



RHI MAGNESITA

Global Standard

Management

Sanctions, Export Controls & Business Partner Due Diligence Policy

Responsible: Internal Audit, Risk & Compliance

Scope: Global

Confidentiality: Public

Sanctions, Export Controls and Business Partner Due Diligence Policy



We **apply business partner due diligence** in onboarding and maintaining our business relationships. We comply with applicable sanctions, export controls, anti-corruptions laws and other relevant legislation.

Sections 1 & 2





This **Policy is mandatory** for all directors, managers, employees, and other persons working on behalf of RHI Magnesita.

Section 3


It is specifically **prohibited** for our employees to:




-  Do business with entities and individuals which are directly included in the below named **sanctions lists** or which are owned or controlled by a sanctioned entity and/or individual, in a manner that would violate applicable sanctions

-  Violate **applicable export control laws**, e.g. supply of “dual use” goods without authorization

Section 4

-  Conduct any transaction with a business partner in a **Prohibited Country** as defined by RHIM

-  Engage in business activities that would violate RHI Magnesita’s **Code of Conduct** and infringe relevant legislation (e.g. anti-corruption, tax, anti-money laundering)

-  Engage in business transactions which are not within the **risk appetite** of RHIM

RHI Magnesita's internal controls aim to enable employees to avoid engaging in specifically **prohibited transactions**.

	<p>When doing business, you may encounter situations which exposes you and the company to business partner related compliance risks, e.g.:</p>	<p>Section 5</p>
	<ul style="list-style-type: none">  Business with sales agents and other sales intermediaries  Delivery to a customer/end-user in a high-risk country  Selling, use and production of “dual use” items  M&As, joint ventures, strategic partnerships 	
	<p>Section 5 contains some practical guidance. More details can be found in the Guideline. In case of business with sales intermediaries and deliveries to customers/end-users in high-risk countries, the regional IA, R&C team conducts a risk assessment, which leads to a classification of the third party or the transaction into high, medium or low risk. An adequate level of approval by the sales organization is required to proceed with the transaction.</p>	
	<p>RHI Magnesita has established internal controls to ensure appropriate business partner screening, including:</p>	<p>Section 6</p>
	<ul style="list-style-type: none">  Automatic Sanction Screening  Manual screening and bespoke Risk Assessment  Periodic Monitoring 	
	<p>The legislative and regulatory environment in the countries in which we operate worldwide are complex. Sanctions laws in several jurisdictions have an extraterritorial reach (the laws apply in whichever country the offence occurs). Violation of this legislation may result in severe corporate penalties and personal liability.</p>	<p>Section 7</p>
	<p>Whenever you have questions on the Policy and its underlying principles, please contact IA, R&C (compliance@rhimagnesita.com). If you have knowledge or suspect a violation of the Policy and/or any relevant legislation, you are required to report the incident. Please use the Compliance Helpline: www.rhimagnesita.com/compliance-helpline/</p>	<p>Section 8</p>

1 Background and goals

The main compliance risks regarding sanctions, export controls and business partner due diligence are: Breach of relevant legislation (e.g. trade controls, anti-corruption, anti-money laundering, anti-trust, tax, human rights), reputational and operational risk, financial losses.

RHI Magnesita is fully committed to comply with all applicable sanctions and export controls and to apply due diligence on all our business partners in our entire organization. “Business Partners” in this context mean any (external) third parties that RHI Magnesita engages with.

Business Partner Due Diligence is key to ensure that RHI Magnesita engages only with third parties that are professional, ethical, transparent and comply with relevant legislation. With this Sanctions, Export Control and Business Partner Due Diligence Policy (“Policy”), we want to give you an overview of the legislation on sanctions, export controls and the principles underlying our business partner due diligence. This shall enable you to avoid any conduct which may be considered contrary to applicable laws or good corporate ethics to maintain and enhance RHI Magnesita’s reputation in the market.

The RHI Magnesita business partner due diligence process covers different types of business partners, such as customers, suppliers, intermediaries (e.g. sales agents, resellers, distributors, traders), joint ventures and M&A targets.

RHI Magnesita has established internal controls to ensure appropriate business partner screening. For an overview, refer to [section 6](#), for the detailed process, please see the Sanctions, Export Controls and Business Partner Due Diligence Guideline ([‘Guideline’](#)).

2 Relevant legislation

RHI Magnesita, as a global company, is committed to complying with all applicable regulations governing international trade. These include:

- The UN/EU/UK Financial Sanctions lists and Export Controls, especially the EU Dual-Use regulation
- The embargoes and sanctions administered and enforced by the US Department of Treasury’s Office of Foreign Assets Control (OFAC) and US export control regulations, especially the International Traffic in Arms Regulations (ITAR) and the Export Administration Regulations (EAR), including its anti-boycott regulations
- The UK Bribery Act and the US Foreign Corrupt Practices Act, and local anti-corruption laws & regulations, as outlined in our Anti-Bribery and Corruption Policy
- Applicable anti-money laundering regulations

Specific regulations can apply depending on the nationality of the transaction participants. Additional information is included in the [Guideline](#).

3 Scope

This Policy applies to all directors, managers and employees worldwide, regardless of their position or type of employment, and other persons working on behalf of any group company of RHI Magnesita. The rules and regulations are also applicable to third parties engaged by RHI Magnesita, such as agents or consultants.

4 Specifically prohibited business transactions

The internal controls embedded into the process described in the Guideline, and detailed in section 6, aim to enable employees and the company to avoid engaging in the specifically prohibited transactions listed below.

Employees are strictly prohibited to:

- X** Do business with **entities and/or individuals** which are directly included in the **sanctions lists** (refer to [section 2](#) and [6.](#)) or which are owned or controlled by a sanctioned entity and/or individual in a manner that would violate applicable sanctions. It is also prohibited to engage in negotiations or to sign a contract where one of the signing parties is sanctioned.
- X** Engaging in business transactions with entities in a **prohibited country** (listed in [Appendix A](#)). They are also prohibited to engage in a business transaction in which these countries are indirectly involved (e.g. shipping or re-exporting to a prohibited country through an intermediary or an intermediate country).
- X** **Violation of applicable export control laws**, such as the supply of “dual-use” items or technical support for such items without obtaining any required authorization
- X** Engage in business activities that would **violate** RHI Magnesita’s **Code of Conduct** and infringe relevant legislation (e.g. anti-money laundering, tax)
- X** Engaging in business transactions which are not within the **risk appetite** of our EMT

Any circumvention of the above-stated rules is strictly prohibited (e.g. an employee changing the consignee in the respective order documentation).

5 Business transactions with risk exposure

Certain activities are exposed to higher risks, including risks related to the country, business partner type, product and the end-use and/or end-user of the product, and therefore need to be risk assessed and analyzed on a case-by-case basis.

- ! Business with sales agents and other intermediaries** (such as traders, resellers, distributors) as we cannot directly control the flow of our goods and/or services.
- ! Delivery to a customer/end-user** (end users are final recipients of the exported goods) **in a high-risk country**. High-risk countries are countries on which an arms embargo has been imposed as well as countries that are highly exposed to corruptions risks. The definition of high-risk countries is defined by IA, R&C annually. Any goods or services which are provided to customers/end-users in an arms embargo country, must not be used for military purpose or from a military end-user. The RHIM End use declaration must be filled in by the customer.

- ! **Selling, use and production of “dual use” items**, including software and technology, which can be used for both, civil and military purposes, and/or services related to such items.
- ! **Mergers, acquisitions and joint ventures, strategic partnerships** require adequate business partner due diligence and an evaluation of potential compliance risks. M&A and/or another relevant department, Legal and IA, R&C must be involved in any such transactions.

6 Internal Controls

RHI Magnesita has established internal controls to ensure appropriate business partner screening.

Automatic Sanction Screening

For all business partners, which are managed within SAP, an automatic sanction screening is conducted in SAP. The automatic screening takes place both at master data and at sales and purchase order level.

Manual Screening and bespoke Risk Assessment

In case of business with sales intermediaries (e.g. resellers, distributors, traders) and delivery to a customer/end-user in a high-risk country, the regional IA, R&C team conducts a risk assessment, including an ad-hoc sanction screening and a manual screening by using external databases, to identify and assess red flags, if any.

All sales agents undergo a risk assessment (including continuous sanction screening of the sales agent and its shareholders, ultimate beneficial owners and key personnel), conducted by an external provider, TRACE International.

The TRACE assessment identifies potential red flags or significant areas of concern, which are followed up by IA, R&C in conjunction with relevant RHI Magnesita’s departments.

The bespoke risk assessment leads to a classification of the third party or the transaction into high, medium, or low risk. An adequate level of approval by the sales organization is required to proceed with the transaction (high risk: CEO-2, medium risk: CEO-3 and low risk: CEO-4). Exceptional cases, as identified by IA, R&C, shall be escalated to the CCO or General Legal Council.

Periodic Monitoring

Business activities with risk exposure require ongoing monitoring by the relevant person in Sales/Commercial Execution, which shall inform the regional IA, R&C teams, when they become aware of any changes or other risk-relevant information so that a revised risk assessment can be made.

For the detailed process, please see the [Guideline](#)

7 Possible consequences

Violations of the respective legislation, especially sanctions and export controls and anti-corruption laws, are serious offences in most countries of the world. Even if certain practices may be common in some countries, RHI Magnesita, as a global stock market listed company, must always adhere to the highest ethical standards.

Possible consequences of a lack of compliance with these regulations depend on the applicable jurisdiction but usually include the following:

- High fines for RHI Magnesita and fines for our management, executives or other employees, such as imprisonment, monetary penalties, loss of employment, payment of damages, loss of customs permits
- Long-lasting and expensive legal proceedings
- Serious reputational damage to RHI Magnesita potentially resulting in losing investors and customers

In addition to potential legal actions, violations of this Policy may also result in disciplinary consequences.

8 Seeking support in case of doubt and reporting to the Compliance Helpline

If you have a question on this Policy and its underlying principles or its practical application or if you identify a potential risk, the first point of contact is your line manager. You can also contact IA, R&C by emailing compliance@rhimaginesita.com.

RHI Magnesita does not tolerate unethical or illegal behavior. Whenever you have knowledge of, or suspect a violation of pertaining laws and regulations, this Policy or the RHI Magnesita Code of Conduct, you are required to report the incident.

The [RHI Magnesita Compliance Helpline](#) provides a route to report cases of suspected lack of compliance and to obtain advice. This can also be done anonymously.