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Social Responsibility Code

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1 PURPOSE

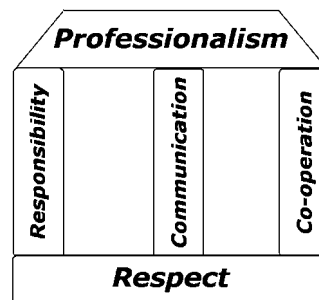
Sura Magnets AB (SM) commitment to honesty and integrity are key factors in its day to day business. Strong business ethics and social responsibility enhances companies' reputations and also plays a part in creating motivational workplaces for its employees, thereby attracting the best employees in the market. It also fosters positive publicity, attracts Customers and Investors and encourages an open and trusting relationship with Suppliers and sub-Suppliers.

The SM Social Responsibility Code ("Code or SRC") places expectations upon Suppliers to respect fundamental human rights and to treat their workforce fairly and with respect. Suppliers are required to behave in a socially and ethically exemplary way and to conduct business in compliance with all national laws and regulations. SM strives to maintain an environment of trust and respect for all its employees, Customers and Suppliers. Accordingly, SM requires that all Suppliers adhere to the business ethics listed in this Code.

SM also commits to fulfilling the terms stated in this SRC.

The guiding values for SM, and the employees of SM, which the Supplier also commits to, is:

- **Respect;** to show mutual respect, which includes an inoffensive language, is vital to SM's working environment.
- **Responsibility;** to take responsibility for once own actions, and not to blame others, is important for SM.
- **Professionalism;** to act professional, without gossiping, is fundamental to SM, and all employees, and the Suppliers employees, will abide by this.
- **Co-operation;** working together, to assure SM's goals concerning profit, a mutual relationship between SM and the Supplier, CSR, quality and the environment, is essential to the success of both SM and of the Supplier.
- **Communication;** to assure communication between SM and the Supplier and between the employees of SM, is vital to company.



2 IMPLEMENTATION

2.1 Communication

This document shall be open to the public and shall be communicated to all parties whose work contributes to SM products. All First Level SM Suppliers, namely those suppliers with whom SM contracts directly, shall provide evidence and keep SM informed about the implementation and compliance with these business ethics. They shall also be responsible for ensuring that it's Contractors, Suppliers and consultants comply with this Code, as well as assess their performance against it.

If you need support meeting this Code, contact your primary Supplier contact within SM or:
 Martin Peterson, Quality Manager, Ringvägen 40C, 614 31 Söderköping, Sweden, Phone: +46 (0)121 35304 Fax: +46 (0)121 353 15, E-mail: martin.peterson@suramagnets.se

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2.2 Monitoring and Compliance

SM expects all Suppliers to respect and where possible, comply with this SRC.

The Suppliers upper level management is responsible for assuring that the Code is communicated to the employees of the Supplier. Also, the Supplier will assure that the Code is available at the local language, and that the employees are informed about, and understand, the requirements stated in the Code.

The Supplier is also responsible for ensuring that its Contractors, suppliers etc comply with the Code.

Suppliers shall provide SM or a SM designated party with reasonable access to all relevant information and facilities for the purposes of assessing performance against the Code. SM reserves the right to perform audits at the Supplier, in order to assure the Suppliers commitment to SM's Code.

The management of the Supplier will assure that there are formalized ways in which an employee can report, without the risk of reprimands or retribution, violations of the Code.

Suppliers shall immediately report to SM any serious breaches of the Code, together with an agreed schedule for corrective action. Except to the extent compelled by law, all reporting of actual or potential breaches shall remain confidential between the Supplier and SM. Suppliers are expected to provide a corrective action plan with date of closure for any issues identified during an environmental and business ethics audit that do not meet the requirements of this Code.

Where serious breaches of the Code persist or recur, SM will consider termination of the Supplier business relationship. SM understands that there are cultural differences between regions, and will take this into consideration. However, the fundamental requirements described in this Code will be enforced.

3 SUPPLIER BUSINESS ETHICS REQUIREMENTS

3.1 Compliance with Laws and Regulations

Each SM Supplier shall, in all areas of the organization, comply with all national, regional and other applicable laws and regulations, including tax laws of the countries and regions in which it operates. Each SM Supplier shall ensure that all its employees receive adequate information and training in relation to all relevant legal, regulatory and internal requirements that apply to their jobs.

If, for any reason, a SM Supplier requirement is in violation by law, the relevant law must always take precedence. If this scenario presents itself, the Supplier shall immediately inform SM.

Each SM Supplier shall recognize that its business activities have a direct and indirect impact on the societies in which it operates, and therefore shall endeavour to conduct its business giving due consideration to the interests of its stakeholders, including its employees, customers, suppliers, business partners, shareholders and local communities.

3.2 Basic Human Rights

3.2.1 *Equal Employment Opportunities*

There shall be equality in the workplace. There shall be no discrimination in the recruitment, training, promotion, dismissal or other general administration of employees. No personnel shall commit acts, make advances or comments of a sexual nature, make racial or religious slurs, jokes, or otherwise conduct themselves in a hostile and disrespectful manner.

3.2.2 *Fair Employment Arrangements*

All employees are entitled to a written employment contract.

- Employment terms, including wages, working hours and benefits, shall be fair and compliant with the legislated minimum level requirements.

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- Employees shall be granted their relevant statutory rights such as annual leave, sick leave and maternity/paternity leave without any form of repercussions.
- There shall be no forced, bonded, involuntary prison or illegal labour. Employees shall be free to leave their employment after reasonable notice.
- Physical abuse or discipline is prohibited. The threat of any form of abuse, including sexual, verbal, harassment or other forms of intimidation is prohibited.
- Workers shall not be forced to make payments to their employer to enable them to gain employment.
- As far as any relevant laws allow, all workers shall be free to join or not to join trade unions and similar external representative organizations for the promotion and defence of their occupational interests.

3.2.3 *Child Labour*

Each SM Supplier shall not permit child labour (a person below the local legal min age for labour, in each country) and shall endeavour to protect every child from economic exploitation and from performing any work that is likely to interfere with a child's education or otherwise be harmful to a child's development.

Should there not be any local laws preventing child labour then no person younger than 15¹ years of age shall be permitted to perform labour. Workers may be 14² years of age under the special circumstances as specified in Article 2.4 of the ILO Convention No.138 on Minimum Age.

According to Article 1 of the UNICEF Convention on the Rights of the Child, persons under the age of 18 are children. SM encourages Suppliers to ensure persons under the age of 18 are treated with special consideration, ensuring the best interests of the child. For example, the amount of work hours should be evaluated so they do not interfere with potential school, overtime hours should be restricted, and hazardous work should be prohibited.

- 1 Age limit derived from Article 2.3 of ILO Convention No. 138 on Minimum Age for Admission to Employment.
2 Age limit derived from Article 2.4 of ILO Convention No. 138 on Minimum Age for Admission to Employment.

3.2.3.1 *Apprenticeship Programs*

Apprenticeship programs for children between the ages of 12 and 15 years are accepted in countries where the law permits such programs, but only under certain conditions:

- The total numbers of hours spent on light work and school together may never exceed seven hours per day.
- The employer must be able to prove that:
 1. Work is not interfering with the child's education
 2. Apprenticeship is limited to a few hours per day
 3. The work is light and clearly aimed at training
 4. The child is properly compensated

3.3 *Safety Requirements*

3.3.1 *Safe and Healthy Working Conditions*

The Supplier shall provide a safe, healthy, pollution free and productive environment in order to ensure the well being of the employees as well as the quality of SM products and services.

Adequate steps shall be taken to prevent workplace accidents and injury to employee, Customer, and Supplier health. Hazards inherent in the workplace and environment shall be minimized so far as is reasonably practicable.

Drug and alcohol abuse, knives, firearms and weapons of any sort shall not be allowed in the workplace. Knives and other tools needed for production is of course allowed.

The Supplier will assure a drug- an alcohol free working environment.

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3.3.2 *Medical Care*

Adequate First Aid supplies shall be available to all employees. There shall be at least one person available who is trained in basic First Aid treatment. The employer shall cover the cost of medical care for injuries that occur from work activities.

3.3.3 *Facility Safety*

Worker health and safety must be managed in such a way to ensure workplace injuries are minimized. The Supplier shall ensure that:

- a) Emergency Preparedness procedures including evacuation plans are communicated to all employees.
- b) Evacuation plans are clearly posted throughout the facilities.
- c) Emergency exits are available in all areas, are clearly displayed and are kept unobstructed at all times.
- d) The fire alarms are tested regularly. Regular evacuation drills are recommended.
- e) Employees receive appropriate health and safety training.
- f) The temperature and noise level of the work environment is tolerable.
- g) Workplace ventilation is adequate.
- h) Lighting is sufficient for the work performed.
- i) All employees have access to clean toilet facilities, drinkable water and, if applicable, sanitary facilities for food storage.

3.3.4 *Chemical Safety*

All chemicals must be handled in a safe manner.

Information concerning chemical hazards must be available to all employees. This information includes:

- Chemical name
- Hazardous constituents
- Physical data
- Fire and explosion hazard data
- Health hazard data
- Reactivity data
- Spill or leak procedures
- Safe handling data
- Recommended personal protective equipment

All chemical containers must be marked and labelled according to material content.

Employee training on chemical safety and hazardous material handling must be performed for all employees who may come in contact with hazardous materials.

Appropriate personal protective equipment must be worn by employees engaged in hazardous material handling. Appropriate hazardous material spill clean-up materials must be available to clean potential spills or leaks.

3.3.5 *Housing Conditions*

Where employee-housing facilities are provided, worker safety must be prioritized. Where an employer provides accommodation, it shall be clean, safe and must meet the basic needs of employees; the appropriate safety and workplace conditions described in this document shall apply to housing facilities.

Men and women shall have separate dormitories, toilets and showers. There shall be no restriction on an employee's rights to leave the dormitory during non-working hours

Adequate fire alarms, fire extinguishers, unobstructed emergency exits and evacuation drills are of particular importance in dormitory buildings.

3.3.6 *Product Safety*

The safety of SM's customers is of utmost concern to SM. In all phases of each SM Supplier's operations, including R&D, planning, design, production, sales and after-sales services, each SM Supplier shall

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continually develop and implement programs that meet or exceed legal requirements to help ensure the safety of its products. Each SM Supplier shall be committed to giving safety instruction and information to customers that is accurate, understandable and prominently displayed. Should an accident or safety problem occur in relation to an SM Supplier's product, the SM Supplier shall promptly investigate the matter and take appropriate action.

3.4 Fair and Honourable Business Practices

3.4.1 *Respect for the Environment*

Each SM Supplier shall be committed to protecting and improving the natural environment in all areas of its operations as a means of striving for environmental sustainability.

SM Suppliers are expected to comply with all SM Supplier requirements as instructed by purchase orders, drawings and other specifications.

3.5 Promoting Fair Competition and Procurement in the market place

Each SM Supplier shall promote fair competition and shall select its suppliers and contractors for goods and services on the basis of competitive price, quality, delivery and other objective standards.

SM, together with the Supplier, will work together to achieve long term mutually beneficially relations, in order to assure customer focus and continuous improvements for both the Supplier and SM.

3.5.1 *Inducements - Attempts to Influence Decision Making*

The Supplier's employees shall not make or offer any payment or provide to actual or potential customers, suppliers, competitors, consultants or governmental agencies, any benefit (including complimentary merchandise or service) of a value or nature that might be considered an attempt to influence those customers, suppliers, competitors, consultants or governmental agencies' decisions or actions.

Further, it is also prohibited to accept any payment, gift or entertainment intended to influence, or that appears to influence, Supplier business decisions.

3.5.1.1 *Bribes, Kickbacks, or Other Unlawful Payments*

Each SM Supplier shall ensure that its employees do not receive or solicit any payment, gifts or benefit from any third party of a value or nature or under such circumstances that might be considered an attempt to influence that employee's decisions or actions.

3.5.2 *Money Laundering*

The Supplier shall be committed to combating money laundering. Specifically, this refers to participating in or aiding, abetting, facilitating or counselling the commission on the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from criminal activity.

3.6 Proper Document and Information Management

3.6.1 *Safeguarding Confidential Information*

a) In the case that a Supplier's employee has knowledge of or possesses confidential information about the private or business affairs of SM and its Customers, such information shall be kept in the strictest confidence.

Confidential information may include engineering, design and other technical information as well as manufacturing know-how, processes and production schedules, pricing information, business plans or product roadmaps.

Limited and controlled distribution of confidential documentation shall be made. Confidential information is to be used only for the Supplier's purposes. Under no circumstances shall a Supplier's employee use

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such information for personal gain or pass it on to any person outside its Supplier, including family or friends, or even to other employees who do not need such information to perform their jobs or provide services.

Once confidential information has been disclosed it is very difficult to control its circulation.

An employee is not relieved of his/her obligations to disclose or misuse confidential information when leaving his/her employer.

(b) Any form of questionable or illegal intelligence gathering such as industrial espionage, burglary, wiretapping, and stealing of a third party's trade secrets shall not be tolerated.

(c) Insider Trading such as the purchasing and selling of shares while having knowledge of non-published price-sensitive confidential information relating to SM or Suppliers and Customers is strictly prohibited.

3.6.2 *Data Protection*

Many people and organizations maintain sensitive personal information about individuals. The Supplier shall be committed to ensuring that such personal information concerning its employees or employees of Customers and Suppliers is accurate, protected and processed fairly and lawfully so as to avoid misuse or misunderstandings, thereby respecting each individual's rights.

3.6.3 *Proper Record Keeping*

All records and information must be accurate, complete and kept up to date and secure. The information and data in such records must be a fair representation of the facts. National laws govern storage times for all legal and financial documents.

3.6.4 *Intellectual Property*

Each SM Supplier shall recognize the value of intellectual property such as patents, designs, trademarks, trade secrets and copyrights (including compositions, sound recordings, film works, games and computer programs) and shall respect the intellectual property rights of others. Personnel must not knowingly misuse the intellectual property of others or violate their intellectual property rights.

4 **SM SOURCING STANDARDS OF BUSINESS CONDUCT**

It is SM's policy to behave in a socially and ethically exemplary way and to operate business in compliance with all national laws and regulations.

In every area in which SM company operates, SM's goal is to maintain an environment of trust and respect for all its directors, employees, customers and suppliers. SM's commitment to honesty and integrity are key factors in its day-to-day business.

The key aspects of the code relating to sourcing are set out below.

4.1 **Promoting Fair Competition and Procurement in the market place**

SM is dedicated to promoting fair competition. SM strongly believes that this is the basis for business development and innovation and that it is financially beneficial for SM. Competition law is created in order to preserve fair competition and thereby safeguard a well functioning market economy.

Fair competition can be broken down into two rules:

(a) **No collusion with competitors** – any written, oral or just silent agreements or understandings with competitors may distort competition (for example, price fixing or maintenance, market sharing or market/price information exchange). Such collusions prohibited and illegal. Be very careful if and when liaising with a competitor.

(b) **No abuse of market power** – any attempt to abuse a dominant market position so as to distort normal competitive pressures is expressly prohibited and illegal. SM competes in a very competitive market and SM is, as a general rule, not in a dominant position. However, for some markets dominance cannot be ruled out and SM's market share is anticipated to increase in due course. Likewise, customers

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or suppliers in a dominant position should not abuse their market power (for example, exclusivity arrangements).

SM selects its suppliers and contractors for goods and services on the basis of competitive price, quality, delivery and other objective standards.

4.2 No inducements from suppliers or to customers

(a) Attempts to Influence Decision Making: It is the policy of SM to compete in the marketplace on the basis of the superiority and price competitiveness of its products. SM employees are not allowed to make or offer any payment or provide to any third party, any benefit (including complimentary merchandise or service) of a value or nature or under such circumstances that might be considered an attempt to influence such third party's decisions or actions. Third parties include any actual or potential customers, suppliers, competitors or consultants or governmental agencies.

(b) Bribes, Kickbacks, or Other Unlawful Payments: SM employees are not allowed to receive or solicit any payment, gifts or benefit from any third party of a value or nature or under such circumstances that might be considered an attempt to influence that employee's decisions or actions. If an employee is uncertain about the applicability of this provision, such questions should be directed to that employee's direct manager.

4.3 Avoiding Conflicts between SM and personal interests

In making business decisions, personnel must act on an informed basis, in good faith, and in the honest belief that the action taken is in the best interest of SM.

A conflict of interest exists when an employee's duty to give undivided business loyalty to SM can be prejudiced by actual or potential personal benefits being derived from another source. The employee shall not cause SM or himself/herself to have a conflict of interest. The employee is expected to avoid any investment, interest, association or relationship with a supplier, competitor or customer who interferes or might interfere with his/her independent exercise of judgment in the company's best interest. Duty to Disclose: Disclosures of a personal interest or other circumstances which might constitute such conflicts of interest are to be made promptly.

4.4 No money laundering and proper credit checks

(a) Credit checks: To safeguard the financial interests of SM and in the light of the competitive and tough market conditions, employees shall ensure that checks are made to verify the credit worthiness of suppliers and customers before entering into any agreements with such parties.

(b) Money laundering: SM is committed to combating money laundering, namely, participating in or aiding, abetting, facilitating and counselling the commission of the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to the ownership of property derived from criminal activity.

4.5 Safeguarding confidential and proprietary information

(a) Confidential information: Employees may have knowledge of or possess confidential and proprietary information about the private or business affairs of SM, its customers and suppliers. It is an implied duty of an employee to keep such information in the strictest confidence and furthermore SM may ask employees to sign confidentiality undertakings.

Confidential and proprietary information is information that has not been disclosed to the general public or that gives an enterprise an advantage over its competitors or that could harm an enterprise if released prematurely or inappropriately. It can include engineering, design and other technical information as well as manufacturing know-how, processes and production schedules, pricing information, business plans or product roadmaps.

All employees shall endeavour to state on an SM document, which contains SM confidential information that it is 'Confidential' to ensure that recipients of the document keep the document confidential. Limited and controlled distribution of confidential documentation should be made.

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Confidential information is to be used only for company purposes. Under no circumstances may such information be used for personal gain or pass it on to any person outside SM, including family or friends, or even to other SM employees who do not need such information to perform their jobs or provide services to or for SM. Once confidential information has been disclosed it is very difficult to control its circulation.

Leaving SM does not relieve an employee of his/her obligations not to disclose or misuse SM information.

(b) SM will not tolerate any form of questionable and illegal intelligence gathering such as industrial espionage, burglary, wiretapping, and stealing of a third party's trade secrets.

(c) Trade Secrets of Former Employers: It is SM policy and practice to respect the trade secrets of others. If an employee has knowledge of trade secrets of a former employer, he/she is not to reveal any such information to SM that might reasonably be considered a trade secret of a former employer.

(d) Insider trading: everyone is prohibited from purchasing and selling shares of a company in which they have knowledge of non-published price-sensitive confidential information relating to that company.

4.6 Personal information

SM respects the privacy of individuals, such as its employees and the employees of its customers, suppliers and business partners. Many people and organizations have sensitive personal information about individuals. SM is committed to ensuring that the personal information it holds concerning its employees or individuals of customers and suppliers is accurate, protected and processed fairly and lawfully so as to avoid misuse or misunderstandings and thereby respecting each individual's rights. Employees shall comply with relevant internal rules in relation to the handling of personal information.

5 REFERENCE

- The United Nations Universal Declaration of Human Rights
- UN Convention on the Rights of the Child
- International Labour Organisation Conventions on Labour Standards:
 - Convention 1 (Hours of work)
 - Conventions 29 (Forced labour)
 - Convention 87, 98, and 135 (Freedom of Association)
 - Convention 111 (Discrimination)
 - Convention 138 (Minimum Age)
 - Convention 155 (Occupational safety & health)
- SM Corporate Social Responsibility Code, 1/034 01-LXE 108 696 Uen

6 CONFIRMATION

We hereby confirm that we comply with Sura Magnets Social Responsibility Code (doc no I-012 Rev3)

Date

Company

Name/signature

Address

Position

Country