

Production needs us.



Corporate Guidelines



Foreword

The Kurtz Ersa-Corporation is a family enterprise. In more than 235 years of active company tradition, and through diversification and growth, it has developed into an internationally operating corporation.

In this brochure, you will find fundamental statements related to the values and long-term objectives of Kurtz Ersa. We expect from all employees that they adapt their behavior as well as their actions to conform to the guiding principles stated therein.

The corporate guidelines should contribute to presenting, both internally and externally, a common and unified appearance. This is an important contribution to ensuring the long-term success of our corporation.

Management and Partners of the
Kurtz Ersa-Corporation
March 2014

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1. Applicability

The brochure applies to all companies of the Kurtz Ersa-Corporation. As of Jan. 1, 2014 these are:

- Kurtz Holding GmbH & Co. Beteiligungs KG
- Kurtz GmbH, Hasloch and Kreuzwertheim
- MBW Metallbearbeitung Wertheim GmbH, Wertheim and Baiersdorf
- Ersa GmbH, Wertheim
- Kurtz Far East Ltd.
- Kurtz France S.A.R.L.
- Kurtz North America Inc.
- Kurtz Shanghai Ltd.
- Kurtz Zhuhai Manufacturing Ltd.
- Kurtz Aluguss GmbH & Co. KG
- Kurtz Ersa, S.A. DE C.V., Mexico
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These corporate guidelines are available to all employees, and each employee is bound to observe them.

2. Vision/Mission

2.1 Vision

- Our competitive lead in technology optimizes our customers' production process.

2.2. Mission

- We produce components, systems and equipment for the optimization of manufacturing processes.
- We want to understand the processes used by our customers.
- We are a strongly diversified global player.
- We aim for the top position in all markets we participate in.
- We are a family based enterprise with tradition and values.
- We include our employees in the decision-making processes.
- We strive for a reasonable return on and increase of the equity capital.

3. Moral Concepts and Corporate Policy

3.1 Humaneness and Independence

Workplaces at Kurtz Ersa should be more than jobs made available for the purposes of earning money. The company as well as the community of employees feel that mutual respect, cooperativeness, openness, honesty, consideration for others and civil courage are important values in human interactions. Honoring these values, we will establish a harmonious and successful working atmosphere.

3.2 The Philosophy of the Kurtz Family: long-term view

The owner family holds the shares in the company and manages the operation of the Kurtz Ersa-Corporation already in the seventh generation. Out of this tradition stems a personal interest to safeguard the inherited estate, to grow it and to pass it on to the next generation on a healthy foundation. Therefore, all our corporate activities are targeted on achieving enduring success.

Each of the business units regularly investigate whether a long-term and successful survival at the current location and in the current market is possible. When developing new lines of business, we always have an eye on the long-term benefit.

All existing and all future product branches must, in a long term view, offer solid returns.

3.3 Profitability

Profitability and capital are important for us, since they are needed to secure the existence and they are the basis for the growth potential of our company.

We strive to achieve a double digit operative return.

3.4 Growth

We strive in all our business segments to achieve coordinated and optimal growth, secured for the long-term. We want to show stronger growth than the respective market.

3.5 Productivity

Increasing the productivity is a goal which must be the target also of all our employees. Therefore, everyone has to contribute in his area of responsibility as much as possible to the drive to achieve this goal. Cost increases always need to be offset by an increase in productivity.

3.6 Product Quality

Our products convince through their high quality. Only through this high quality can we become a partner that is trusted by our customers. This makes it imperative that quality assurance be a central theme in all companies of the Kurtz Ersa-Corporation. As a result, QA is a key management task and a target-setting for every individual. To ensure this, business units maintain a specific quality DNA.

3.7 Service

A competent, comprehensive and timely service ensures satisfied customers. Our services offered must therefore be as much as possible oriented to the specific needs of our customers. Members of our staff who are in direct contact with customers must therefore be able to respond directly to the demands of the customer. This does not only mean giving competent advice and assistance when problems arose, but it also implies constant accessibility and quick availability of the service itself. As a global player, we are available for our customer 24 hours a day, 7 days a week.

3.8 Versatility

For a company of our size it is advisable, especially so in economically difficult times, to stand on more than one pillar. This way, we are as much as possible spared from feeling the effects of cyclical economic fluctuations of individual branches. Naturally, these different fields of activity have to fit to each other, and we should not lose track of this need. In order not to lose track, the production program is reviewed annually and, if called for, revised.

3.9 Synergy Effects

We have an extensive range of products, which means that a broad knowledge base is required within the Kurtz Ersa-Corporation. This knowledge base must be utilized in all areas.

3.10 Information

Ever faster changes on the markets and in the area of developments, ever more complex technologies and the increasing globalization make it mandatory that, for all corporations, a meaningfully structured flow of information is in place. At Kurtz Ersa there exist clear paths of information. Everyone receives, unsolicited, that information which is important for him (to perform his work) as well as for the company. Additional guidelines for the internal and external communication are laid out in the info-manual of the Kurtz Ersa-Corporation. Internally, employees are briefed monthly with important key performance indicators such as turnover, performance, quality, safety or other special issues. During these briefings there is also the opportunity to ask spontaneous questions or to add personal remarks.

So that our information will not be falsified or that it becomes, unwantedly, available to unauthorized third parties, we operate a monitored and secured information management system.

3.11 Planning

The daily life of a company must be based on medium – and long-term planning. It is for this reason that all department units of the individual companies have to prepare a plan for the applicable period of time, which will be consequently implemented. This naturally does not mean that a plan, once established, is unalterable. Rather, the effectiveness of a plan needs to be continuously monitored against the actual circumstances at the time.

3.12 Marketing and Market Research

Marketing assists placing our products and services onto the market. Elements looked after by this department are the preparation of market analysis, aligning the product program to the demands of the market, and, last but not least, advertising and public relations. Its highest objective is to permanently keep Kurtz Ersa aligned with the conditions of the market. Successful marketing is the foundation for the sound continued development of the existing range of products and the development of new products.

3.13 Innovation

We strive to attain in all our product areas a technological leadership role. That means, we not only want to be better, faster, more efficient than the competition, but we also want to occupy a top spot when it comes to the cost-benefit ratio. To achieve this goal, it is not only necessary to permanently perform developmental work, but also to keep a close eye on the developments taking place in the market.

3.14 Organization

The corporate policy of the Kurtz Ersa-Corporation, its organizational base, documents and documentation is being set out resp. described in a multi-part management handbook.

Part 1 contains the systematic foundation for the quality and occupational safety management in the Kurtz Ersa-Corporation, and it is binding for all divisions participating in the management system.

Part 2 covers the individual divisions of the Kurtz Ersa-Corporation. Activities within the group of companies, as well as the decentralized sections of the management handbook, whose preparation is the responsibility of the respective sections of the group, are to be carried out in accordance with the central part of the management handbook.

In addition, each company must, on the base of central guidelines, set up an organization which can satisfy the relevant internal and external norms. From this, all demands for the corresponding process, work and test instructions are given. We are certified as per ISO 9001.

3.15 Delegation of Responsibility

Whoever carries responsibility may never use this circumstance as an end in itself, with the intention to upvalue himself/herself. Therefore, the subsidiary principle should apply at all organizational units of the Kurtz Ersa-Corporation. This means, that responsibility should be placed where it makes the most sense. Then, the power necessary to make decisions must also be granted. On each hierarchical level, consideration has to be given to which decision absolutely has to be made from this level, and which would better be delegated down to the next lower level. Delegation of responsibility is an important leadership principle.

3.16 Human Resources Development

We want that all our employees are optimally being employed according to their inclination and ability. Prior to starting an apprenticeship program, we offer candidates the opportunity to get an idea of what the workplaces we offer would be like.

The demands made on workplaces permanently increase. For this reason, we evaluate the employees on a regular basis, openly discussing the results.

Our human resources development concept is designed to always align qualification, performance and behavior of the employees with the demands of the position held. This allows us to avoid over or under challenge, and we ascertain an optimal exchange with the labor market.

As our employee surveys have shown, personal development scores a high rating also with the employees of the Kurtz Ersa-Corporation.

3.17 Workplaces

Each employee of Kurtz Ersa is entitled to an up-to-date workplace. We want, by reorganizing the workplaces, achieve as a minimum or even surpass the current level of technology.

As an attractive employer, we offer to our employees interesting and family-friendly general conditions, such as child-care or health care benefits.

We look out for the work-life balance and we support it as much as possible.

3.18 Occupational Safety

Safety at the workplace is a top priority. To ensure this, all existing regulations and guidelines have to be maintained up-to-date and observed. It is expected from all our employees that they point out safety risks which are not being recognized by the superiors. Persons bearing the responsibility for this issue have to react immediately on such a report. The objective has to be to lastingly avoid accidents. We are certified as per OHSAS 18001.

3.19 Sustainability

The subject "sustainable development" was introduced to the Kurtz Ersa-Corporation already in 1779. Our first production unit – a forge hammer – was operated by water power. We conserve this historical industrial monument as a visible sign, and to demonstrate the importance to us of sustainable corporate development.

Sustainability is part of Kurtz Ersa-Corporation's management system. By adhering to it, we would like to do our share for sustainably improving the living conditions on our planet earth.

The aspect of sustainability found in the many production processes in our own factories is continuously being investigated with a view to improving on it. Internal and external audits are in place to ensure its success. For our product development, specifications already state the improvement potential for the use of resources. At Kurtz Ersa, sustainability is not left to chance. We are certified as per ISO 14001.

3.20 Risk Management

Our company is exposed to different type of risks. Accidents, attacks, turbulences on the financial markets, political and social change are only a few of the many examples, which all can place potential hazards on humans, material assets or the complete existence of our company. Risk management, though, is not only thinking about how to protect humans or material assets from danger. Endangering the market potential, or the sales, development and production processes as well as the safety of our products and the issue of product liability, all these hazards place new challenges on us on a daily basis. To a certain extend insurances coverage is available to reduce the risk, and to another part it is a matter of the correct assessment of the danger and the necessary implementation of suitable measures to counter act. We therefore need to assess the chances and dangers of the different market risks, and that not only for the area of corporate financing but as well for the individual business segment. Such a holistic risk management system serves as our internal control system, which assists us in finding, assessing and coping with risks and to take appropriate measures.

3.21 Continuous Improvement Process (KVP)

The specific and permanent improvement of the corporation is the main objective of our management system. Improvement is, when everything which does not make us better remains undone, and everything worth to be done to make us better, gets done. We need to avoid waste of all kinds and, through our efficient internal cooperation, attempt over and over again to improve our products, our systems and our efficiency. Our competition achieves this, at least partially, through more advantageous initial conditions. Continuous improvement, therefore, is mandatory for us.

Expressly for this purpose, the "Hammer Innovation Program" (HIP) was established in 2006. Additional information on HIP is available in a separate brochure.

4. Our Appearance to the Outside

4.1 Our contact with the Public

The term "Public" refers to society in general as well as to our business friends and partners in particular. In this section we would like to describe how cooperation between different individuals and nationalities on varying levels can function successfully. We would like to convey the image that we are open, ready to help and honest when we are dealing with demands on our company. Excepting issues which need to be treated confidentially, we gladly respond to all queries, for as long as neither the interest of the corporation nor any personal rights are being violated.

4.2 Our acting towards Customers

When an employee is in contact with a customer, he needs to be aware of the fact that, at that moment, he represents the Kurtz Ersa-Corporation towards the outside. At that time we expect proper appearance, friendliness, receptiveness and respect. In addition, the employee should respond quickly, sensibly, factual and with the necessary level of competence to the wishes of the customer.

It need not be stated that, as our main objective, we want to make a sale to the customer. But even when no order is to be placed in the near future, we should still be helpful and cooperative in our dealings with customers and otherwise interested persons.

4.3 Our Contact with Suppliers

The points stated for dealing with customers apply also to our dealing with suppliers. We particularly maintain an open and fair relationship, which is intended to be of long-term nature. Price negotiations are goal oriented and consequent, but always open, factual and fair. To realize potential savings, all business units of the Kurtz Ersa-Corporation cross-functionally work together. The same we expect also from our suppliers.

4.4 Social Responsibility

Kurtz Ersa-Corporation is committed to the internationally recognized human and labor rights, the proscription of child and forced labor and to freedom of association, and it commits itself to the maxims of equal opportunity. Corruption, either passive or active, is not tolerated in the Kurtz Ersa-Corporation, rather it is punished.

We promote social, cultural and sport projects, especially those in the region where our employees are at home.

5. Our Internal Cooperation

5.1 The Structure of the Kurtz Ersa-Corporation

It is desired that Kurtz Ersa retains its character of a medium sized company. This implies that in each individual company an independent organization exists, which regulates the competences and paths of information.

5.1.1 Lines of Decision-Making

If decisions do not touch directly on corporate matters, Kurtz Ersa companies are independent. Prior to them receiving binding status for the respective companies, decisions which are intended to apply to a number of companies must be agreed upon with the management of the other companies concerned as well as with the top management of the Kurtz Ersa-Corporation.

Decisions, which are of major significance for the organizational unit concerned, should generally be discussed by a team made up of competent employees. In this discussion it should be possible for each participant to freely express his opinion. After a decision has been made, it will be clearly communicated, supported by everyone concerned and consequently realized.

5.1.2 Cooperation within the Kurtz Ersa-Corporation

All Kurtz Ersa employees should view themselves as colleagues. No employees may, for convenience sake, take the attitude "For me only that counts what my superior has told me to do". Instead, wishes and suggestions of employees from other Kurtz Ersa companies should be treated as if they came from the colleague working next to me. Still, it should be clear that orders can only be given by the direct superior, even if this superior is, in the hierarchy, lower placed than the colleague from the sister company.

5.2 The Structure within Individual Companies

Pensioner and apprentices are, aside from the regular employees, an inherent part of the company. This definition has deliberately been chosen to emphasize the family character of our corporation.

5.2.1 Management

Members of management guide Kurtz Ersa in a capacity of trust. That means that managing partners are also, first and foremost, obligated to follow the company guide lines, before they may consider their position as owner. They carry, alone or in common, the responsibility for the company concerned. They have the role of unifying figures within their company as well as in the whole Kurtz Ersa-Corporation. Here it is especially important that members of management not only maintain personal contact to those persons immediately reporting to them, but to as large a group of employees of the corporation as possible.

Instructions issued by management need to be followed. Yet, this should not prevent anyone to voice constructive criticism in regards to decisions.

5.2.2 Executives

We expect from our executives exemplary social behavior, positive leadership capabilities and professional management techniques. The executives can best convey our values by being living examples who continue the development of the values. For this, general and department-specific leadership principles are in place, which have been established and are further developed together with the works councils (see attachments).

Our corporation should continue its development through its excellence in management.

The executives are responsible for the trust of the employees in the company. They ensure clear organizational procedures and monitor that they are being adhered to, and they cultivate a humane and cooperative style of leadership.

5.2.3 All Employees

Each employee is important for the company, and that is why no one should feel that he is the last link in the chain, and neither should he need to tolerate to be treated as one. It is absolutely necessary that each employee participates in caring for company issues, and that he is actively involved in its process of continuous improvement.

To enable Kurtz Ersa to achieve top performances over and over again is a task common to all, which should, despite all the strenuous efforts needed from everyone, still provide lots of fun.

5.2.4 Apprentices

The meaning of this word already points out our obligation: The young persons are to be trained. All employees have therefore the obligation to assist the trainees to become part of the "family". Numerous possibilities are available: By assisting them to find their own particular style of work, for example, or by passing on personal experiences or by simply lending them an ear and responding to the questions they may have.

5.2.5 Pensioners

Everyone working at Kurtz Ersa should be happy to do this and to identify himself with the company. And this should not stop when leaving its employ. Our retired former employees should also have the feeling that they still belong to "their company". We therefore continue to maintain personal contact with our pensioners, invite them to company festivities and mail to them the magazine containing company information. We are indeed very pleased if our pensioners continue to show interest in and engage themselves on behalf of the Kurtz Ersa-Corporation.

Notes to Fluctuation

Natural fluctuation cannot be influenced. Yet, there is also unnatural fluctuation, which we would prefer not to have to go through, but which, unfortunately, can never be fully avoided. It arises when employees are unsatisfied with their situation within the factory or when they violate the "rules of the game" as stipulated by the company. Those employees, whose personal objectives cannot be reconciled with the objectives of the company, we will have to allow leaving us. All employees are therefore asked to participate in the realization of our corporate goals. Should there be situations which run counter to our objectives, everyone is called up to reveal this respectively improve on it. This is the best assurance that the least amount of fluctuation takes place.

For good cooperation!

Leadership Guidelines of the Kurtz Ersa-Corporation

Social Behavior

- I actively live our values and ensure that they are applied.
- I am humane, fair and loyal.
- I am open and honest.
- I create a positive climate and promote cohesion.
- I respect my staff and business partners without distinguishing between persons.
- I am sympathetic, ready to help and open to criticism.
- I seek personal contact to my staff.

Leadership Qualities

- I am reliable and consistent.
- I communicate openly, professionally and promptly.
- I set clear, prioritized goals and monitor their consistent compliance.
- I immediately initiate corrective measures if deviation from a set goal becomes apparent.
- I make timely decisions, communicate these clearly and unambiguously and implement them targeted towards the goal.
- I actively involve my staff and those departments affected in the decision-making process.
- I motivate my staff to ambitious performances and support their professional and personal advancement.
- I acknowledge the performances of my staff through praise and recognition.

Leadership Techniques

→ **Organization and Delegation of Responsibility**

- I clearly define the tasks and provide maximum freedom of choice.
- I promote the personal responsibility of my staff.
- I promote clarity at the interfaces of my area of responsibility and promptly inform my superior if this is not possible.

→ **Objectives/Achievement of Objectives**

- I have a systematic and continuous overview over my area of responsibilities.
- I solve all conflicts promptly and in a fair manner.
- I continue in the development of my management system.

→ **Operative Leadership**

- I ensure that decisions that had been made are supported by all my staff.
- I give all my staff immediate and, if not, then in regular intervals, feedback on their performance.
- I see to it that my staff displays behavior suitable to the situation.

Results of Leadership

- We enjoy our successes together.

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