



KRAH
G R O U P

Freude am Widerstand

Principles and goals of the
KRAH corporate group



Preamble

Our corporate principles and goals are our inspiration and a continuous motivation; they embody our commitment to achievement and are the standard upon which decisions made by employees and company management are based.

Recognizing our responsibility to the state and society, we as company undertake to make our contribution to economic and social progress. To this end, we do expect an environment which recognizes our legitimate interests and allows economically successful development.

Our company's success depends on concerted action and a consistent focus on our customers. Every employee must know the underlying goals behind their tasks and concentrate all their efforts on achieving these goals. The precondition for this is stable, long-term earning power and a solid financial structure.

Profit orientation and social responsibility are not mutually exclusive. On the contrary, only profit-oriented companies can offer jobs and social benefits which are secure in the long-term and contribute towards improving living and environmental conditions.

We will always be a reliable and loyal partner. Our day-to-day work is characterized by the desire to satisfy our customers and to provide them with the greatest possible benefit. This is the guiding principle for everything we do.

1. Identity

We are an independent, medium-sized, family-managed company and have been manufacturing electronic components, especially resistors, at our factories since 1970.

Development and production sites in Europe, Asia and the Americas mean that we have a global structure and are able to offer consistent quality to our customers all over the world.

We are suppliers to the automotive industry and mechanical engineering companies; we also supply to the energy, rail and drive systems sectors as well as the household appliance industry.

In addition to our standard range of products, we specialize in manufacturing products which have been developed in collaboration with our customers.

Our work begins with our customers' specific wishes and we work to fulfil them through

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research, development and manufacturing. We deliver tailor-made products which consistently demonstrate our high degree of flexibility and constant drive to serve our customers.

By developing numerous products we have pioneered many applications and are known for the highest product and manufacturing quality standards. These standards are our trademark and we have achieved them thanks to innovation and continual improvement.

We view quality as all-encompassing. Contracts are consistently fulfilled, deliveries are reliable and an individual service is provided. These factors will enable us to continue to satisfy our existing customers in future, as well as assist in winning new ones.

Thanks to our fundamental focus on customers and our ambition to always develop and deliver the best product, we have become the market leader in our core fields of excellence.

As a matter of principle when developing new markets we concentrate on the business sectors which we are already in, or sectors where we can become leaders within a reasonable period of time. In order to strengthen our presence overseas we are always prepared to embark upon a partnership whenever it is clear that we cannot become the Number One alone.

In this context our goal is to achieve steady and manageable growth. Market expansion must, wherever possible, be linked to increased profitability.

Our autonomy and independence should continue in the future to ensure that we are able to achieve and realize our tasks and goals in the same way which we have always done – through fair behavior based on the core values defined by these corporate principles.

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2.1 Customers

Our primary objective is to satisfy our customers. The entire company must be structured around this goal.

Our products will only deliver us profits to the extent that they provide our customers with a benefit. This requires close contact with our customers and a consistent awareness of their current and future needs. It also means that we must provide them with advice to ensure that truly the best product from our range is used to meet their requirements to the fullest extent possible. Customers are more than business partners – they are friends

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who we want to help realize their wishes.

2.2 Competition and market leadership

Competition generates innovative and productive progress. We view competition as a challenge - a challenge to be better than our competitors. Customers decide to do business with us thanks to products tailored to their needs and the personal service we provide.

We are the market leader in our core sectors and are continuing to develop our leading position by exploiting our potential. We will utilize this influence to shape the market positively.

2.3 Innovation and continuous improvement

Innovations are the outcome of an on-going process which continuously generates further innovations. Clearly defined goals and customer requirements keep the process moving and even accelerate it.

Innovations are an element of our success. This is how we set standards in technology and service, and also how we ensure our competitive advantages worldwide. We will continue to consolidate and develop our market position.

The company has internalized the process of continuous improvement (Kaizen – ‘change for the better’) based on the principle “People are at the heart of things”. Not a day passes by without small improvements being made incorporating all employees.

“Everything can be improved” – because our actions are based on this maxim we are perfectly equipped to deal with the challenges of the future.

2.4 Employees and human resource management

We respect the rights and dignity of all employees. The success of our company depends on their performance, skills, willingness to work, mobility and loyalty. We uphold their motivation and allegiance to the greatest extent by:

- Creating safe jobs.
- Offering our employees jobs which correspond to their abilities and performance.
- Paying our employees reasonable wages based on their performance and promoting their personal development.
- Offering our employees the space to fulfil their potential and grow with their tasks.

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- Our cooperative leadership style based on information, delegation and mutual respect.
- Ensuring cultural diversity at all levels within the company.
- Supporting the professional and advanced training of young people, and developing young managers from our ranks wherever possible.
- Aspiring to have a trusting partnership with our employees' elected representatives.

2.5 Company management

Our success is based on able and committed managers whose actions are based on the following principles:

- Management maintains strong personal contacts with customers. It has pronounced in-depth knowledge of markets, products and competitors.
- Management and personnel continuity must be maintained over long periods of time. Only by doing so can outstanding in-depth knowledge and personal contacts with customers be established.

The company's management personnel must act as role models, setting standards of behavior for their employees. They will employ a balanced and factual approach to ensure that the company's goals are in harmony with the workforce's wishes. This will be achieved by means of clearly defined targets and a planned strategy, and be implemented by asserting authority and prudent controls.

This cooperative and fair leadership style must motivate employees to:

- Perform excellent work.
- Take responsibility for the tasks they carry out.
- Bravely scrutinize the company's decisions and guidelines.
- See not only their own department or division but to look at the company as a whole.
- Plan for the future and be open to new ideas.

2.6 Suppliers

We place value on fair business relationships, which includes the companies from which we source goods and services. Our procurement policies are based on an objective comparison of services.

In this context:

- We select our suppliers according to the quality of their products and services, their reliability and the competitiveness of their prices.

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- We concentrate on a small number of suppliers.
- We are loyal to our suppliers; the lowest price is not always the best price.
- We respect the legitimate interests of our suppliers when negotiating contracts.
- We avoid our suppliers being overly dependent on us.
- We expect our suppliers to adhere to the same ethical principles to which we have committed ourselves in our corporate principles and goals; in particular the respect for human rights, respect for valid laws and standards, and the protection of the environment.

2.7 Shareholders

The company has a strong obligation towards its shareholders; especially the founding shareholders whose capital has created the workforce's jobs.

The company offers all shareholders working in the company the opportunity to contribute their ideas and creativity.

In addition to reasonable dividends for shareholders, the company's fundamental core must be continuously strengthened in order to maintain its largely independent self-financing.

Every shareholder must also always take the partners' interests into consideration. The shareholders are called upon to actively participate in the political, social or cultural fields.

2.8 Society and the public

We accept our social responsibility to make a contribution towards improving conditions within the society of which we ourselves are a part. As a consequence:

- We respect human rights in all the countries in which we have production facilities, providing conditions under which people are happy to live and work. This includes the ban on child and forced labour and respecting minimum standards in the fields of occupational health and safety.
- We respect the corresponding laws, values, norms and social orders in-place within these countries.
- We are an important employer in the regional context, and by paying our taxes we make a contribution towards the local government, federal state and country being able to meet their public obligations; in turn we expect to be treated fairly with respect to politics and society.
- We support regional projects in the social and cultural fields.

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2.9 The environment and sustainable development

We accept our responsibility to the environment and sustainable development, which meet the needs of present generations without putting the living conditions of future generations at risk. As a result:

- We design our products, services and processes to be environmentally-friendly.
- We protect the environment at all our production sites and use natural resources in a responsible way.
- We do not use environmentally hazardous substances when possible.

2.10 Cooperation within the corporate group

Within the corporate group we focus on mutual trust and responsibility, both of which we consider to be the basis for successful cooperation. As a result our managers are able to identify with their company.

Clear targets on the one hand; trust, responsibility and room for manoeuvre on the other – this is the framework which allows personal responsibility to flourish and generates the initiative for innovative ideas from which the entire corporate group benefits. Thanks to intensive collaboration everyone has a stake in our joint success.

3. Corporate organization

The company's organizational structure is described and presented in the "Company Control System". Corporate principles and goals take precedence over the organizational structure and are the mandatory guidelines upon which all decisions are based. They provide the foundations for the company's executive management to develop a strategic concept. The concept's task is to define mid- and long-term strategy and targets for the operational business.

Implementation of the strategy in all corporate divisions and subsidiaries takes place within the scope of annual targets or business plans. The company's strategic further development is not the task of executive management alone – managers also participate in the formulation of goals with the assistance from their employees.

In this context their core tasks must be firmly focused on achieving corporate goals.

All the corporate divisions provide usable figures and information to facilitate steering and target evaluation by the company. Based on this information, management compiles six-monthly management reviews. These reviews are a tool for assessing and monitoring all corporate functions and the achievement of goals. Parallel to this they also serve as a

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forum for discussions concerning further development of the strategy in all areas of the company.

The strategy, organization, goals and routes to the declared goals must all take into account the continuously shifting global, political and economic developments. As a result they must be constantly adjusted based on our corporate principles.

4. Conflicting interests

Every company is subject to the natural tensions existing between differing demands, interests, functions and competences.

We thus promote mutual understanding based on the exchange of information and fair behavior. We always take the disparate interests of customers, employees, suppliers, shareholders and the public into account.

This is the art of corporate management.

Drolshagen, in November 1987,
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