Höganäs Responsible Sourcing Policy

Adopted by General Counsel & SVP Sustainability, 22 December 2020

1. Introduction

Höganäs Group ("Höganäs" or "we") strives to be a responsible member of society. For us it is of utmost importance to source in a responsible manner and not contribute to or be complicit in unlawful or unethical actions when we source products, components and raw materials.

The purpose of this Responsible Sourcing Policy (this “Policy”) is to present our commitments and practices in relation to responsible sourcing. Höganäs defines responsible sourcing as conducting sourcing in a manner which allows us to mitigate, identify and remedy compliance risks, such as corruptive practices, violations of environmental standards, human rights and labour rights in our supply chain.

The commitments in this Policy shall serve as a common reference for our responsible sourcing practices and set out standards for what we expect from ourselves and our suppliers. Our commitments in this Policy are directly applicable to direct material suppliers. Furthermore, we expect that these suppliers communicate and apply the requirements herein, or equivalent requirements, in their own supply chain.

Höganäs’ responsible sourcing framework includes this Policy, our Supplier Code of Conduct and our Conflict Minerals and Cobalt Policy as visualised in the below.

2. Our policies

2.1 Höganäs’ Supplier Code of Conduct

Höganäs expects all our suppliers to act in accordance with applicable laws and regulations as well as strong principles of business ethics. Our suppliers shall have implemented well-functioning compliance programmes that include clear policies, an implemented compliance organisation, routines, communication and feedback mechanisms to identify, correct and improve business ethics as well as social, health and safety and environmental impacts. All our suppliers of direct material shall be able to comply with the requirements and approach outlined in Höganäs’ Supplier Code of Conduct, this also applies to other suppliers and service providers as separately
agreed upon. Furthermore, we expect our suppliers to present the same type of requirements to their own suppliers.

The Supplier Code of Conduct sets out our commitments and commitments of our suppliers within the following areas:

**Healthy workplaces**
- Health and safety
- Non-discrimination, diversity and equality
- Recognised employment
- Fair living wage, benefits and working hours
- Freedom of association and collective bargaining
- Prohibition of child labour and young workers
- Prohibition of forced labour
- Responsible sourcing of conflict minerals

**Healthy ecosystems**
- Impact on climate and air quality
- Impact on water resources
- Use of chemicals
- Waste, re-use and recycling
- Conservation of species and natural habitats

**Business ethics**
- Anti-corruption
- Conflicts of interest
- Documents and registers
- Taxes
- Anti-money laundering
- Sanctions and export control
- Free and fair competition
- Training and information

### 2.2 Conflict Minerals and Cobalt Policy

Höganäs recognises that there are significant risks of negative impacts associated with extracting, trading, handling, exporting and procuring minerals 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. As a consequence, Höganäs aims to only source minerals and metals from responsible suppliers and ensures compliance with:

(i) the OECD Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas;

(ii) the Regulation (EU) 2017/821 laying down supply chain due diligence obligations for European Union importers of tin, tantalum and tungsten, their ores and gold originating from conflict-affected and high risk areas; and

(iii) the US law on conflict minerals (Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act).
For these purposes we shall always ensure that all our suppliers of tin, tantalum, tungsten, their ores, gold and cobalt adhere to our Conflict Minerals and Cobalt Policy.

3. Implementation of our policies

Supplier evaluations and risk assessments

All our suppliers shall be contractually bound by our policies and Supplier Code of Conduct and we reserve the right to terminate our contracts with our suppliers if non-compliance is detected.

Prior to the engagement of any new suppliers, we shall always request all suppliers to respond to our supplier questionnaires applicable to the supply in question to enable us to assess the supplier’s compliance with our commitments and policies. The supplier questionnaires are available on an online platform which facilitates the administration and follow-up of our suppliers’ responses.

Based on our knowledge of our supply chain and the information from our suppliers, we conduct risk assessments. Such risk assessments aim at identifying and assessing potential risks in the supply chain as well as responding to such risks.

Continuous risk assessments

We conduct risk assessments in relation to our suppliers on a regular basis. In some cases we conduct visits to supplier facilities or carry out third-party audits.

Grievance mechanism – Speak Up

To manage and respond to concerns relating to Höganäs’ and our suppliers’ activities and impacts, we have also implemented a responsible sourcing grievance mechanism (Speak Up), where anyone can raise their concerns relating to our sourcing practices. This is available on our website Metal powders | Höganäs (hoganas.com)/Sustainability.

Reporting

Höganäs recognises the importance of maintaining transparency of our sourcing practices and commits to reporting and publishing our supply chain due diligence efforts in accordance with applicable laws, regulations and industry standards. One source where we publish how we work with responsible sourcing is our Sustainability Report, available on our external website: Code of conduct | Höganäs (hoganas.com).

4. Monitoring and audits

Höganäs monitors the enforcement of this Policy and related policies and all internal governance documents continuously to ensure effective implementation. We take necessary remedial actions if deficiencies or need for improvements are identified. Furthermore, when required by applicable laws and regulations or when Höganäs
identifies a need, we engage independent third parties to audit our systems and processes used to implement responsible sourcing practices.

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 direct material 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.

6. Document references

- Supplier Code of Conduct
- Conflict Minerals and Cobalt Policy