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Group Directive

# Verification and Approval of Contracts With Third Parties Involved in Sales

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## Version control

Rev	Description	Effective Date	Author, OU
1.0	Initial version	14 December 2016	GRAP, RHL
1.1	Template for activity report added and SOA for RT integrated	28 July 2017	GRAP, RHL
2.0	Complete revision with introduction of Symfact TPM	5 October 2018	HAES, RHLC
2.1	Minor revision, slightly changed wording	1 February 2019	HAES, RHLC

## 1 Introduction

### 1.1 Goal and scope

This Directive governs the verification and approval of contracts with independent third parties supporting sales and customer support, in particular agents, intermediaries, sales representatives resellers and consultants.

Typical services of such third parties are the facilitation of sales contracts and other services supporting sales activities on site as well as the execution of existing customer contracts.

Three main types are to be distinguished: Agents (intermediaries, sales representatives), consultants and resellers. Agents are usually remunerated based on a success fee/commission. Consultants usually receive hourly or daily fees. Resellers buy and resell RUAG products for own account and risk but selling them under a RUAG brand (reselling them unchanged and not integrated into another product or in the frame of a complete solution). In case of doubt whether a contract is subject to this Group Directive, Compliance is to be involved.

Any Third Party as described above needs to adhere to RUAG's compliance principles, in particular in respect to anti-corruption. Any violations may not only result in liability and criminal sanctions for RUAG, there may also be considerable reputational damages regardless of RUAG's fault.

This Group Directive replaces the "B. II COMPLIANCE-APPROVAL PROCESS: APPLICATION TO THE COMPLIANCE-BOARD" by LEGAL.

This Group Directive applies to all legal entities of the RUAG Group, i.e. Board of Directors, the Group Executive Board and all employees, as well as associated companies in which RUAG holds a controlling influence. In other affiliated companies, RUAG strives to enact this or a comparable Group Directive.

### 1.2 Purpose

The purpose of this Directive is to ensure that when hiring Third Parties, RUAG acts at all times in accordance with the applicable laws and is not exposed to any reputational risks.

RUAG expects all employees and business partners to conduct themselves in full compliance with the applicable laws and regulations. RUAG shall use its resources in a cost-effective manner and shall refuse to use them for unlawful or dubious purposes. In particular, RUAG refuses to engage in any kind of corruption, bribery or other unauthorised or unethical exercise of influence to pursue its business goals.

As part of RUAG business policy, this Directive contains binding rules for the selection, review and contracting of Third Parties. RUAG shall only offer contracts to agents who meet these selection requirements.

### 1.3 Definitions

**COMPLIANCE:** Corporate Compliance of the RUAG Group.

**Compliance:** Compliance-responsibles of the divisions and COMPLIANCE, to be contacted directly or via [compliance@ruag.com](mailto:compliance@ruag.com).

**Contract Template:** Contract Templates made available by the legal department to be used for contractual relationships subject to this Directive.

**Symfact CM:** Symfact Contract Management Tool for storage of all contracts and further documentation in accordance with this Group Directive and Group Regula-

tion “Contract Management Tool” (RE015). Access rights are granted by the legal department.

**Symfact TPM:** Symfact Third Party Management Tool for the management of the verification and approval process for Third Parties under this Directive. Access rights are granted by Corporate Compliance.

**Third Party:** Company or individual that is not part of the RUAG Group or employed by a RUAG Group company, that is used to support sales and customer support of RUAG, in particular agents, intermediaries, sales representatives resellers and consultants

## 1.4 Freedom to act

This Group Directive sets a minimum standard for the RUAG Group. In accordance with particular national requirements and with respect to compliance to local law, each legal entity of the RUAG Group may realize this Group Directive in a more restrictive manner. Division-specific rules require the consent of Compliance. Special division-specific requirements regarding remunerations are included in Appendix E.

## 2 Content

### 2.1 Selection and Approval of Third Parties

The process for selection, verification, approval and contracting of Third Parties are to be conducted in line with this Directive. Each Division needs to bear the cost of this process, including any cost for external background checks and legal opinions.

The process as described in this section and Appendices A and B must be completed before signing any contracts or making any binding offers. It is important to note that in many legal systems, contracts may be concluded orally or through conclusive acts. For this reason, any actual cooperation with a Third Party may only be started after the signing of a written Contract.

#### 2.1.1 Contact and Selection

Third Parties are contacted by Sales or Customer Support and selected based on business criteria. Third Parties may only be engaged where there is a legitimate business reason. The responsible person in Sales files the application for approval in Symfact TPM by filling in the internal questionnaire.

#### 2.1.2 Verification by Compliance

Once the internal questionnaire is submitted, Compliance launches the automated background check in Symfact TPM. Compliance verifies the results of the background check and risk analysis and decides on the next steps. Where necessary, in particular in countries with a low Corruption Perception Index, Compliance may submit an external questionnaire to the Third Party via Symfact TPM. In addition, they may require an in-depth background check through an approved external organisation (e.g. TRACE, KPMG, Deloitte, etc.) and a legal opinion by local law firms.

Once all the information has been received, Compliance examines any red flags and defines suitable measures for risk mitigation where appropriate. Where no risk mitigation is possible or when there are clear reasons for rejection, in particular where the background check has revealed a high risk of corruption, Compliance will prohibit the relationship with the Third Party. In cases of doubt, Compliance submits the risk assessment with a recommendation to the Division concerned for

decision by the Division management. After conclusion of the verification process and approval in Symfact TPM, the contract negotiation may start.

## **2.2 Contract**

The respective Contract Template is forwarded to the Third Party by the Division concerned. This may be done before the conclusion of the verification and approval process if the Third Party is expressly informed that the signing of the contract is subject to final approval. Only the most current Contract Templates released by the Legal Department (available for download in Symfact CM) may be used. Any changes require the express approval by the Legal Department and/or Compliance (for changes to compliance clauses).

The signing, extension or amendment of any contract is only allowed after positive conclusion of the verification and approval process in Symfact TPM. It is not allowed to conclude a contract with contents that are in contradiction with the approval.

Any changes in the relationship with the Third Party require a new approval in accordance with this Directive.

The contract duration may not exceed 3 years. Extensions require renewed verification and approval in accordance with this Directive. The only exception is the one-time-only extension by 6 months in agreement with Compliance.

All Third Parties must agree in the contract to always act in accordance with all relevant laws and regulations, in particular in the country they are active and where the customer is located or the service is to be rendered.

Where the type of goods requires, Third Parties must confirm – and where required by RUAG document – that they are in compliance with the United States International Traffic in Arms Regulations (ITAR) Sect. 129 (Registration).

Backdating a contract or agreeing on retroactive coming into force is not permissible. It is also not permissible to have a Third Party start their activities before concluding a contract. Where a Third Party needs to be “tested”, a contract with appropriately short duration or cancellation period needs to be concluded. For the verification, approval and contracting of such Third Party this Directive applies fully.

A contract with a Third Party must be signed by (i) the managing director competent for representing the contracting RUAG-legal entity, Business Unit or Product Group, and (ii) by the respective Head of Sales or Customer Support. For the purposes of this Directive, the Head will be the person that is employed at the contracting legal entity. Where there is no such function, the Head of the Business Unit or Product Group is responsible.

## **2.3 Remuneration**

### **2.3.1 Common Principles**

Inappropriate remuneration schemes are an important factor in bribery and corruption schemes. The remuneration must therefore be appropriate and proportionate in relation to the value of the service for RUAG and the effort of the Third Party. At most, it may correspond to the usual market price level.

Any agreed payments must be appropriate and legal in all concerned countries. Payments may not be effected where there are indications that the third party has acted against the law or the contract. Where such indications exist, all payments must be refused and Compliance must be contacted immediately.

Payments in cash or by check are not allowed. Only bank accounts in the name of the contractual party are acceptable (and to be indicated in the contract). In particular for legal entities, the bank account must be in the name of the legal entity and not in the name of the individual owning the entity. The bank account needs to be in the country where the Third Party is registered or performs its services. Exceptions require a specific written justification and approval by Compliance.

### **2.3.2 Specific Rules for Agents, Sales Representatives, Intermediaries**

Generally the remuneration for Agents, Sales Representatives, Intermediaries and the like needs to be agreed as a percentage of the contractual turnover with the customer (commission).

█ of the net customer turnover is the guideline for maximum provisions. In exceptional cases this value may be exceeded (in particular with low turnover, █). Such exceptions need to be separately justified and documented in Symfact.

In any case and in addition to fixing a turnover based commission, an absolute cap needs to be fixed to avoid a disproportion between the effort of the Third Party and the significance of the service for RUAG. Such cap need to actually apply in cases with exceptional turnover.

### **2.3.3 Specific Rules for Resellers**

Resellers are independent individuals or companies that buy and sell RUAG products on their own account and risk. A commission is not foreseen as the margin of the reseller covers his cost and profit. When establishing the sales price to a reseller, the likely to be achieved margin needs to be in a realistic relation to the cost and risk of the reseller. It is no permissible for RUAG to fix resale prices, as this may be a violation of anti-trust law.

## **2.4 Activity Reports**

During the course of the contract, the Third Party (with the express exception of Resellers) needs to provide regular written activity reports, as foreseen in the contract. Sales or Customer Support needs to ensure that such reports are received usually at least once per quarter. Such activity reports need to include the minimum content as described in the sample form in Appendix B.

Consultants may ensure their activity reports through detailed invoicing, as long as invoicing is conducted at least on a quarterly basis.

## **2.5 Payment Process**

The accounting department may only open an account payable for the Third Party after having received evidence of the conclusion of the approval process in Symfact TPM (see 2.1 above) and the signed contract (see 2.2 above).

Payments may only be released and effected when the Third Party has fulfilled all its contractual obligations, there is no conflict between the Third Party activities and contractual or legal obligations, the agreed written activity reports have been submitted and there are no counterclaims of RUAG. In case the remuneration has been agreed as a percentage of the customer turnover (commission), RUAG's receipt of the customer payment is an additional precondition for payment release to the Third Party. The responsible head of sales or customer support needs to confirm this in a payment release form (Appendix D) to the accounting department. No payments may be effected without this payment release form. Payment release forms are required for any payments to Third Parties.

The Payment process in Appendix C applies.

## 2.6 Documentation and Monitoring

Any and all documents related to the Verification and approval of the Third Party are archived in Symfact TPM.

The responsible person in sales or customer support keeps documentation on the contract, any amendments or extensions and the activity reports (see 2.4) and payment release forms (see 2.5) electronically in Symfact CM.

If there are any reasons to believe the Third Party is acting unethically or against the law, compliance is to be contacted immediately.

## 3 Legal basis

This Group Directive is based on:

ID	Document	Date
1	Article 11.2.2/3 of the Organisational Regulations of RUAG Holding Ltd	30 October 2017

The Group Directive "Group Document Control" (DR001en) is always applicable.

## 4 Implementation

### 4.1 Approval procedure

Based on the application of the COMPLIANCE, the present Group Directive has been approved by the GEB on 18 December 2018.

### 4.2 Publication

This Group Directive will be published on the RUAG Intranet <<http://my.ruag.com/ruag-topics/directives-and-regulations/>> prior to the effective date.

### 4.3 Validity and period of validity

This Group Directive becomes effective on 1 February 2019 and applies to all legal entities of the RUAG Group. This Group Directive is valid until revoked and will be reviewed latest by 1 January 2022.

The "B. II COMPLIANCE-APPROVAL PROCESS: APPLICATION TO THE COMPLIANCE-BOARD" is hereby repealed.

## 5 Non-compliance

Non-compliance with the present Group Directive may have disciplinary consequences in accordance with local labour laws.

Violations of this Group Directive are punishable by the disciplinary measures available, which in serious cases also include termination. In addition, measures against the employee in question under criminal and civil law can also be considered. It should be noted that payment of agency commissions which conflict with the rules of this Group Directive may constitute not only a criminal act of corruption but also, due to the breach of asset management duties to the respective division or company, a criminal act of fraudulent breach of trust.



## 6 Appendices

The following Appendices form an integral part of this Group Directive any may be changed at any time by Corporate Compliance:

- Appendix A, Approval Process
- Appendix B, Sample Activity Report
- Appendix C, Payment Process
- Appendix D, Payment Release Form
- Appendix E, Division-Specific Regulations Regarding Remunerations

## 7 Signatures

Signatures of responsible persons.

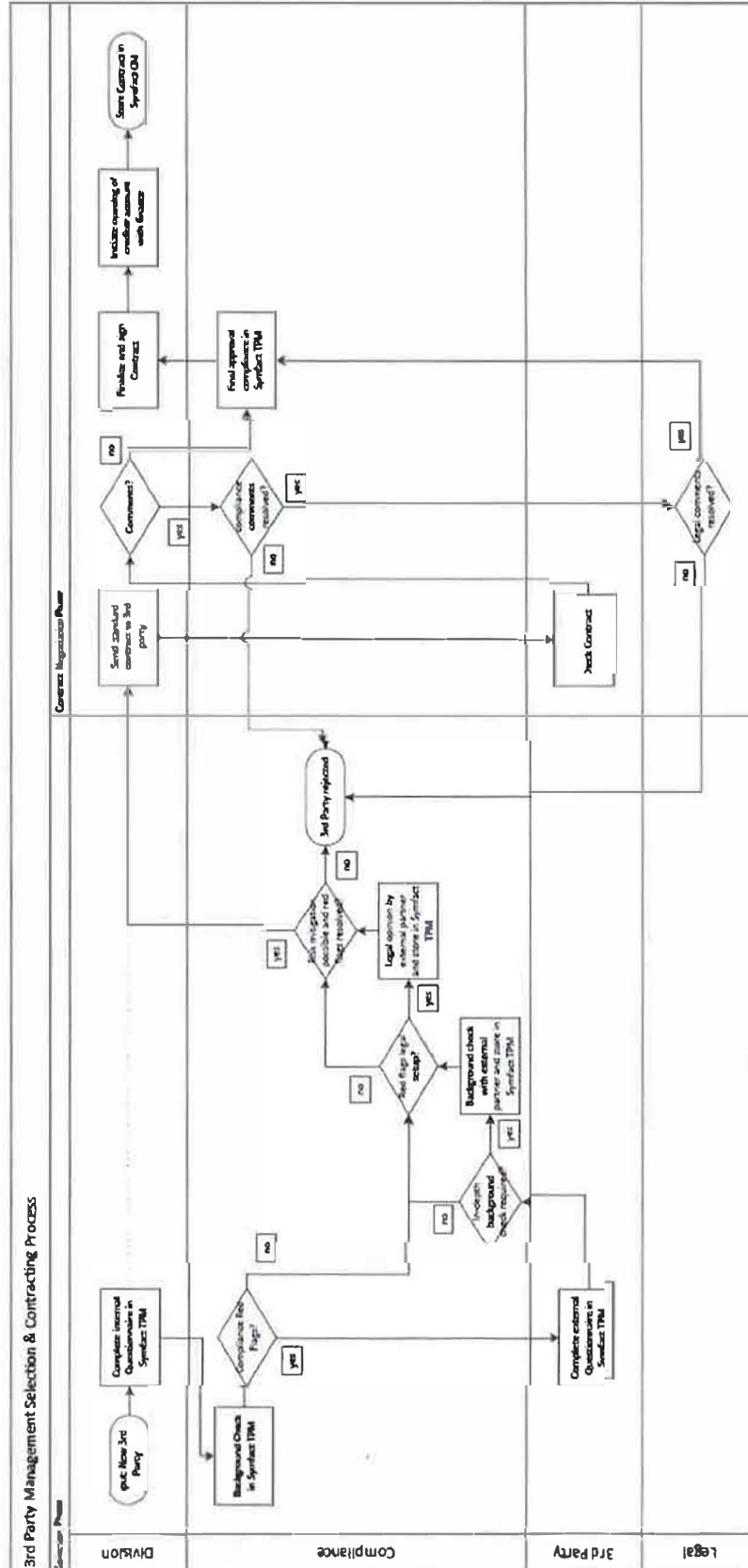


Urs Breitmeier  
CEO RUAG Group



Dr. Judith Bischof  
General Counsel

## Appendix A Approval Process



## Appendix B Sample Activity Report

**Reference: Agency Agreement between [legal business name of Agent] (in the following referred to as “Agent”) and [legal business name of resp. RUAG entity] (in the following referred to as “RUAG”)**

### - Quarterly Report -

According to afore-mentioned agreement, Agent is obliged to provide to RUAG quarterly reports setting forth Agent’s activities conducted and future activities considered on behalf of RUAG, including but not limited to all contacts with customers and potential customers.

#### **A. Market Update**

Agent shall provide RUAG with a general market update including, but not limited to:

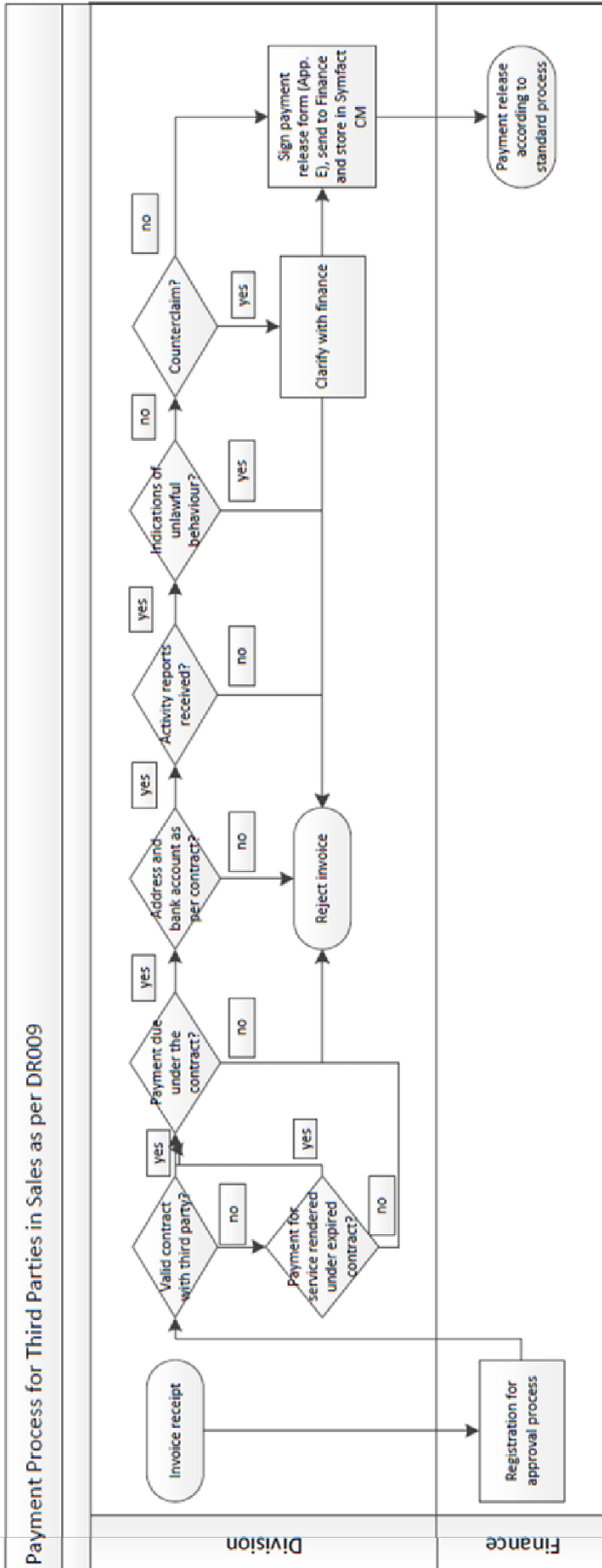
- Recent developments and market trends
- Current business opportunities
- Current challenges
- Estimation of the market position of RUAG against its main competitors

#### **B. Activity Report**

All services provided and tasks performed shall be described as detailed as possible in below table. The level of detail shall enable the undersigned RUAG representative to attribute the amounts invoiced or to be invoiced by Agent 1:1 to the value Agent added to the business transaction(s) in question.

The undersigned persons hereby confirm that the information contained in the table attached in the annex has been provided in good faith and is - to their best knowledge - complete and accurate.

## Appendix C Payment Process



## Appendix D      Payment Release Form

### Compensation payments or any other payment

#### Release for payment

Issuer of the invoice (hereinafter referred to as the "Agent"):

Date:

Invoice-No.:

I, as the employee responsible for the release of payments, hereby declare and confirm, that

- the Agent has fully performed his contractual obligations, and
- the commission or other positions invoiced by the Agent are due for payment in accordance with the contract, and
- there were no indications of a behavior of the Agent which is in breach of the law or contractual provisions (corruption), and
- the Agent's reports agreed in the contract are provided and archived in full, and
- I am not aware of any counterclaims of RUAG against the Agent.

I personally made sure of the correctness (e.g. by questioning the competent employee), therefore, and based on this, I approve that this invoice is released for payment.

.....  
Date

.....  
Name

.....  
Function

.....  
Signature