

Individual Policy II
Anti-Corruption Law



Established on January 1, 2017

1. Introduction

It is the policy of the “K” Line Group to strictly comply with the anti-bribery and anti-corruption laws of all countries that are applicable to the businesses of the “K” Line Group (collectively, the “Anti-corruption Law”). All directors, officers, and employees of the “K” Line Group (the “K” Line Group Employees) must comply with the Anti-corruption Law. In addition, directors, officers, managers, and others with supervisory responsibilities have a duty to ensure that employees under their supervision are aware of and comply with this Individual Policy regarding the Anti-Corruption Law (the Individual Policy) and related rules and procedures. “K” Line Group Employees who have doubts about the application of the Anti-corruption Law to the past, present, or future conduct of the “K” Line Group should consult with the department in charge of ensuring compliance with the Anti-corruption Laws.

In June 2014, “K” Line joined the Maritime Anti-corruption Network (“MACN”), a global business network dedicated to making the maritime industry corruption free and achieving fair trade, for the benefit of society as a whole. “K” Line established its “GENERAL POLICY AGAINST BRIBERY AND CORRUPTION” (Exhibit) in August 2014.

2. Prohibition of Bribery

Bribery is the act of providing money or goods intended to induce or influence the recipient (not limited to Government Officials^{*1}, but including directors, officers, or employees of the private sector) to misuse his or her position (or reward him or her for doing so), thereby securing business or a business advantage.^{*2} “K” Line Group Employees are strictly prohibited from making or receiving bribes.

3. Facilitation Payment

A facilitation payment^{*3} is a small payment made to Government Officials to expedite or secure performance of routine governmental actions. The “K” Line Group shall work to reduce and eliminate facilitation payments through our activity with MACN. It should be noted that even though a payment may be small, it can still be considered Bribery, in the event that it is made to gain an improper advantage or influence the recipient’s decision.

4. Exceptions

Notwithstanding 2 and 3 above, “K” Line Group Employees may make payments that are necessary under either of the following exceptions on the condition that they follow legitimate internal processes and record the payments fairly and accurately in the “K” Line Group’s accounting books and records. However, when such payments are made, it must be reported to the department in charge of ensuring compliance with the Anti-corruption Law.

- In the case where the “K” Line Group requires governmental services to ensure the safety of “K” Line Group Employees (for example, where medical evaluation, police, or fire protection is necessary);
- In the case where there is reasonable grounds to believe that a “K” Line Group Employee is in imminent and serious danger and no other reasonable alternatives are available; or
- In the case where a Government Official persists in demanding small payments in spite of repeated refusals and serious physical or economic damage to the “K” Line Group or “K” Line Group Employees is unavoidable unless such demand is satisfied.

5. Prohibition of Bribes through a Third Party

In case agents, consultants, licensed representatives, and other third parties acting on behalf of the “K” Line Group have engaged in bribery for the “K” Line Group, the “K” Line Group shall be charged with the same criminal liability as bribery conducted by themselves in person. “K” Line Group Employees must not engage in bribery through or using a third party .

6. Gifts, Meals, and/or Entertainment

In many countries, gifts, meals and/or entertainment^{*4} are long-established business customs to maintain good relationships with customers and business partners. However, in the case where gifts, meals and/or entertainment are given or received in order to gain an improper advantage or unjustly influence the recipient’s decision, they are expensive or excessive in amount compared with cultural standards, or they are easily converted into cash, those gifts, meals and/or entertainment can be considered Bribery. Therefore, the “K” Line Group Employees must not provide any gifts, meals and/or entertainment for improper purposes and they must make sure whether the amount, frequency, timing, contents, etc. are appropriate. In addition, when “K” Line Group Employees provide gifts, meals and/or entertainment to Government Officials or individuals who belong to private organizations, the respective payments for the gifts, meals and/or entertainment should be fairly and

accurately stated in the accounting books and records, and maintained appropriately in accordance with the applicable local laws or document management rules.

7. Donations and Charitable Contributions

While donations to charitable organizations are ordinarily regarded as part of good corporate citizenship, in the case where donations are made in order to gain an improper advantage or influence the recipient's decision or they are made upon the request of a Government Official, those donations can be considered Bribery. Therefore, the "K" Line Group Employees must not make donations for improper purposes. When "K" Line Group Employees make donations to charitable organizations, they must also comply with the appropriate internal procedures, fairly and accurately state payments for the donations in accounting books and records, and maintain the books and records appropriately in accordance with the applicable local laws or document management rules.

8. Political Contributions

Contributions of money, goods, or anything of value to political parties, election candidates, or political campaigns may be illegal in certain jurisdictions and, if legal, careful control and monitoring are required. Any political contributions must be made in accordance with local laws and regulations and must not be made with the intent to obtain or retain an improper advantage for the "K" Line Group. When "K" Line Group Employees make political contributions, they must also comply with the appropriate internal procedures, fairly and accurately state payments for the political contributions in accounting books and records, and maintain the books and records appropriately in accordance with the applicable local laws or document management rules. For further guidance, refer to your local laws concerning the political contributions.

9. Due Diligence

It is necessary for the "K" Line Group to perform appropriate due diligence on the targets corresponding to the risk level for corporate acquisition and other similar transactions^{*5}, and for partners of joint ventures and other third parties acting on behalf of the "K" Line Group (the "Target"). In addition, the "K" Line Group must ask the Target to disclose all known violations of the Anti-corruption Law known, if any, and work to establish warranties, and covenants that provide confidence and assurance that no violations of the Anti-corruption Law were committed in the past nor will be committed in contracts. Further, the "K" Line Group must consider adding into contracts with the Target provisions necessary for

compliance with the Anti-corruption Law and for the right of the “K” Line Group to audit the compliance with these provisions.

For further details on implementing due diligence, please consult with the department in charge of ensuring compliance with the Anti-corruption Law.

10. Endnotes

- *1 “Government Official(s)” refers to directors, officers, or employees of Government Institutions*⁶, agencies, departments, and instrumentalities and public international organizations (e.g., Red Cross and NATO); anyone acting in an official capacity on behalf of these entities; and, politicians (including candidates) and employees of political parties. It also includes individuals in unpaid and honorary government positions, including those of committees, panels, commissions, or other advisory positions. Examples of Government Officials include, but are not limited to: customs officers, port authority officers, government surveyors, immigration authorities, quarantine officers, cargo surveyors, ballast water inspectors, PSC officers, and the coastguard authority.

- *2 “Bribery” refers to the act of offering or promising any financial or other benefit (not limited to monetary advantage), intended to induce the recipient (not limited to Government Officials, but including officers or employees in private sectors) to misuse his or her position or reward him or her for doing so. For instance, a cash payment, without a voucher or receipt, at the request of a Government Official in order for a vessel to pass inspection rather than to pay a legitimate penalty, to “jump the queue,” or to receive some other advantage is considered Bribery.

- *3 “Facilitation Payment” refers to the act of providing nominal money or gifts to Government Officials in order to secure or expedite a routine procedure (e.g., processing a visa or scheduling an inspection) that the Government Officials have a legal duty to fulfill. Typical examples of Facilitation Payments include, but are not limited to: small cash payments, cartons of cigarettes, beverages (bottles of alcohol), food and sundries that are provided at the request of Government Officials, for example: requests from customs officers, port authority officers, government surveyors, immigration authorities, quarantine officers, cargo surveyors, ballast water inspectors, PSC officers, and the coastguard authority.

- *4 “Gifts, meals and/or entertainment” includes, but is not limited to, cash, gifts, travel expenses, entertainment, offers of employment, and business meals. It may also include political contributions, various advice, and charitable contributions made at the request of, or for the benefit of, Government Officials or individuals in the private sector, their family, or other relations, even if made to a legitimate charity.

- *5 “Corporate acquisition and other similar transactions” refers to cases where the “K” Line Group acquires, succeeds businesses of, or acquire shares of other corporations and entities.

- *6 “Government Institutions” refers to state-owned or state-controlled commercial enterprises (regardless of whether wholly or partially owned or controlled by a state). Examples of Government Institutions are state-owned or state-controlled universities, sovereign wealth funds, insurance companies, oil companies, hospitals, and airlines. In addition, it should be noted that some retail stores, bars, and hotels are owned by the state or are under full/partial state-control in certain countries, and can be considered Government Institutions.

Established on January 1, 2017

(For inquiries regarding this Individual Policy)

Corporate Legal Risk & Compliance Group

Kawasaki Kisen Kaisha, Ltd.

Inquiry : <https://www.kline.co.jp/en/contact/other.html>

(Exhibit) “GENERAL POLICY AGAINST BRIBERY AND CORRUPTION” (established in August 2014)