Höganäs Conflict Minerals and Cobalt Policy

Adopted by General Counsel & SVP Sustainability, 22 December 2020

1. Introduction and purpose

Höganäs Group ("Höganäs" or "we") strives to be a responsible member of society. This is achieved through the adherence to applicable laws and regulations and strong company values as well as through maintaining good and sustainable relationships with colleagues, customers, suppliers and with the local communities where we operate. The purpose of this Conflict Minerals and Cobalt Policy (this “Policy”) is to present our commitments in relation to responsible sourcing and procurement of conflict minerals and cobalt.

We recognise that there are significant risks of negative impacts associated with extracting, trading, handling and exporting minerals and metals from conflict-affected or high-risk areas. Such risks include contributing to severe violations of human rights and financial crimes as well as financing of armed conflicts.

This Policy applies to all employees, officers and directors within Höganäs as well as to our suppliers and business partners. The commitments in this Policy shall serve as a common reference for responsible sourcing practices of conflict minerals and cobalt and sets out standards for what we expect from ourselves and our suppliers.

2. Compliance with applicable legal framework

Höganäs is committed to conduct responsible sourcing of metals in accordance with the OECD Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (the “OECD Guidance”). The OECD Guidance provides a framework for supply chain due diligence of all minerals and metals and, thus, including, e.g. cobalt, tin, tantalum, tungsten and gold.

Moreover, as a union importer of certain metals, Höganäs is required to comply with the Regulation (EU) 2017/821 (the “Regulation”) laying down supply chain due diligence obligations for EU importers of certain amounts of tin, tantalum, tungsten, their ores, and gold (“3T&G”) that may originate from conflict-affected and high-risk areas. The Regulation requires companies to conduct supply chain due diligence in order to avoid contributing to any negative impacts which is associated with sourcing minerals or metals from conflict-affected and high-risk areas. Conflict-affected areas include areas with an on-going armed conflict, widespread violence or other risks of harm to people. High-risk areas on the other hand are areas where there is a high risk of conflict or widespread or serious abuses and in these areas, there is often a presence of e.g. political instability, institutional weakness and widespread human rights violations.

Höganäs is also supplying products to companies that are directly or indirectly subject to the US law on conflict minerals (Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”)) and therefore receives requests for information about its use of any conflict minerals.
For the purposes of this Policy, 3T&G and cobalt is defined as “Conflict Minerals and Cobalt”, “minerals” or “metals”.

3. Commitments

Höganäs commits to adopt, widely disseminate and incorporate in contracts and/or agreements with suppliers, the following commitments on responsible sourcing of Conflict Minerals and Cobalt from conflict-affected and high risk areas, as representing a common reference for conflict-sensitive sourcing practices and suppliers’ risk awareness from the point of extraction until end user. We commit to refraining from any action which contributes to the financing of conflict and we commit to comply with relevant United Nations sanctions resolutions or, where applicable, domestic laws implementing such resolutions.

No human rights violations

- We will not tolerate, assist or contribute to any forms of human rights violations such as torture, cruel, inhuman, degrading treatment, any forms of forced or compulsory labour, child labour, sexual violence, war crimes or violations of international humanitarian law.

No direct or indirect support to non-state armed groups

- We will not tolerate any direct or indirect support to non-state armed groups. This includes for example procuring minerals from, making payments to or otherwise providing logistical assistance or equipment to, non-state armed groups or their affiliates that illegally control mine sites and transportation routes as well as illegally tax or extort either money or minerals along the transportation route or intermediaries, export companies or international traders.

No direct or indirect support to public or private security forces

In accordance with our specific position in the supply chain, we will immediately devise, adopt and implement a risk management plan with upstream suppliers and other stakeholder to prevent or mitigate the risk of direct or indirect support to public or private security forces, where we identify that such a reasonable risk exists. In such cases, we will suspend or discontinue engagement with upstream suppliers after failed attempts at mitigation within six months from the adoption of the risk management plan.

- We agree to eliminate direct or indirect support to public or private security forces who illegally control mine sites, transportation routes or upstream actors in the supply chain; illegally tax or extort money or minerals at point of access to mine sites, along transportation routes or at points where minerals are traded; or illegally tax or extort intermediaries, export companies or international traders.

- We recognise that the role of public or private security forces at the mine sites, surrounding areas or along transportation routes, should be solely to maintain the rule of law, including safeguarding human rights, providing security to mine workers, equipment and facilities, and
protecting the mine site or transportation routes from interference with legitimate extraction and trade.

- Where we or any company in our supply chain contract public or private security forces, we commit to or will require that such security forces will be engaged in accordance with the Voluntary Principles on Security and Human Rights. In particular, we will support or take steps to adopt screening policies to ensure that individuals or units of security forces that are known to have been responsible for gross human rights abuses will not be hired.

- We will support efforts, or take steps, to engage with central or local authorities, international organisations and civil society organisations to contribute to workable solutions on how transparency, proportionality and accountability in payments made to public security forces for the provision of security could be improved.

- We will support efforts, or take steps, to engage with local authorities, international organisations and civil society organisations to avoid or minimise the exposure of vulnerable groups, in particular, artisanal miners where minerals in the supply chain are extracted through artisanal or small-scale mining, to adverse impacts associated with the presence of security forces, public or private, on mine sites.

**No bribery or fraudulent misrepresentation of the origin of minerals**

- We will not offer, promise, give or demand any bribes, and will not accept bribes to conceal or disguise the origin of minerals, to misrepresent taxes, fees and royalties paid to governments for the purposes of mineral extraction, trade, handling, transport and export.

**No money laundering**

- We will take steps and support efforts to contribute to the effective elimination of money laundering whenever we identify a reasonable risk of money-laundering resulting from, or connected to, the extraction, trade, handling, transport or export of minerals derived from the illegal taxation or extortion of minerals at points of access to mine sites, along transportation routes or at points where minerals are traded by upstream suppliers.

**Ensure payment of taxes, fees and royalties due to governments**

- In accordance with our position in the supply chain, we will ensure that all taxes, fees, and royalties related to mineral extraction, trade and export from conflict-affected and high-risk areas are paid to governments and, we commit to disclose such payments in accordance with the principles set forth under the Extractive Industry Transparency Initiative.

**Risk management**
To minimise the risks of contributing to negative impacts associated with the sourcing of minerals from conflict-affected and high-risk areas, we strive to only engage suppliers that can guarantee and prove that the metals we intend to procure originate from responsible smelters and refiners which have in place adequate due diligence procedures. Such smelters and refiners should be listed as responsible by the EU Commission or by the Responsible Minerals Initiative or at least have had their due diligence practices audited against an audit standard aligned with the OECD Guidance.

When we identify that there is a reasonable risk that our suppliers are sourcing from, or are linked to, any party violating the principles and standards in this Policy, depending on the nature of the violation, we will suspend or discontinue our relationship with such supplier. Unless there is a risk of human rights violations or any other violation that is deemed to be severe, disengagement is only used as a last resort and we strive to implement a risk management plan together with our upstream suppliers and other stakeholders to mitigate the identified risks. We do reserve the right to discontinue our relationship with suppliers after failed attempts at mitigation or if the violation is deemed to be severe or if human rights violations are detected.

When deemed appropriate and required by the Regulation, the OECD Guidance, the Act or any other applicable legislation, we commit to engage with suppliers, central or local governmental authorities, international organisations, civil society and affected third parties to improve and track performance with a view of preventing or mitigating risks of adverse impacts through measurable steps.

4. Implementation measures

4.1 Supplier approval and supply chain transparency

We strive to always ensure that we have sufficient information about our supply chain and that the metals we procure originate from responsible smelters and refiners that are conformant with the OECD Guidance.

All our suppliers are contractually bound by this Policy through its incorporation in our supplier contracts and are also obliged to complete our supplier evaluation questionnaires which partially serve as a basis for our assessment of the suppliers’ compliance with the commitments in this Policy. Suppliers are obliged to continuously provide correct and up-to-date information and provide adequate assistance to Höganäs with regard to identifying the smelters and refiners and the origin of the procured metals. We expect all our suppliers to be transparent and not mislead Höganäs. Non-transparency is considered a violation of our Supplier Code of Conduct which is also incorporated into our supplier contracts.

4.2 Risk assessments and risk management

Based on our knowledge of our supply chain, the information from our suppliers and third-party audit reports, we conduct risk assessments. Such risk assessments consist of identifying and assessing potential risks in the supply
chain as well as to respond to such risks. The assessments are conducted against the commitments in section 3. Furthermore, we carefully assess whether all smelters and refiners conduct due diligence in accordance with the Regulation, the OECD Guidance and the Act. Höganäs is committed to prioritise the most serious human rights issues and risks of conflict financing. The risk assessments are conducted on a regular basis and identified risks are handled in accordance with established risk management procedures. In cases where risks are identified, our senior management is informed and decides relevant mitigating actions. The mitigating actions are evaluated and tracked to ensure effective implementation.

Höganäs aims to have long-term relationships with all its suppliers and will attempt to implement risk mitigation efforts. However, Höganäs reserves the right to suspend or discontinue engagements with suppliers for violations of this Policy.

4.3 Grievance mechanism - Speak Up

To be able to handle and respond to concerns about Höganäs’ and our suppliers’ activities and impacts in an effective manner, we have implemented a responsible sourcing grievance mechanism (Speak Up). On our website, any party, including non-governmental organisations and local stakeholders, may raise concerns, anonymously if preferred, via Höganäs Speak Up line, available on our website Metal powders | Höganäs (hoganas.com)/Sustainability. We always strive to treat and respond to such concerns in a timely manner and take appropriate corrective actions.

Höganäs ensures that all concerns raised through this grievance mechanism are handled in a transparent and objective manner. Furthermore, we document all reported concerns on an aggregated level and conduct in-depth analyses to prioritise corrective actions and identify potential trends.

4.4 Reporting

Höganäs recognises the importance of maintaining transparency of our sourcing practices relating to Conflict Minerals and Cobalt and commit to reporting and publishing our supply chain due diligence efforts in accordance with applicable law and the OECD Guidance. It is of utmost importance that relevant authorities and all our employees, suppliers, customers, business partners and other stakeholders are properly informed about our commitments and how Höganäs works with mitigating risks associated with sourcing metals. Communication of our commitments and expectations is key for effective collaboration with, and to build trust of, our business partners, stakeholders and investors.

4.5 Documentation

In order to be able to demonstrate compliance with applicable law and the OECD Guidance and to maintain transparency and control over our supply chain, we commit to have comprehensive documentation in place. All our procedures and processes as well as audit reports, supplier questionnaires and risk assessments should always be properly documented and maintained for a minimum of five years.
4.6 Monitoring and audits

Höganäs monitors the enforcement of this Policy and related procedures continuously in order to ensure effective implementation and takes necessary remedial actions if deficiencies or need for improvements are identified. When required pursuant to the Regulation and upon our own initiative, we let independent third parties audit our systems and processes used to implement supply chain due diligence for Conflict Minerals and Cobalt.

5. Responsibility, management and supervision

All employees, officers and directors within Höganäs are obligated to comply with this Policy, related policies and to our internal governance documents regarding responsible sourcing. We also expect our suppliers of Conflict Minerals and Cobalt and business partners to comply with and contribute to the commitments and measures stated therein.

Höganäs’ governance model aims at coordinating and implementing responsibilities and tasks relating to our supply chain due diligence efforts and is described in the following.

- Local Sourcing handles day-to-day matters to ensure responsible sourcing.

- Any concerns or deviations from our policies identified in the supplier evaluation and risk assessment process should be escalated to the Global Sourcing Group.

- If the concerns or deviations are not solved within the due diligence process of the Global Sourcing Group, the matter should be escalated to the Global Compliance Council, which consists of representatives from relevant functions and departments and senior management.

The General Counsel and Senior Vice President Sustainability will ensure to make necessary updates to this Policy and review any proposed improvements of our supply chain management system.