

LK Group's Code of Conduct for Suppliers

1. Introduction

LK Group operates in a world that expects companies to be aware of their impact on the community based on environmental, economic and social factors.

To be able to accomplish LK Group's environmental, economic and social goals and principles, this Supplier Code of Conduct has been developed and implemented. This Supplier Code of Conduct places expectations on LK Group suppliers¹ to respect fundamental human rights and treat their workforce fairly and with respect. In order to fulfil the requirements set out in this Supplier Code of Conduct, all suppliers to LK Group are requested to adhere to the principles and requirements listed in this Code. Further on, this Supplier Code of Conduct is a minimum requirements document.

Suppliers shall also be responsible for ensuring that their suppliers, contractors and agents are in compliance with this Code, as well as assess their performance against this Code. Thus, this Code shall be applicable for the entire Supply Chain of LK Group. Conclusively, LK Group's business is based on close, long-term relationships with customers, suppliers and other business partners.

Companies within the LK Group:

LK Armatur AB
LK Armatur d.o.o. Zrenjanin
LK International AB
Lagerstedt & Krantz AB
Lagerstedt & Krantz Fastigheter AB
Lagerstedt & Krantz Finans AB
LK Pex AB
LK Prefab AB
LK Systems AB
LK Systems A/S
LK Systems Oy
LK Valves AB
LK Valves Asia Pte. Ltd.
Changzhou LK Valves Co Ltd.

¹ A supplier to LK Group is an entity or other organisation, where a business agreement exists regarding deliveries of goods or services.



2. Monitoring and Compliance

LK Group expects that all suppliers shall conduct their business according to the principle described in this Code of Conduct.

All suppliers to LK Group shall provide proof and information regarding the implementation of the requirements of this Code. Suppliers shall provide LK Group or a designated third party with reasonable access to all relevant information and facilities for the purposes of assessing performance against the Code. A follow-up of the ethical, social and environmental obligations of major suppliers shall be performed on a regular basis and actions shall be taken immediately in the case of breach of the requirements of LK Group.

LK Group will prefer such suppliers as business partners, which full fill the Code of Conduct requirements in a good manner.

If a supplier identifies any serious breach of the Code in its own operations or in its supply chain, the supplier must immediately report the issue to LK Group together with an agreed schedule for corrective action.

Suppliers are expected to provide a corrective action plan with date of closure for any issues identified during an environmental and business ethics assessment/audit that do not meet the requirements of this Code.

LK Group is willing to help and support its suppliers regarding the applicability and interpretation of the requirements set in this Code. For further information and support, the supplier shall contact LK Group.

2.1. Management Systems and Systematic Work

LK Group encourages suppliers to be certified against or work according to an internationally recognized Environmental Management System, such as ISO 14001 or equivalent, a Quality Management System, such as ISO 9001 or equivalent,² Safety and Health management system, e.g. OHSAS or equivalent, and the Social Accountability Standard SA 8000 or equivalent and work according to the guiding management system ISO 26000 Social responsibility³.

3. Supplier Business Ethics Requirements

3.1 Compliance with laws and regulations

Suppliers to LK Group shall comply with laws and regulations in the country of their operation. If any requirement specified in this Code should be in conflict with the law of the country of operation, the law shall take precedence.

² For more information, please visit <http://www.iso.org>

³ For more information, please visit <http://www.sa-intl.org>



Each supplier to LK Group shall strive towards that all its employees receive adequate information and training in relation to all relevant legal, regulatory and internal requirements that apply to their jobs.

3.2 Basic Employment Rights

All suppliers shall follow the Basic Employment Requirements stated below.

3.2.1. Equality and Discrimination

All suppliers shall adhere to the principle of equal rights at the workplace and there shall be no discrimination (e.g. recruitment, salary, training, promotion, dismissal) at the workplace. All employees shall be treated on their individual abilities and qualifications to perform the work.

No form of discrimination on the ground of race, gender, maternity, age, religion, political opinions, national origin, social origin, sexual preference or other comparable grounds shall occur.

3.2.2. Employment Contracts

All employees shall be entitled to a written and signed contract of employment. Basic employment conditions (e.g. position, salary, working hours) shall be stated in the contract.

3.2.3. Forced Labour and Disciplinary Measures

LK Group does not accept forced and bonded labour as defined in ILO convention no. 29 and 105.

Corporal punishment or the threat thereof, unreasonable disciplinary measures, mental or physical coercion, verbal abuse, sexual or other harassment and violations of an employee are completely unacceptable.

3.2.4. Wages and Working Hours

The legal minimum wage is the lowest acceptable, but we recommend our suppliers to at least pay living wages.

Wages must be paid regularly and on time and overtime must be voluntary and in accordance with national law.

All employees should be entitled to a payslip clearly stating all wages including overtime compensation, hours worked, benefits, legal deduction, bonuses and other relevant posts in a comprehensible manner.



3.2.5. Leave and Sick Leave

Employees shall be granted their relevant legal rights such as annual leave, sick leave and maternity/paternity leave without any form of repercussions.

3.2.6. Freedom of Association

Employees shall be entitled to exercise their right to be a member of organisations that represent their interests as employees, without fear of threats or harassment.

3.3 Child Labour

LK Group does not accept child labour at their suppliers or their sub-suppliers in any form. Where not stated otherwise in local legislation⁴, all persons younger than 15 years of age shall be considered as children and persons below 18 years of age shall be considered as young persons. Suppliers shall protect children from economic exploitation and from performing work that may interfere with the education of the child.

If a supplier employs persons between the age of 15 and 18, these young persons shall not be allowed to perform any hazardous work, including night work, in accordance with the ILO Convention No. 138, on the Minimum Age for Admission to Employment and Work.⁵

If children work as apprentices, in accordance with the employment legislation of the country of operation, they must be afforded protection against any and all exploitation. Further on, the employer must secure that:

- the work is not interfering with the education of the child,
- the apprenticeship is limited to a few hours per day,
- the work is light and clearly aimed for training,
- the child is clearly compensated.

3.4. Workplace Safety Requirements

All LK Group suppliers shall offer a safe, healthy and sound working environment. Suppliers shall strive to constantly improve measures related to the health and safety of the employees. LK Group's minimum requirements on suppliers are:

- Pregnant women shall be adequately protected and have sufficient space for integrity.
- Workplace accidents and injuries shall be minimized and eliminated.

⁴ The definition of a child vary between 14 to 16 according to countries national legislations. If no legislation is applicable, persons below the age 15 shall be considered as children.

⁵ For more information, please visit: <http://www.ilo.org/ipec/facts/ILOconventionsonchildlabour/lang--en/index.htm>



- Emergency procedures must be communicated and whenever necessary documented and updated.
- Emergency evacuation plans and emergency routes shall be visible and functional throughout the entire facility.
- Workplace temperature, noise level, lighting condition and air quality shall be compliant with the local law.
- Employees shall have correct Personal Protective Equipment (PPE) for the work that is performed.
- All machinery shall be equipped with appropriate safety arrangements.
- The suppliers must ensure that all employees understand all safety requirements and warning labels.
- All chemicals shall be handled in a safe manner. Information regarding each chemical shall be available for the employees. Information shall be reviewed before releasing any chemical product in the production to be able to determine correct PPE.
- Chemical containers must be marked with their content.
- Employees shall receive adequate training related to the Workplace Safety and to the respective work duties.

3.5. Housing Conditions

If the supplier provides housing for the employees, the living area per employee shall comply with the legal minimum requirements, be hygienic, safe and offer satisfactory personal integrity. Appropriate workplace safety requirements shall also be applicable for the housing conditions.

3.6 Business Ethics

LK Group does not tolerate corruption, bribes and unfair practices that may limit competition. All business activities shall be conducted in compliance with relevant laws and regulations in each respective country.

- Suppliers to LK Group shall not act in breach of applicable competition legislation in each country where they have operations, market their products or perform business with customers and/or suppliers. Suppliers shall not participate in cartels or other unlawful collaboration with competitors, customers or suppliers that limits or distorts competition.
- Suppliers to LK Group shall not receive, offer or make undue payments or give other compensation to any person or any organization for the purpose of inducing to breach of prescribed obligations.

A LK Group employee that is exposed for any of the activities listed above must report the activity within LK Group's organization. Further actions against such activities will be taken automatically.



4. Environment

LK Group's impact on the environment, and its efforts to limit such environmental impact, are important issues for the organisation. The environmental performance of its suppliers is therefore an important factor to the overall environmental impact of the organisation. The supplier shall have knowledge of and control over their operation's environmental impact, shall deliberately work to reduce or prevent negative environmental impact. The supplier shall also take into account the precautionary principle.

Further on, suppliers shall be compliant with relevant legal environmental requirements, both for their own operations and for the products and components that are supplied to LK Group (e.g. EU RoHS, EU REACH, EU WEEE).

Confirmation

We hereby confirm that we have taken the above described principles and requirements in consideration. We and all by us contracted suppliers will strive to follow these principles and requirements.

Company Name: _____

Name: _____

Title: _____

Signature: _____

Date: _____