

Atlas Copco's business partner criteria

Introduction

Atlas Copco is a world-leading provider of sustainable productivity solutions. The Group serves customers through its innovative compressors, vacuum solutions, generators, pumps, power tools and assembly systems. Atlas Copco develops products and services focused on productivity, energy efficiency, safety and ergonomics. The company was founded in 1873, is based in Stockholm, Sweden, and has a global reach spanning more than 180 countries.

The vision of the Group is to be First in Mind — First in Choice of its customers, suppliers and other business partners, and other stakeholders. Based on common core values the Atlas Copco Group intends to achieve this by being ethical in its business practices and working with business partners who share similar standards.

The Atlas Copco's Business Code of Practice¹ states:

- “We strive to be the best associate for our business partners, such as suppliers, subcontractors, joint venture partners, agents and distributors, and to be the one that they prioritize.
- We seek, evaluate and select business partners impartially on the basis of objective factors including productivity, quality, delivery, price, and reliability, as well as commitment to environmental and social performance, and development.
- We make them aware of our commitments and expect them to adhere to our policies.”

This document is intended to support the implementation of Atlas Copco's policy as regards business ethics, social, safety, health and environmental performance, by providing brief explanations of the Group's basic expectations of its business partners.

The criteria list below is based on the Atlas Copco Business Code of Practice, which is based on the following international guidelines supported by the Group:

- The United Nations International Bill of Human Rights
- The ILO Declaration on Fundamental Principles and Rights at Work (ILO)
- The United Nations Global Compact (GC)
- The OECD Guidelines for Multinational Enterprises

General requirements

Business partners such as suppliers, subcontractors, joint venture partners, agents and distributors shall be made aware of the Group's commitments and expectations in accordance with the Business Code of Practice. If business partners use subcontractors for the production of Atlas Copco Group products or services, it is the responsibility of that business partner to use the same principles to evaluate and select their subcontractors. If requested, the business partner must inform Atlas Copco which subcontractors they use.

Business partners must, in all their activities, follow the national laws and regulations applicable to their operations and employment in the countries in which they operate. Should any criteria in this document conflict with the national law in any country or territory, the law must always be followed. In such cases the business partner must notify Atlas Copco immediately of the conflict, before signing this document.

Atlas Copco requirements may go beyond the requirements set out in national law, in which case the business partner must comply with the additional Atlas Copco requirements.

¹<http://www.atlascopcogroup.com/en/sustainability/our-sustainability-approach/our-business-code-of-practice>

Business Partner Criteria

1. **Elimination of all forms of forced and compulsory labor (GC 4, ILO 29)**
Business partners must not have any forced or involuntary labor. It is not tolerated in any form. This includes any work or service performed by a person under the threat of penalty and for which the person has not offered himself or herself voluntarily. It also prohibits business partners from requiring employees to deposit money or original documents such as passports, education certificates and the like, during their employment.
2. **Rejection of child labor (GC 5, ILO 138)**
Atlas Copco does not accept child labor. Business partners have to take necessary preventive measures to ensure that they do not employ anyone below the legal age of employment. This means that unless local law stipulates a higher age limit, no person younger than the age for completing compulsory education or younger than 15 (or 14 where permitted by ILO convention No. 138) may be employed. For authorized minors, management is responsible for providing the working conditions, hours of work and wage appropriate for his or her age in compliance with applicable local law as a minimum. The minimum age for hazardous work is 18 years.
3. **Integrity (GC 10, OECD 9)**
Business partners have to work against all forms of corruption, including extortion and bribery. There can be no use of fake documents or other illegal practices or use of undeclared production units or suppliers. We require a cooperative management and free access to the business partner's premises, including the manufacturing facilities. Business partners have to confirm their commitment to fair competition and agree not to enter into discussions or agreements with competitors concerning pricing, market sharing or other similar activities.
4. **Support and respect of human rights (GC 1 and GC 2)**
Business partners have to support and respect the protection of human rights. They have to be able to confirm that they are not complicit in human rights abuses and they must comply with the main international ethical guidelines supported by the Atlas Copco Group.

If requested by Atlas Copco, business partners who provide parts, products or raw materials that contain one or more 'conflict minerals'² and source from conflict-affected and high-risk countries must be willing to cooperate to conduct due diligence following the OECD Due Diligence Guidelines.
5. **Elimination of discrimination with respect to employment and occupation (GC 6, ILO 111)**
Business partners must support equal opportunities, fairness and diversity and ensure that all employees are treated strictly according to their abilities and qualifications in any employment decisions, regardless of ethnic group, religion, gender, age, nationality, disability, personal relationship, union membership and/or political opinion.
6. **Safe and healthy working environment, factory conditions and housing (ILO 115)**
Business partners are required to make employees' safety a priority at all times. Work premises and factory conditions have to be such that workers can perform their functions in a safe and healthy environment, including fire prevention. To minimize risks, there must be appropriate policies to safeguard employee health and safety, training and clear role descriptions. Facilities for employees must safeguard individuals' dignity and meet personal hygiene needs. Business partners must take appropriate action to ensure safety and prevent accidents and illnesses resulting from workplace conditions, on behalf of their employees. This includes availability of first aid equipment, for example.
7. **Freedom of association and the effective recognition of the right to collective bargaining (GC 3, ILO 87)**
Business partners have to confirm that their workers are free to communicate openly with management to resolve workplace and compensation issues. Employees have the right to choose whether or not to be represented by trade unions for the purpose of collective bargaining. Atlas Copco does not tolerate discrimination against any employee exercising such rights.
8. **Initiatives to promote greater environmental responsibility (GC 8, OECD 5)**
Business partners shall ideally have an Environmental Management System or, as a minimum, be committed to developing an environmental policy or system, which ensures continuous improvement of their own environmental performance.

²Conflict minerals are columbite-tantalite (coltan), cassiterite, gold, wolframite or their derivatives (tin, tungsten and tantalum) according to the Securities and Exchange Commission definition

9. A precautionary approach to environmental challenges and the development and diffusion of environmentally friendly technologies (GC 7 and 9, OECD 5)

Business partners must conduct their business in a manner that protects and preserves the environment, giving attention to water use and wastewater treatment, for example. When developing products and services, business partners must address and minimize the negative environmental effects that the products and services may have when being manufactured, distributed and used, as well as during their disposal. Business partners must confirm their commitment to the development and promotion of environmentally friendly technologies in products, processes and design.

10. Compliance with Atlas Copco prohibited and declarable³ lists

Atlas Copco's Prohibited list identifies substances not to be used in parts, products or raw materials delivered to Atlas Copco or in production processes. The Declarable list contains substances whose use shall be limited, and content of any listed substance in items delivered to Atlas Copco must be declared. Conflict minerals are also included in the Declarable list, see criteria 4 for clarification. Business partners must confirm their compliance with these lists, follow updates of the lists and alert Atlas Copco if any included substance is a problem.

Compliance and follow-up

Atlas Copco requires its business partners to adhere to the social, business ethics and environmental criteria listed here. Business partners who are proactive in implementing or those who already have met these criteria will be considered for preferred partnerships. The Group will strictly monitor and follow up on business partner compliance with these criteria through surveys and audits. Atlas Copco will also review its business relations if violations are detected and business partners will be immediately requested to adapt or change to meet the criteria. Business partners may sign their commitment to this document if they are in the process of meeting these requirements and are willing to set up an action plan with Atlas Copco.

Atlas Copco Group companies require their business partners to maintain adequate documentation to demonstrate their compliance with the above-mentioned criteria or demonstrate the intention and willingness to comply with the criteria by establishing an action plan with activities. As a condition of doing business with the Atlas Copco Group, business partners and their subcontractors must authorize Atlas Copco and its designated agents (including third parties) to perform audits.

.....
(Name of business partner)

has read and understood this document based on the Atlas Copco Business Code of Practice and is committed to fully complying with all criteria and requirements in this document.

.....
Name

Position/Job title

.....
Date and place

Signature

Additional references

- ILO Code of Practice in Safety and Health, <http://www.ilo.org/safework/lang--en/index.htm>
- ILO International Labor Standards, <http://www.ilo.org/global/standards/lang--en/index.htm>
- OECD Guidelines for Multinational Enterprises, www.oecd.org
- United Nations Convention Against Corruption, <http://www.unodc.org/unodc/en/treaties/CAC/index.html>
- United Nations Global Compact, www.unglobalcompact.org
- United Nations International Bill of Human Rights, www.un.org
- ISO 14001, www.iso.org
- SA 8000, www.sa-intl.org

³Prohibited and Declarable lists are available at the Atlas Copco Group website:
<http://www.atlascopcogroup.com/en/sustainability/living-by-the-highest-ethical-standards/ethical-supply-chain>