

Business Ethics, Social and Environmental Performance Criteria for Atlas Copco Business Partners

Introduction

Atlas Copco Group is a global industrial group of companies headquartered in Sweden, employing more than 25 000 people and manufacturing products on 49 production sites in 16 countries.

The vision of the Group is to be a leader in each one of its Business Areas. Based on common core values, Atlas Copco Group intends to achieve this by, amongst other initiatives, being ethical in its business practices and working with business partners who share similar standards. This includes a commitment to being aware of and improving environmental and social performance and encouraging learning and development through cooperation with local communities.

In accordance with the Group's Business Code of Practice (enclosed);

"We strive to be the best associate for our business partners, such as suppliers, subcontractors and joint venture partners and to be the one that they prioritize.

- We seek business partners whose policies regarding ethical, social, and environmental issues are consistent with our own, and we make them aware of our commitments and expectations.
- Business partners are selected and evaluated impartially on the basis of objective factors including quality, delivery, price, and reliability, as well as commitment to environmental and social performance, and development."

This document is intended to support the implementation of the Group's policy as regards business ethics, social and environmental performance, by providing brief explanations of the basic expectations which the Group has on its business partners. Further check lists are also available, with detailed questions for each of these criteria. These check lists (or alternative customized questionnaires) can be used by suppliers to conduct self assessments, and will be used by Atlas Copco companies to verify or audit suppliers in accordance with the criteria specified.

The criteria list is based on the Atlas Copco Business Code of Practice and on the following international guidelines supported by the Group, but does not override any of the policies contained in any of these documents:

United Nations Universal Declaration of Human Rights
ILO Declaration on Fundamental Principles and Rights at Work (ILO)
United Nations Global Compact (GC)
OECD's Guidelines for Multinational Enterprises.

In the criteria list, reference is made primarily to the Global Compact (GC) principles.

General requirements

Business partners, including suppliers, subcontractors and joint venture partners, shall be made aware of the Group's commitments and expectations in accordance with the Business Code of Practice. If suppliers use subcontractors for the production of Atlas Copco Group products or services, it is the responsibility of that supplier to ensure that all subcontractors throughout the whole supply chain comply with these requirements. On request, the supplier shall inform Atlas Copco which subcontractors they use.

Business partners should confirm that they operate in full compliance with national laws and regulations applicable to their operations and employment in the countries in which they operate.

Minimum Expectations

Social Performance

1. Support and respect of Human Rights (GC1 and 2)

Business partners should support and respect the protection of human rights. They should be able to confirm that they are not complicit in human rights abuses and they should comply with the main international ethical guidelines supported by the Atlas Copco Group.

2. Elimination of all forms of forced and compulsory labor (GC 4, ILO 29)

Business partners should be able to confirm that forced or involuntary labor is not tolerated in any form. This includes any work or service extracted from a person under the threat of penalty and for which the person has not offered himself or herself voluntarily.

3. Child labor (GC 5, ILO 138)

Business partners should be able to confirm that child labor is not tolerated in any form. 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) shall be employed. For authorized minors, management is responsible for providing working conditions, hours of work and wage appropriate for his or her age and in compliance with applicable local law as a minimum.

4. Elimination of discrimination with respect to employment and occupation (GC 6, ILO 111)

Business partners should support equal opportunities, fairness and diversity and that all employees are treated strictly according to their abilities and qualifications in any employment decisions, regardless of race religion, gender, age, nationality, disability, sexual orientation, union membership and political opinion.

5. Working environment, factory conditions, housing, health and safety (ILO 115)

Business partners should have premises / factory conditions that are such that workers can perform their functions in a safe and healthy environment. There should be appropriate policies to safeguard this and training and responsibility given to appropriate people in order to minimize risks. Facilities for employees should be such that the dignity and hygiene for individuals are safeguarded. Business partners should take appropriate action to ensure safety and prevent accidents and illnesses resulting from work place conditions, on behalf of their employees.

6. Integrity (GC 10, OECD 9)

Business partners should work against all forms of corruption, including extortion and bribery. There should be no use of fake documents or other illegal practices or use of undeclared production units or suppliers. We expect a cooperative management and if possible, free access to premises, including factory(ies). Business partners should 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.

7. Freedom of association and the effective recognition of the right to collective bargaining (GC 3, ILO 87)

Business partners should be able to confirm that their workers are free to communicate openly with management to resolve workplace and compensation issues. Employees should have the right to choose whether or not to be represented by trade unions for the purpose of collective bargaining. No discrimination should be directed at any employee exercising such rights.

Environmental Performance

8. Undertakes initiatives to promote greater environmental responsibility (GC 8, OECD 5)
The Business partners should 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.

9. Supports a precautionary approach to environmental challenges and encourages the development and diffusion of environmentally friendly technologies (GC 7 and 9, OECD 5)
Business partners should conduct their business so that the environment is preserved. When developing products and services, suppliers should 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 should confirm their willingness to encourage the development and promotion of environmentally friendly technologies in product, process and design.

10. Atlas Copco prohibited and restricted lists
The Atlas Copco's Prohibited List contains chemical substances not to be used in products supplied to, manufactured by or for the Group. The Restricted List contains chemical substances, the use of which shall be limited. Business partners must confirm their compliance with these lists.
<http://www-1.atlascopco.com/websites/GSD/hazard.nsf/Prohibited?ReadForm>

<http://www-1.atlascopco.com/websites/GSD/hazard.nsf/Restricted?ReadForm>

Compliance and Follow up

Atlas Copco Group companies expect their business partners to maintain adequate documentation to demonstrate their compliance with the above mentioned criteria. As a condition of doing business with the Atlas Copco Group, business partners must authorize Atlas Copco and its designated agents (including third parties) to perform audits.

We have read and approved of the above

Additional Optional References

ILO Code of Practice in Safety and Health

www.ilo.org/public/english/protection/safework/cops/english/download/e000013.pdf

ILO International Labor Standards

www.ilo.org/public/english/standards/norm/whatare/fundam/index.htm

OECD Guidelines for Multinational Enterprises

www.oecd.org

United Nations Convention Against Corruption

www.unodc.org/unodc/en/crime_convention_corruption.html

United Nations Global Compact

www.unglobalcompact.org

Universal Declaration of Human Rights

www.un.org/Overview/rights.html

ISO 14001

www.iso.org

SA 8000