

Integrity@RUAG

Implementation Workshop

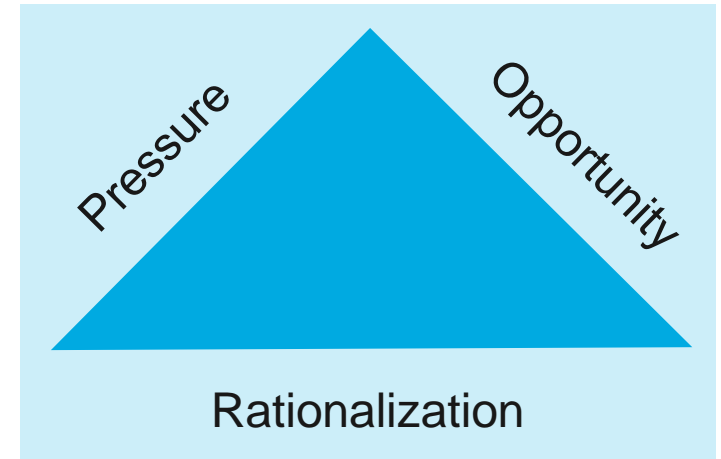
new Code of Conduct

Together
ahead. **RUAG**

The Fraud Triangle*

Three pre-conditions for people to commit fraud

- **Pressure** (=Motivation)
Impossibility to solve financial problems through legitimate means
- **Opportunity** (=Method)
Ability to solve financial problems at low detection risks by abusing professional function
- **Rationalization** (=Justification)
Ability to make fraud an acceptable or justifiable act



* According to US criminologist Donald R. Cressey's "*Other People's Money*" (1973)

Criteria for reduction of sentence

Swiss Federal Prosecution

- Internal investigation revealed the violation and continued after the self-indictment
- The company voluntarily reported the incident to the authorities
- The company invested into the expansion and improvement of its compliance management system

What is Integrity?

Doing the right thing, even when no one is watching!

It's about values –
your personal values,
those of the company,
those of society.

Integrity is within all of us!

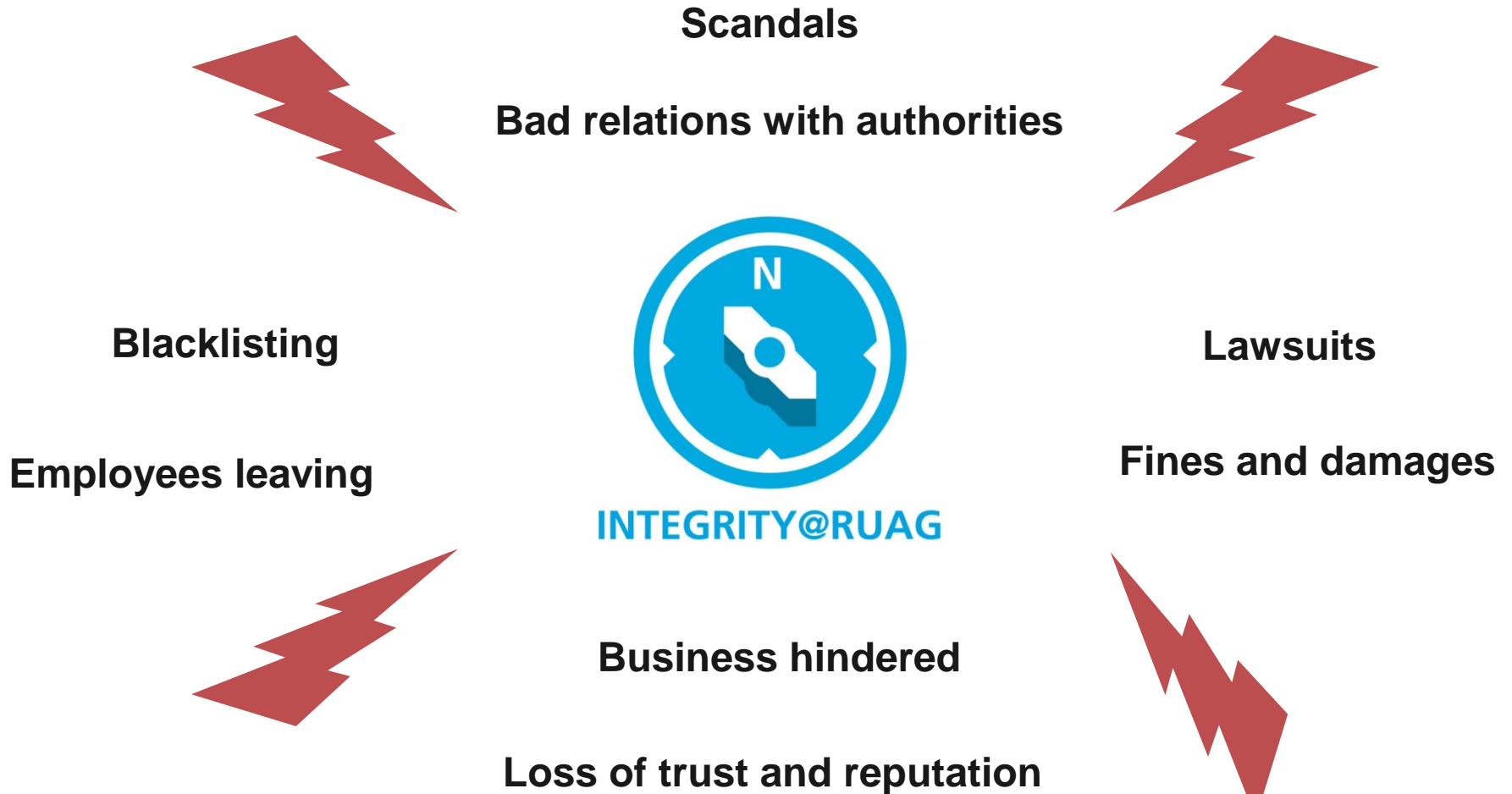
What is Compliance?

- Compliance is abidance by external and internal laws, regulations, guidelines and directives
- Compliance also includes behavioral standards that extend beyond what is mandatory by law:
 - Regulations in the employment contract
 - RUAG Code of Conduct and internal directives



Compliance means that we abide by the laws of the countries in which we operate and the rules that we set within our company

Compliance is a tool of risk management



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Compliance

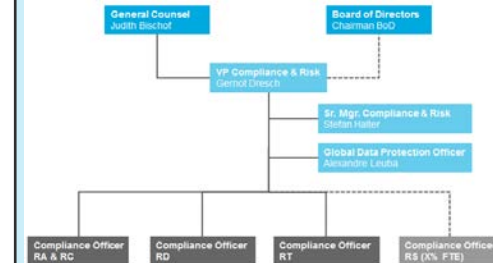
Task Universe

Compliance		
Business Ethics	<ul style="list-style-type: none"> Culture of Integrity Code of Conduct 	<ul style="list-style-type: none"> Conflicts of Interests
Trade Compliance	<ul style="list-style-type: none"> Export control Sanctions, Embargos 	<ul style="list-style-type: none"> BPS Customs Regulations
Commercial Compliance	<ul style="list-style-type: none"> Anti-Corruption 3rd-Party Compliance 	<ul style="list-style-type: none"> Antitrust
Data Protection	<ul style="list-style-type: none"> Data Privacy Data Protection 	
HR Compliance	<ul style="list-style-type: none"> Anti Discrimination Private Occupation 	<ul style="list-style-type: none"> Background Checks Integrity Diagnostics
Financial Compliance	<ul style="list-style-type: none"> Fraud Prevention ICS 	<ul style="list-style-type: none"> Anti Money Laundering VAT

CMS



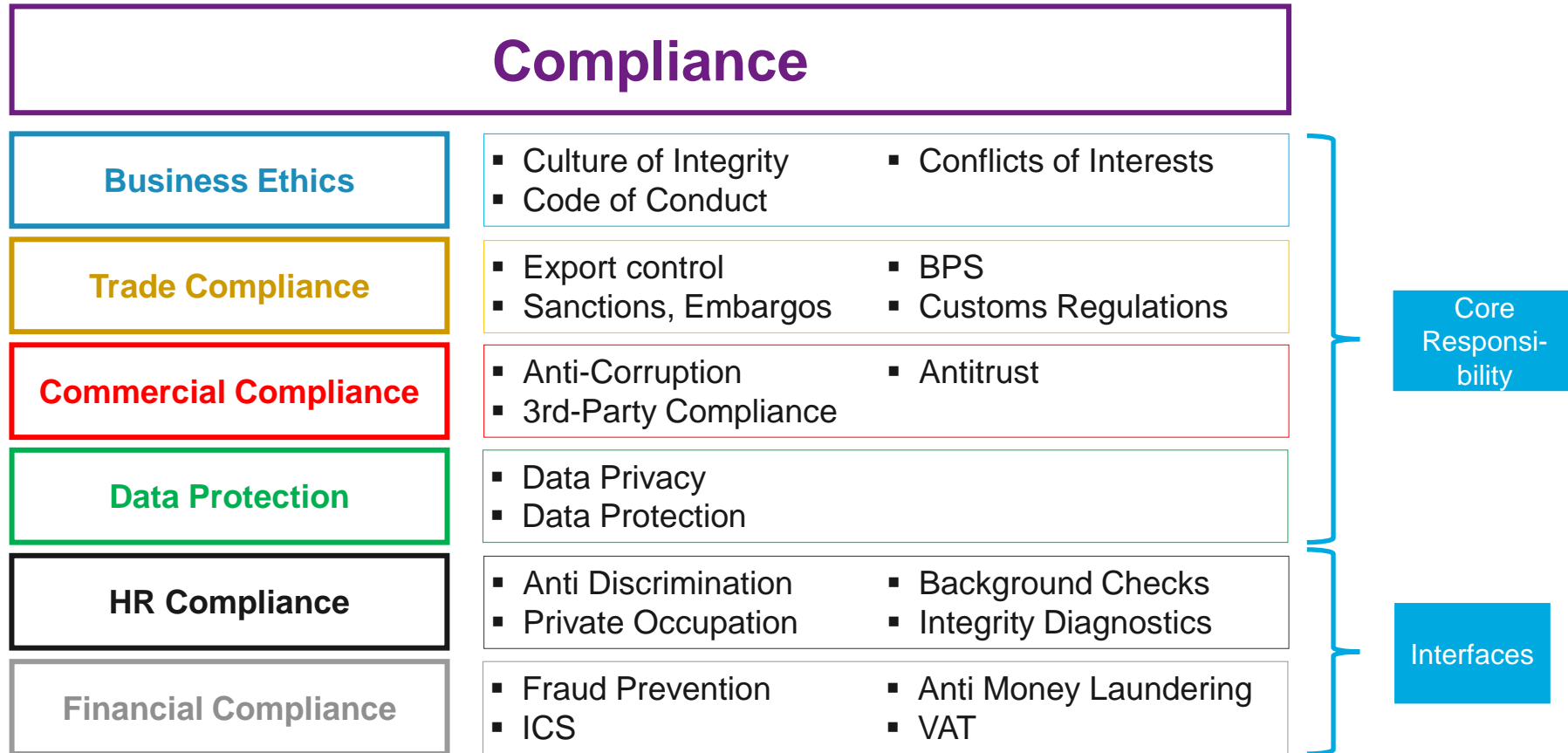
Organization



Values and Integrity

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Compliance Task Universe



Compliance Management System

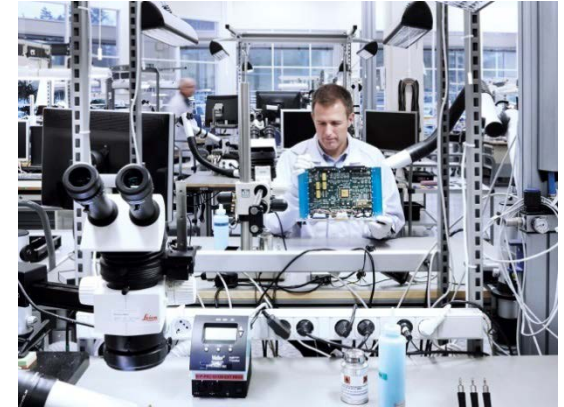


Integrity@RUAG – Mission Statement

Each day, we justify the trust that is placed in us. We set ourselves ambitious targets, act responsibly, keep our word and follow the rules.

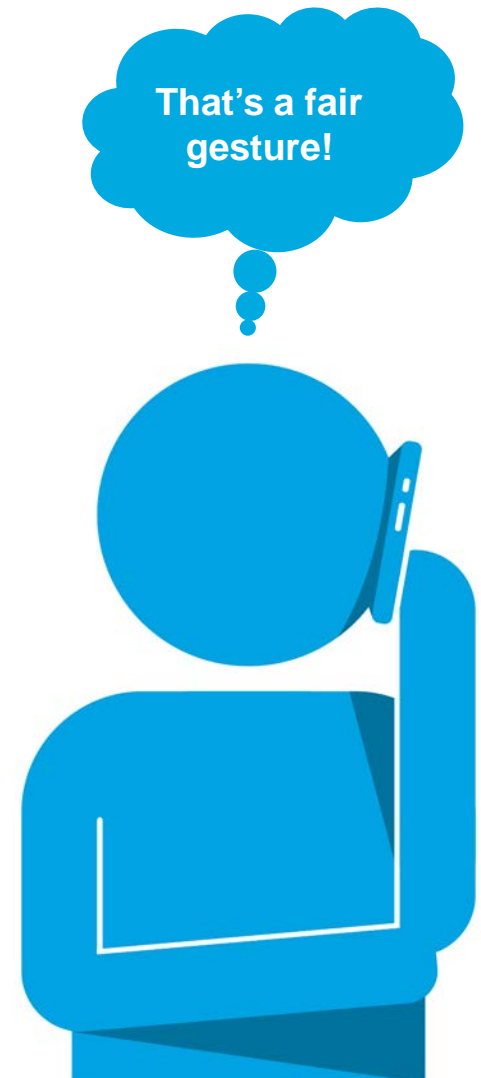
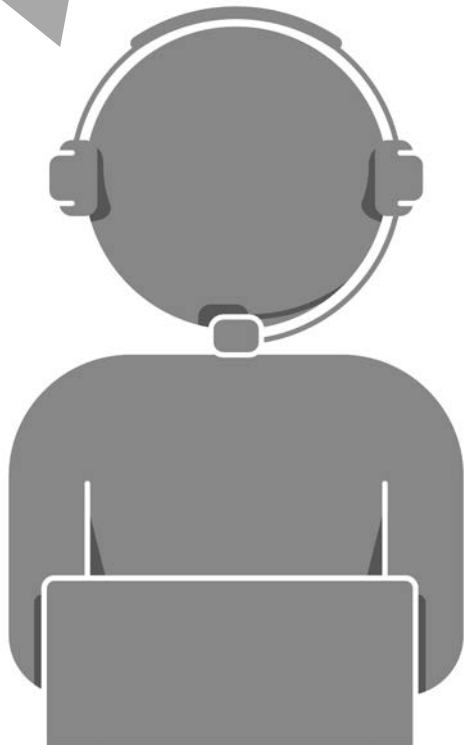


INTEGRITY@RUAG



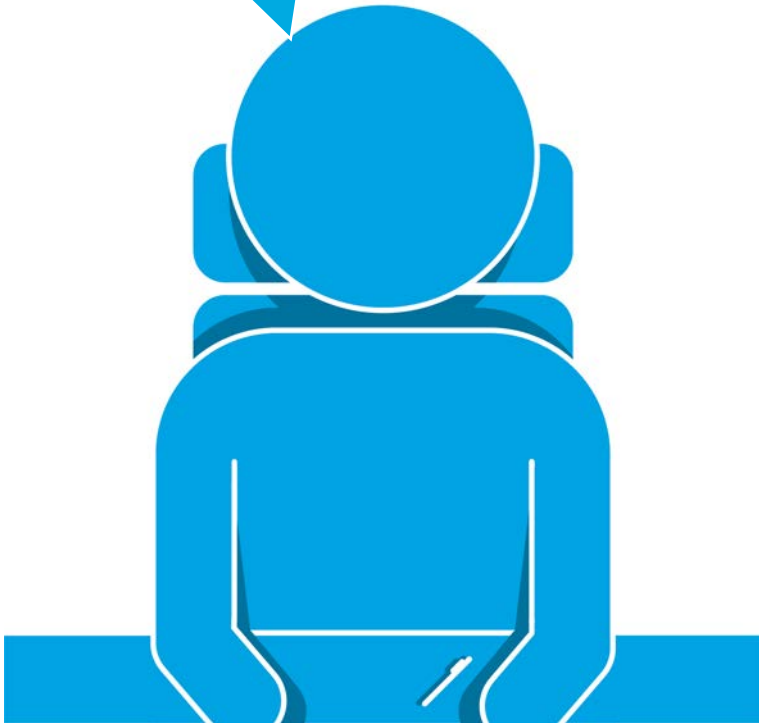
How nice of them!

We are very sorry, that the aircon did not work during your yearly global department summit last week and we would like to invite your team to a “Refreshment Cocktail” in the Penthouse Bar of our hotel.



Planning a Customer Event

As you know, we are planning a two-day information event (production, improvements, latest product news) near Munich for our customers. Hotels and meals will be paid by us and in the evening of the first day we will invite them all to the Oktoberfest.



Zero Tolerance for Corruption – 5 Central Criteria

Key Points

- Benefits must always be of a **lawful, neutral, appropriate, proportional** and **transparent** nature.
- It is prohibited to offer, provide or accept a benefit with the intention or effect of influencing the decision-making process of a business partner or public official.
- In the same way, no benefits may be accepted that could influence RUAG's own decision-making process.
- No gifts of an exaggerated value or other inappropriate gifts may be offered, given or accepted.
- Appropriateness: functional and social situation of recipient

Gifts, Entertainment and Expenses

Rule of Thumb

Approval
by line
manager

CHF
≤ 120 <

Written
approval
(e-mail) by
line manager
& Compliance

Or amount
equivalent in
buying power as
per Group Directive
DR015

Gifts, Hospitality, Entertainment and Expenses

Always Written Approval by Line Manager and Compliance



- Gifts, Hospitality, Entertainment & Expenses to **Public officials** (Member of governments, armed forces, elected representatives, judges, arbitrators and employees of companies with a majority interest owned by a state)
- Events (e.g. marketing events for (potential) customers) which contain gifts, entertainment, travel or accommodation expenses
- Donations and Sponsoring (which in addition require approval by the (division) CEO)

Gifts, Hospitality, Entertainment and Expenses

Not allowed

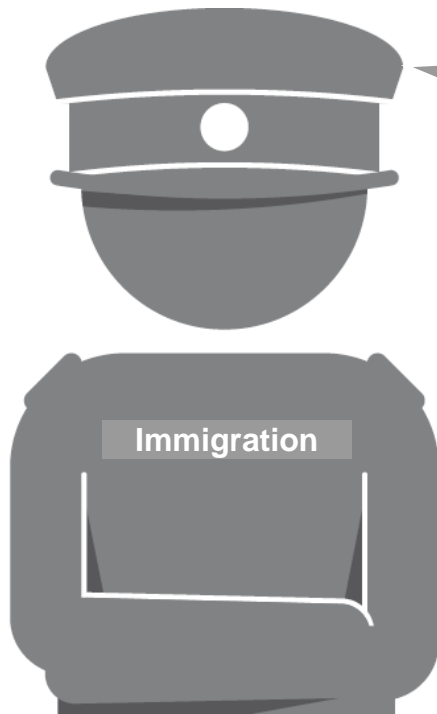


- Offering, giving or receiving cash or equivalent (e.g. gift certificates)
- Luxury goods and entertainment
- Entertainment & Expenses without any business connection
- Daily allowances in cash
- Donations to political parties

Pay or stay?

I'm afraid there is a problem with your passport, I will have to keep it for further examination. Your visa will expire tomorrow.

We could solve the issue quicker if you would pay an «express fee»...



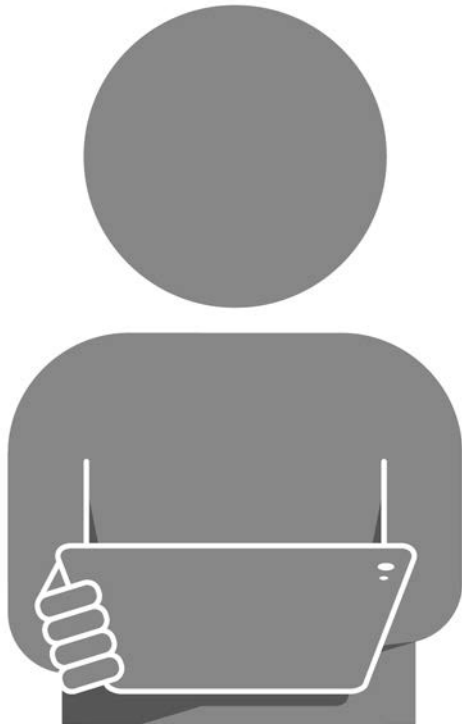
Zero Tolerance for Corruption – Facilitation Payments

Key Points

- Facilitation payments are small payments to usually low level public officials to ensure or speed up a government act.
- Facilitation Payments are prohibited anywhere in the world.
- Exceptions may apply in cases where an employee feels his personal health and safety or that of a colleague is in danger.
- The Compliance Officer needs to be informed as soon as possible.
- The Case needs to be properly documented for RUAG's records.

At the trade association meeting

We as one of the major competitors of RUAG decided to raise the prices in 2018 by 5%. It should also not be in the interest of RUAG to destroy the price levels in the market.



Actually, he is right!



Is he trying to fix prices with us? How should I respond to this?



Fair Competition - Antitrust

Key Points

- All employees must ensure that no information is exchanged in communication and correspondence with competitors that could permit conclusions to be drawn about RUAG's current or future market behaviour or that of competitors.
- RUAG employees must notify the responsible managers immediately of any attempts by competitors to exchange market relevant information or attempts to enter into any competition restricting agreements, so that the manager and responsible compliance officer can document in writing that no violation has taken place. Such information from competitors may not be forwarded, except to the responsible compliance officer.

Antitrust

“Golden Rules” in case of non-compliance by competitors

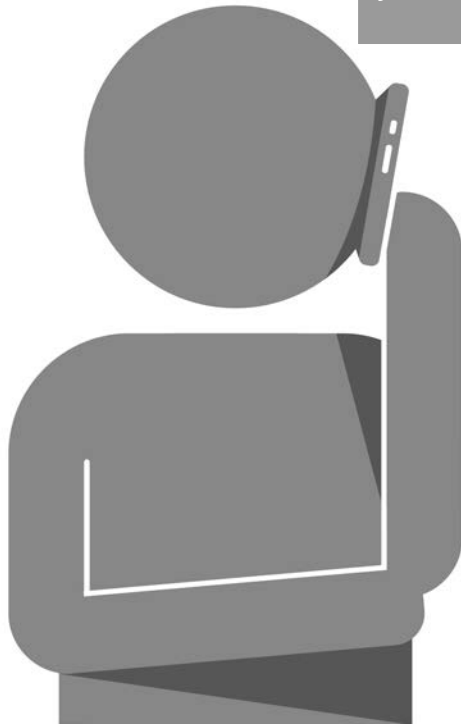
1. **Immediately reject market relevant information**
2. **Leave meeting in case critical discussion is not immediately terminated**
3. **Insist that your rejection (and you leaving the meeting) is explicitly mentioned in minutes of the meeting**
4. **Document your rejection in email to responsible compliance officer**

Contact responsible Compliance Officer for further guidance.

What to do?

Hello my good friend!
Remember the time at the
university where you
copied my test to pass the
final exams? Haha, those
were the good old times!

Listen, I'm in a bit of a
scrape here. I got fired –
we don't have to go into
details – and now I have
my own consultancy. Hard
times, you know with
family and all. Any chance
your company can give me
a mandate?



Hmm... I really owe
him from the old
days. Can't let his
family live in the
street.



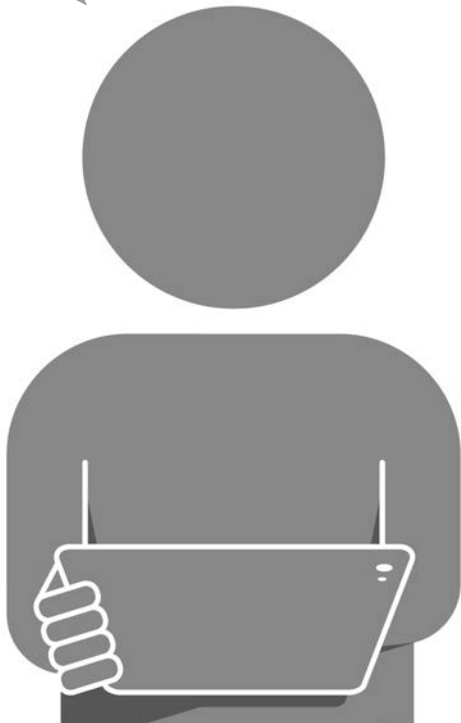
Conflicts of Interest

Key Points

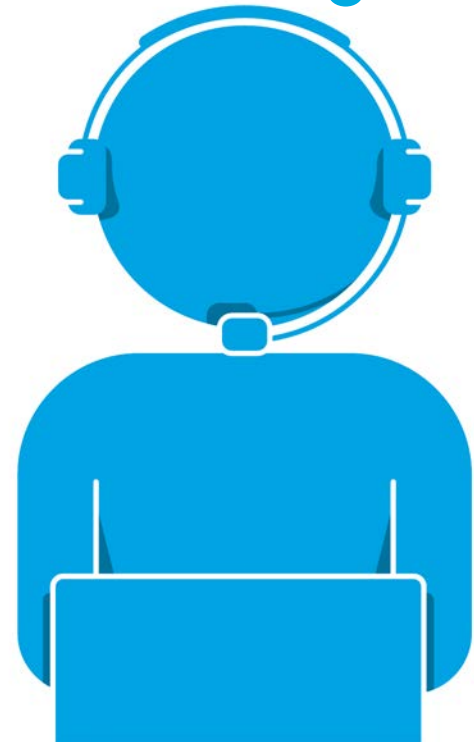
- A conflict of interest exists, where an employee's personal interests conflict with those of RUAG or where such a risk exists.
- Such (potential) conflicts need to be openly discussed to ensure that the right measure can be taken to avoid a conflict.
- If there are personal interests in a business situation that do not, however, conflict with the interests of RUAG as a company, this must be documented in writing together with the direct manager and responsible compliance officer.

Quite a bargain, no?

Listen Jack, I just made the math. If we declare this thing for 100'000\$ we can save 225'000\$ for the company. Can you please change the customs invoice?



Wow! 225'000\$ is a lot of money. The project would sure benefit from that, not least since we didn't factor in the customs duties and VAT. But this thing is worth 1 Mio. \$. Can I do that?

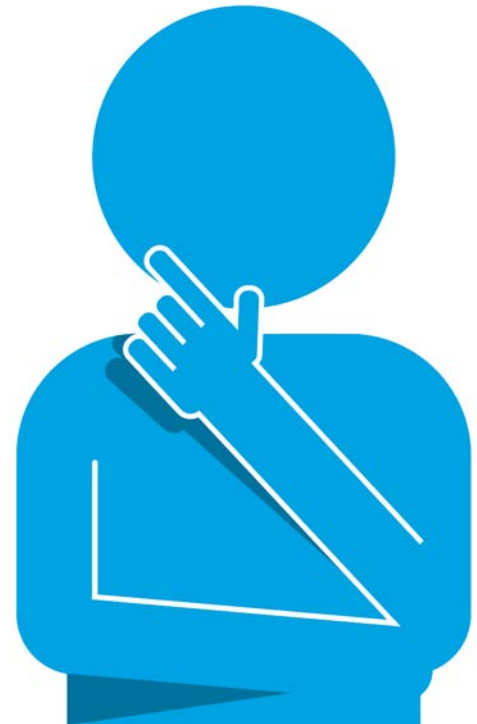


Somewhere in Sweden...

I'm off to the Norway Firearms Expo next week. Can you give me the latest catalogues, samples, Giveaways and cut away models? I'll just take them along in my car.



Are there any formal requirements for that?



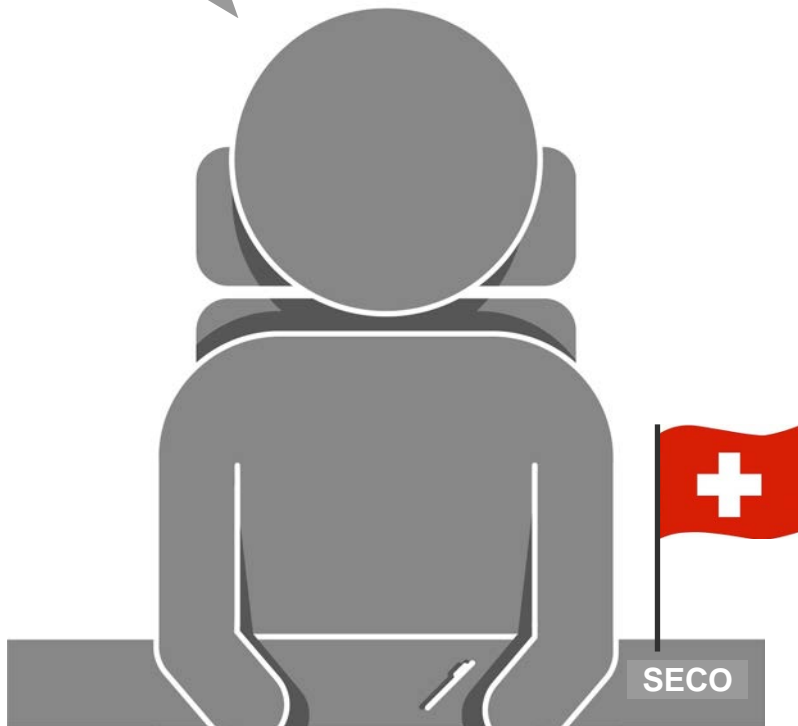
Trade Compliance: Customs

Key Points

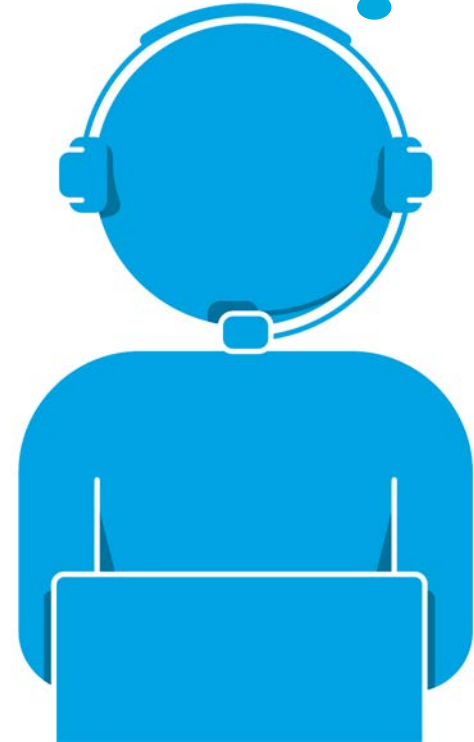
- Declaring an item at a lower value than it is actually worth is tax fraud, as the value is the basis for calculation of import duties and VAT.
- The same may apply to false product origins.
- There is no value zero for customs purposes! Everything taken across the border needs to be properly declared in the right procedure (e.g. temporary import, final import)
- Any customs value and origin declarations must be properly validated before shipment and properly declared at the borders.

Germany is not Switzerland!

I'm afraid the Swiss export control policy will not allow the export of this military item to Saudi Arabia.



I know Germany does not have a problem with this. Why don't I call Jürgen in our German factory and ask him to deliver to Saudi Arabia from Germany.



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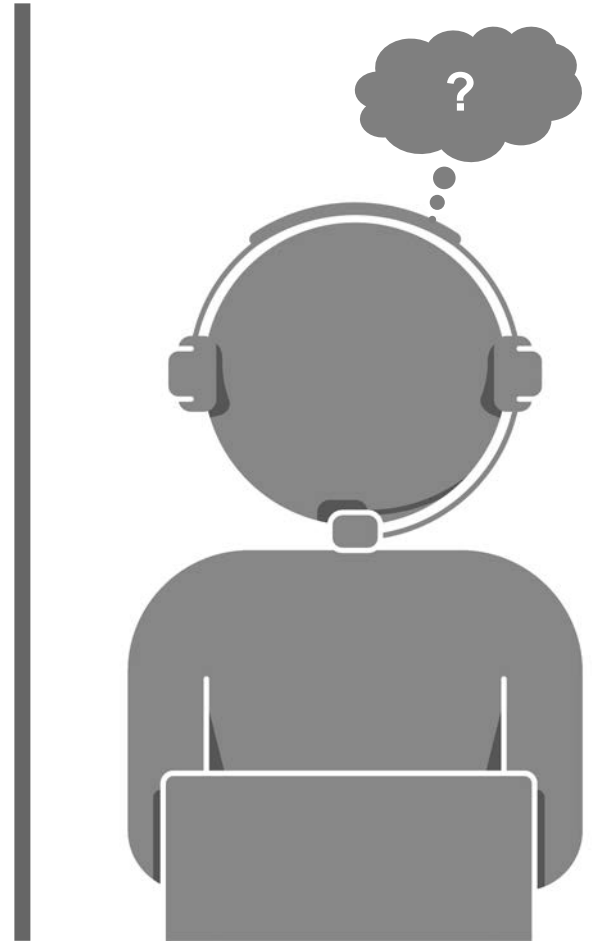
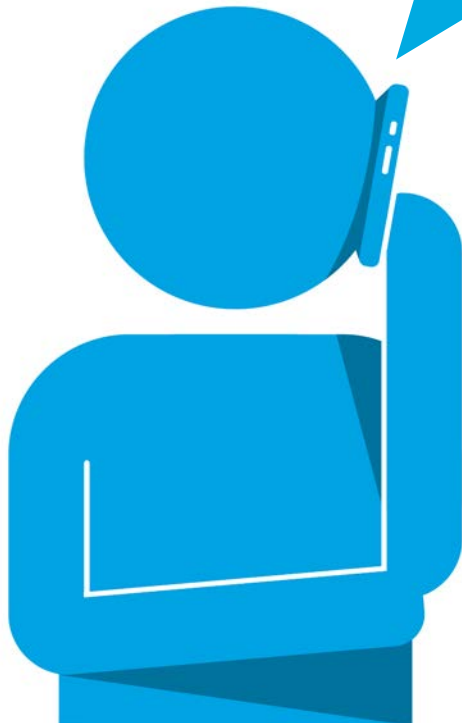
Trade Compliance: Export Controls

Key Points

- Most of RUAG's products are subject to export controls, limiting the export to certain countries.
- The regulations of the respective country of registration principally apply and export licenses need to be obtained from the respective country's authorities.
- US Export Control rules apply regardless of the registration whenever there is a connection to the USA (e.g. US product, US content, US technology, involvement of US persons, payment in US\$).
- RUAG's owner, the Swiss confederation, expects RUAG **to comply with Swiss export control laws and practices regardless of the country of registration.**

Is this a discrimination based on gender and nationality?

Dear Mrs Headhunter,
Strong candidates for this sales position in France must have served in the French military as officers in addition to their sales experience.



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Equal Opportunities & Non-Discrimination

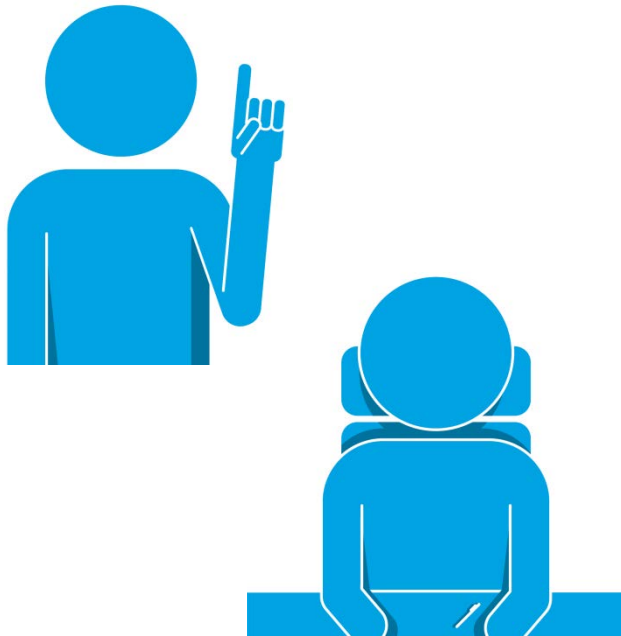
Key Points

- RUAG promotes a culture of integration and does not tolerate any discrimination on the grounds of age, ethnic origin, philosophy, religion, skin colour, nationality, political or other convictions, gender, sexual orientation, physical condition, marital status or affiliation with employee representative bodies.
- Applying **objective requirements** for specific professional functions may not constitute a discrimination on the grounds of such criteria.
- But, watch out for more restrictive rules under local labor law!

Speak up!

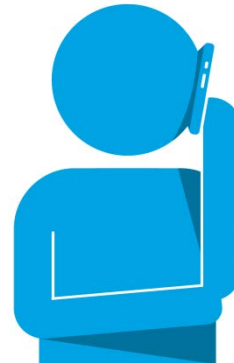
If you are unsure about a situation or believe there has been a violation of our Code of Conduct, you ...

1. Talk to your Team Leader



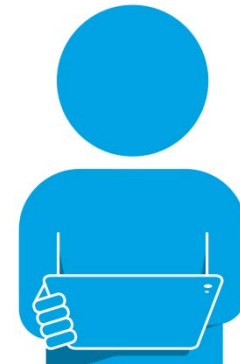
If you do not feel comfortable doing this...

2. Consult your HR Manager, Compliance Officer or the General Counsel



If you do not feel comfortable doing this ...

3. Contact the Whistleblower System



Corporate Services

RUAG TOPICS

About RUAG

Working at RUAG

IT Support

Information Security

KonTel

Whistleblower system

Stage II / Group projects