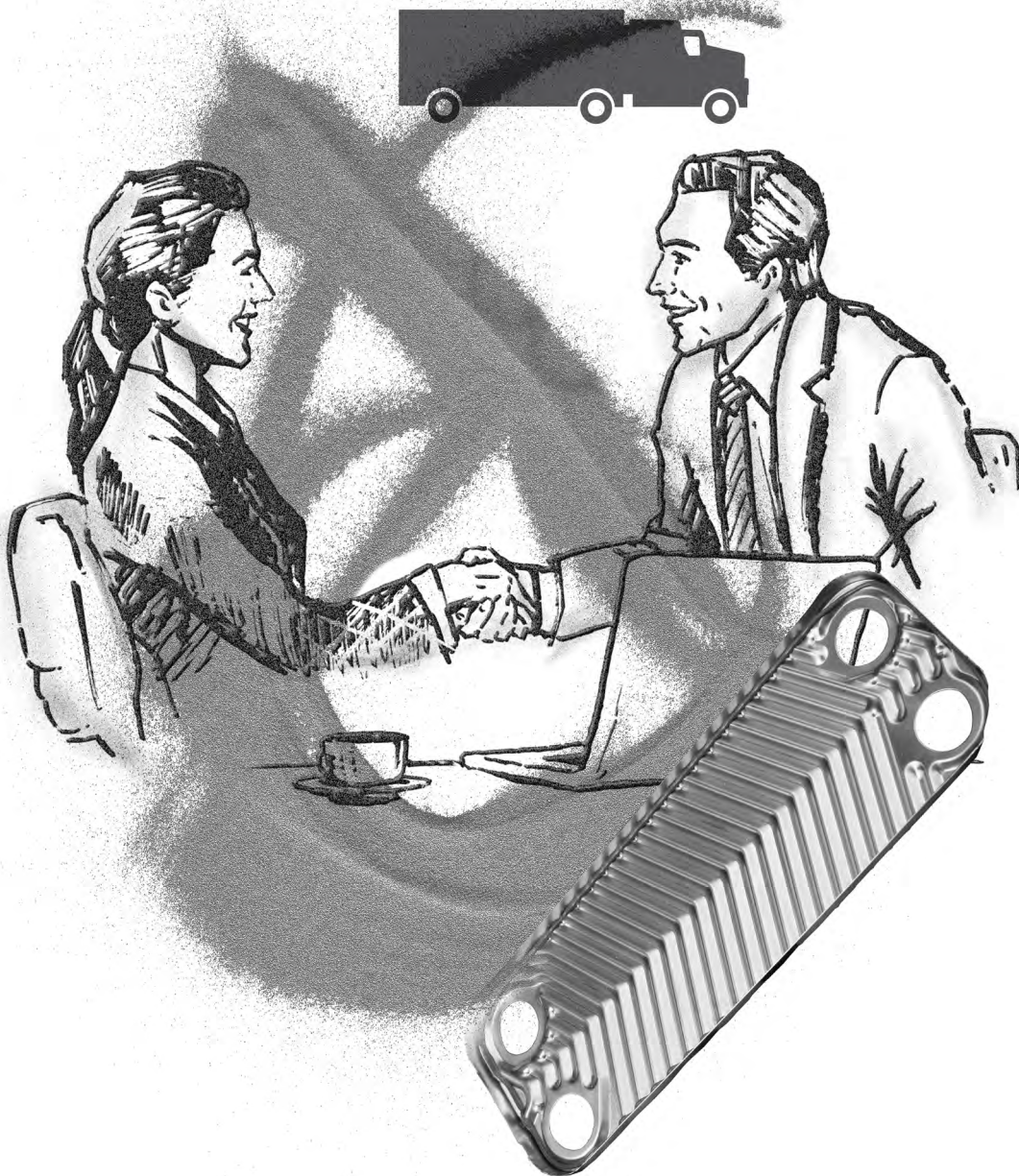


Code of Conduct

Höganäs Suppliers



Höganäs' Suppliers Code of Conduct

Our vision – "Inspire industry to make more with less" – makes it clear that we want to create a sustainable and thriving society. We have made a deep commitment to sustainability and we adhere to high standards of business ethics in all our relations and operations. We expect our suppliers and subcontractors to do the same. Engagement, openness and transparency are our guiding principles.

Strict compliance with the law is the fundamental starting point, but together we aim to go above and beyond what regulations require us to do in order to advance the following issues:

Healthy workplaces: besides providing an income, employment enables people, their families and communities to flourish. Providing a safe and healthy workplace, guaranteeing rights at work, paying a fair living wage that meets workers' basic needs, and promoting social dialogue are essentials for sustainable economic growth that creates jobs and enterprise development.

Healthy ecosystems: ecosystems provide us with natural resources, such as clean air and water, which are essential to people, communities and business. To meet the needs of present and future generations, the long-term health of ecosystems must be protected by preventing harm to the environment and by using natural resources responsibly.

Business ethics: our prosperity, and that of our key stakeholders, depends on the society and the communities in which we operate being healthy. We adhere to high standards of business ethics in all our relations and operations and we have a zero tolerance policy on all kinds of bribery and corruption. This engagement forms the basis of the Supplier Code of Conduct.



Höganäs also expects its suppliers to apply the requirements and approach outlined in this Supplier Code of Conduct in their supply chains. This Supplier Code of Conduct covers the following issues:

1. Healthy Workplaces

- Health and safety
- Discrimination, diversity and equality
- Recognised employment
- Fair living wage, benefits and working hours
- Freedom of association and collective bargaining
- Child labour and young workers
- Forced labour

2. 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

3. Business Ethics

- Anti-corruption policy
- Documents and registers
- Tax
- Training and information
- Conflict minerals

Höganäs' requirements and expectations for these issues are explained in the Specifications section of the Suppliers Code of Conduct. For each issue, there are two levels of performance:

Fundamental – refers to performance in line with internationally agreed standards, applicable UN and ILO conventions as well as national legislation; where there is a discrepancy between these requirements the one that offers the greatest protection for workers and the environment shall apply. Compliance with these fundamental requirements is expected of all Höganäs suppliers.

Aspirational – refers to performance that goes beyond legal responsibilities and international standards at, 'Fundamental' level to increase the sustainability of suppliers' own operations, as well as contributing to addressing social and environmental concerns outside their own operations.

Performance within these areas is an integral component in Höganäs' overall evaluation of its suppliers. We at Höganäs will continue to engage, grow with and reward suppliers that share our ambition to advance sustainability and our Suppliers Code of Conduct to continuous improvement. The Suppliers Code of Conduct applies to the direct material suppliers, and to other suppliers and service providers as separately agreed on. We encourage our suppliers to communicate and apply the requirements of the Supplier Code of Conduct, or equivalent requirements, to any subcontractors.



Specifications to the Suppliers

Foundations for our specifications

Our specifications reflect our Suppliers Code of Conduct and promote adherence to internationally agreed standards, including the UN Global Compact principles, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights and UN Agenda 2030's Sustainable Development (SDGs). A number of multilateral conventions and multi-stakeholder standards and guidelines on human rights and the environment are also considered within the Specifications.

We recognise that many of our suppliers are committed to uphold and promote these standards in their operations and supply chains. We also recognise that some aspects of our Specifications are more relevant to some suppliers than others. In presenting the Specifications in a holistic format, our aim is to provide clarity and sufficient detail to all suppliers about our requirements.

Performance evaluation

Mutual trust and transparent dialogue are central to Höganäs' requirements in partnering only with suppliers that show continuous improvements in their sustainability performance.

To enable effective performance evaluation and dialogue, Höganäs reserves the right to request sustainability performance data from suppliers and to conduct unannounced visits to their facilities that provide goods or services for Höganäs or to carry out third party audits. Suppliers may also be subject to assessments by organisations of which Höganäs is a member.

Therefore, suppliers are obliged to keep Höganäs informed of where production and services for Höganäs takes place, unless Höganäs has explicitly confirmed, in writing, an exemption from such assessment, unannounced visits and/or direct disclosure of sustainability performance data. The scope of this obligation includes subcontractors. Suppliers that utilise outsourced production need to ensure relevant documentation is maintained for verification purposes.

To ensure compliance with fundamental requirements and enable continuous improvement to reach aspirational performance levels, we expect our suppliers to implement well-functioning management systems. These shall include clear policies, accountable organisation, routines, communication and feedback mechanisms to identify, correct and improve business ethics as well as social, health and safety and environmental impacts.

When submitting information on sustainability performance, suppliers are expected to be transparent and not intentionally mislead Höganäs. Non-transparency is regarded as a violation of the Suppliers Code of Conduct. Unwillingness to cooperate, violations of the Suppliers Code of Conduct, and local law, may lead to reduced business and ultimately termination of the business relationship with Höganäs.

Transparency is the essential starting point to recognise and address industry-wide and systemic sustainability challenges. Höganäs will continuously engage with suppliers, industry, civil society and governments to promote the collective actions and systemic changes needed to improve social and environmental sustainability. Höganäs encourages suppliers to do the same.

1 | Healthy Workplaces

1A | Health and safety

Fundamental:

Workplace safety and the health and safety of employees must be a priority at all times and a safe and hygienic working environment shall be provided. At a minimum, this means;

- compliance with applicable laws and regulations;
- a systemic and regular OH&S risk identification, assessment and mitigation in place;
- employees and hired personnel to receive regular and recorded health and safety training for their work tasks;
- no unsafe exposure to hazardous machines, equipment and/or substances;
- fire safety shall be maintained through adequate equipment and facility conditions, regular firefighting training and annual evacuation drills and prevention of fire hazards;
- there shall be access to clean drinking water and toilet facilities. Adequate ventilation and temperature shall be provided;
- accommodation/housing, when provided, must be separated from the workplace and shall be subject to all the above requirements concerning health and safety;
- prevention of accidents and injury to health arising out of, associated with, or occurring in the course of work;
- reasonably accommodating special needs of individual workers (due to for example disease, disability and pregnancy);
- there must be an anti-drugs policy with the aim of preventing work under the influence of all kinds of alcohol and drugs. The policy must be communicated in languages that are known by all employees; and
- all employees must have accident insurance that covers healthcare for work-related injuries and death and compensation in the event of invalidity caused by work-related accidents.

Aspirational:

- the promotion of all employees awareness, competence and involvement in continuous

improvement in the areas of health and safety, e.g. through an incident and risk observations reporting system, accident reenactments and workplace OH&S meetings with representatives from management and the workforce.

1B | Discrimination, diversity and equality

Fundamental:

Every employee shall be treated with respect and dignity at all times. No employee shall be subject to humiliating or corporal punishment or subject to physical, sexual, psychological or verbal harassment or abuse. There shall be no discrimination in hiring, compensation, access to training, promotion, termination or retirement on the grounds of gender, sexual orientation, race, colour, age, pregnancy, marital status, religion, political opinion, nationality, ethnic origin, caste, disease or disability. There shall be a grievance mechanism in place enabling employees to put forward complaints without risk of retaliation.

The employer must act responsibly and with respect in relation to people in the local area, and must respect the rights of indigenous populations.

Aspirational:

The employer shall actively work for diversity and an inclusive workplace. The employer shall also actively engage with the local community and/or NGO's to understand how minorities and/or disadvantaged groups can be considered for employment and how barriers can be countered proactively.

1C | Recognised employment

Fundamental:

All work performed must be on the basis of recognised employment relationships established according to national law and practice. Every employee shall be entitled to written contract, in their own language, that stipulates conditions for the employment. Obligations to employees, under labour or social security laws and regulations arising from the regular employment relationship, shall not be avoided through the use of labour-only contracting, fixed-term contracts or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment.

Aspirational:

The employer shall take steps beyond those required by law to limit the use of fixed-term contracts of employment. In countries where the social security system falls short, the employer shall provide alternative insurance for employees, including medical and retirement insurance.

1D | Fair living wage and benefits**Fundamental:**

The wages and benefits (including benefits such as illness and accident insurance and a pension) paid for a standard working week shall meet, at a minimum, the national legal level, or collective bargaining agreement, whichever is higher and applicable, or otherwise the applicable industry level. In any event, a fair living wage shall always be enough to meet the basic needs of employees and their families, and provide some discretionary income. All wages shall be paid on a regular basis and in full, and the particulars of the wage for a pay period must be provided in written and understandable form.

All fringe benefits required by law or contract are provided. Deduction from wages as a disciplinary measure shall not be permitted. The employee shall be granted and correctly compensated for any type of paid leave to which they are legally entitled.

Aspirational:

The employer shall adopt a pay structure that reflects all employees' skills and experience. The employer shall ensure that employee needs assessment is regularly conducted in order to understand if the wage paid meets employees' basic needs.

1E | Working hours**Fundamental:**

The number of working hours in a week, as well as overtime hours, shall comply with national law, ILO Conventions or the collective agreement, whichever affords the greater protection for workers, and shall be defined in contracts. In any event, employees shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7-day period. The total hours worked in any 7-day period shall not exceed 60 hours. Overtime

shall be voluntary, not exceed 12 hours per week, and shall always be compensated at a premium rate, which is recommended to be not less than 125% of the regular rate of pay.

Exemptions from the above may only be made by agreement with trade unions or other employee organisations.

Aspirational:

The employer shall ensure that the workplace has a sophisticated system to measure and monitor production plan, capacity and output in order to avoid overtime hours.

1F | Freedom of association and collective bargaining**Fundamental:**

All workers, without exception or distinction, shall have the right to join or form a trade union of their own choosing and to bargain collectively, and the right not to. Workers representatives shall not be discriminated against and shall have adequate access to carry out their representative functions in the workplace. Where the right to freedom of association and collective bargaining is restricted under national law, the employer shall encourage and does not hinder the development of alternative means for independent and free association and bargaining.

Aspirational:

The employer shall engage on a regular basis with employee representatives to facilitate and promote social dialogue covering the healthy workplace requirements set out in the Supplier Code of Conduct. The employer shall engage directly with local and regional trade unions to proactively address issues of concern to the workforce and shall be a member of an employers' association.

1G | Child labour and young workers**Fundamental:**

Child labour shall not be accepted. No persons shall be employed at an age younger than 15. A person at an age younger than 15 shall be viewed as a child unless local legislation has stipulated a higher age for being able to work or for mandatory schooling. All legal limitations

regarding employment of persons below the age of 18 shall be followed, and they shall be protected from any hazardous work, night-shifts and any kind of work that might hamper their development or impose any physical harm.

Necessary measures shall be taken to prevent anyone under the legal age of employment being recruited. Documentation certifying the age of all employees must be available. The employer shall develop, or participate in, and contribute to policies and programmes that provide transitional arrangements for any child found to be performing work in the workplace to enable her or him to attend and remain in quality education until no longer a child. The best interests of the child shall always be respected in consultation with the child's parents and/or guardian and the child concerned in a way that is appropriate to the child's age and healthy development.

Aspirational:

The employer shall actively engage with local communities and stakeholders to promote education and sustainable solutions to address child labour and youth unemployment.

1H | Forced, bonded, prison and illegal labour

Fundamental:

Forced, bonded, prison or illegal labour shall not be accepted. If contracted labour is hired, the employer is responsible for payment of employment eligibility fees of contract and/or foreign workers, including recruitment fees. Employees shall not be required to lodge deposits or identity papers with their employer and shall be free to leave their employment after reasonable notice. With the exemption of non-competition provisions according to national regulations the employee's freedom of movement shall not be restricted. No part of wages shall be withheld.

Aspirational:

See Recognised employment.

2 | Healthy Ecosystems

2A | Impact on climate and air quality

Fundamental:

The enterprise shall conduct all operations in full compliance with all applicable laws and regulations on air quality, air emissions and energy efficiency, including maintaining valid permits.

Aspirational:

The enterprise shall actively mitigate its impact on climate change and air quality by:

- continuous improvement in energy management and efficiency,
- reducing or eliminating greenhouse gases (GHG) and other air emissions that pose a hazard to the environment, calculating emissions and setting targets according to the GHG Protocol¹, and
- selecting energy sources responsibly and taking a progressive approach towards adopting lower-carbon-intensity and renewable energy sources.

2B | Impact on water resources

Fundamental:

The enterprise shall conduct all operations in full compliance with all applicable laws and regulations on water conservation and water quality, including maintaining valid permits. Facilities with internal wet processing shall measure water withdrawals and wastewater discharge with flow meters. The quality of the wastewater discharge must be controlled and must adhere to legal requirements.

Aspirational:

The enterprise shall take active measures to reduce water use by showing continuous reduction of the facility's water withdrawals. For facilities using water only for domestic purposes (taps, toilets, cooling), it is sufficient to ensure implementation of water efficient equipment. Water-saving techniques, such as rain water harvesting, shall be applied wherever feasible.

¹ GHG Protocol Corporate Accounting and Reporting Standard (<http://ghgprotocol.org/>)

For facilities with internal wet processes:

- An appropriate level of metering to measure internal water use shall be implemented.
- To reduce impact on water resources, the facility's water balance shall be assessed and appropriate reduction measures taken to show continuous improvement.
- In the long-term, the enterprise shall act as a responsible water steward. This means that, in addition to reducing the water impact of its own operations, the supplier shall engage in collective action with local stakeholders to ensure available water resources are managed to meet long-term social, environmental and economic needs.

2C | Use of chemicals

Fundamental:

The enterprise shall conduct all operations in full compliance with applicable laws and regulations regarding chemical use, storage, transport and disposal, including maintaining valid permits. Suppliers manufacturing any material or product for Höganäs must meet all contractually agreed applicable requirement, (including Höganäs' restricted substances list), and the use, storage, transport and disposal of all chemicals used must comply with the Safety Data Sheet (SDS) of each chemical product and be documented in an updated register. The pre-cautionary principle² shall be applied in the internal decision-making on chemicals' handling.

Aspirational:

The enterprise shall proactively assess its chemical use and substitutes with better available chemicals and alternative processes that reduce risks to people and the environment or which enhance resource efficiency.

² According to Principle No. 15 of the Rio Declaration notes: "In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation."

2D | Waste, re-use and recycling

Fundamental:

The enterprise shall conduct all operations in full compliance with all applicable laws and regulations including maintaining valid permits. Where services are available, all waste must be handled by an authorised company or licensed receiver.

All employees shall be trained and able to sort waste into fractions, relevant to recycling and other waste management schemes.

Aspirational:

The enterprise shall proactively reduce its use of virgin raw materials and its impact on the environment by showing continuous improvement in the optimisation of raw material usage, increasing recycling and the re-use of raw materials. The enterprise shall show progress on the elimination of waste going to landfill and actively offer solutions in-line with circular economy innovation.

2E | Conservation of species and natural habitats

Fundamental:

The enterprise shall conduct all operations in full compliance with all applicable laws and regulations including maintaining valid permits.

Aspirational:

The enterprise shall take necessary actions to mitigate threats to habitats and biodiversity from their land use.

2F | Responsible sourcing of 'conflict minerals'

Fundamental:

Höganäs' Suppliers Code of Conduct includes the ethical procurement of minerals that are sourced responsibly. Therefore, Höganäs intends that its products be 'conflict-free' meaning that, to the extent any product incorporates conflict minerals, those conflict minerals must be ones that: (i) do not originate from the Democratic Republic of Congo (DRC) and adjoining countries, (ii) are from recycled or scrap sources, or (iii) come from a smelter that has been certified to be conflict-free according to the Conflict-Free Sourcing Initiative (CFSI).

To implement these requirements, Höganäs has the following expectations of its suppliers:

- Suppliers may not include any conflict minerals in any products sold to Höganäs that are not conflict-free.
- Suppliers are required to sign supply agreements that contain provisions certifying their own sourcing of any conflict minerals.
- Suppliers who supply or use any conflict minerals in the products they provide to Höganäs are required to conduct sufficient due diligence to allow them to reliably certify that any conflict minerals used or supplied are conflict-free. To facilitate their compliance and due diligence process, Höganäs encourages its suppliers to develop compliance policies that are compatible with the conflict minerals guidelines of the Organisation for Economic Cooperation and Development (“OECD”).
- Suppliers are required to submit a certification of sourcing of conflict minerals in accordance with Höganäs’ requirements.

3 | Business Ethics

3A | Business ethics

Fundamental:

Anti-corruption policy

The enterprise must have in place an anti-corruption policy that clearly repudiates all forms of bribes, corruption, money laundering, conflicts of interest or tax offences, and it must be implemented and well known to relevant employees.

All possible corruption cases shall be well documented and actions, as well as analysis, must be clearly apparent.

Documents and registers

All documents, registers, reports, etc., related to the Supplier Code of Conduct must be transparent, correct and reliable.

Taxes

All legal taxes and charges, as well as any royalties, must be paid and reported transparently in the country where the operation is conducted. Any tax liabilities in relation to public authorities must be regulated.

Training and information

Relevant employees must be trained in and continually notified about policies, rules and responsibilities regarding business ethics. The content of the training must be documented and a register of participants must be kept.

Höganäs' Suppliers Code of Conduct

As a supplier to Höganäs, we commit to complying with the **Fundamental** requirements on the issues outlined in the Suppliers Code of Conduct, and to implementing them in our operations as well as aiming to realise them throughout our supply chain. Höganäs represents all affiliated companies and brands within the Höganäs Group.

We understand that Höganäs reserves the right to terminate its contracts with us if we do not comply with the **Fundamental** requirements, or upon discovery of noncompliance, do not commit to a specific plan to achieve compliance or fail to achieve compliance within twelve (12) months.

Furthermore, we understand that Höganäs has the ambition to engage and continue to grow only with suppliers that share Höganäs' sustainability ambition beyond mere compliance with the law to advance

social and environmental sustainability, stated as the **Aspirational** performance criteria in the Suppliers Code of Conduct.

Therefore, as a supplier to Höganäs, we agree to be monitored and evaluated on our sustainability performance within the areas described in the Suppliers Code of Conduct.

We recognise that the Suppliers Code of Conduct is drafted and valid in the English language. Where there are different language versions of this document, these shall be considered translations of convenience only and the English version will prevail in any case of discrepancy.

The Suppliers Code of Conduct shall be signed by two authorised officers in charge of the operations and supplies concerned.

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Place and date

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Company name

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Signature

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Signature

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Name in printed letters and title

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Name in printed letters and title