk Assessment	08/04/2020	https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/risikobewertung_1/index.php
14	Webpage	Financial Times Markets Data	08/04/2020	https://markets.ft.com/data/equities/tearsheet/summary?s=RHMX:GER
15	Document	Annual Report 2019	08/04/2020	https://irpages2.equitystory.com/download/companies/rheinmetall/Annual%20Reports/DE0007030009-JA-2019-EQ-E-01.pdf
16	Webpage	Reporting Violations	08/04/2020	https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/regelverstoesse_melden_1/index.php
17	Webpage	Avoiding Conflicts of Interest	08/04/2020	https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/conflicts_of_interest/index.php
18	Document	Code of Conduct 2020	15/06/2020	https://www.rheinmetall.com/media/editor_media/rheinmetall_ag/group/corporategovernance/codeofconduct/Rheinmetall_AG_Code_of_conduct_en.pdf
19	Webpage	Compliance Management System 2020	15/06/2020	https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/compliance_management_system_1/index.php
20	Webpage	Incident Management 2020	15/06/2020	https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/incident_management_1/index.php
21	Webpage	High Risk Markets	15/06/2020	https://www.rheinmetall.com/en/rheinmetall_ag/group/compliance/risikomaerkte/index.php
22	Webpage	Supervisory Board – Biography	15/06/2020	https://www.rheinmetall.com/en/rheinmetall_ag/group/gremien/supervisoryboard_1/biografien_neu/biografie_jung.php
23	Webpage	News Archive	15/06/2020	https://www.rheinmetall.com/en/rheinmetall_ag/press/news/archiv/archive2014/index_4032.php