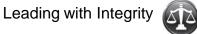


MTS SYSTEMS CORPORATION



FY17 Anti-Bribery and Anti-Corruption ("ABAC") Training



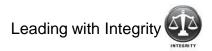


After completing this training, you should have an understanding of the following topics:

- An overview of the anti-bribery landscape
- The Foreign Corrupt Practices Act (U.S. Law)
- Importance of accurate recordkeeping and internal controls
- Importance of understanding third party requirements
- Your Obligations
- How to report a concern

OUR COMMITMENT

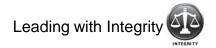
MTS takes a firm stance against corruption and bribery. We are subject to a variety of international anticorruption and bribery laws across the globe. We are committed to the highest standards of ethical conduct by complying with these laws everywhere we do business.





An Overview of the Anti Bribery Landscape

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An Overview of the Anti-Bribery Landscape



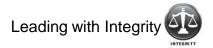
Bribery is a problem that exists across the world and affects the global economy. Increasingly, countries around the world have enacted laws to send a message that bribery and other forms of corruption will not be tolerated.

Bribery is Bad for Business

Acts of bribery can drive up the cost of doing business throughout much of the world because bribes that are paid eventually make their way into the total cost of goods and services, distorting the marketplace and creating uneven playing fields on a global scale.

Bribery and Corruption can:

- Create unfair competition
- Give rise to inferior products and services
- Erode public trust and confidence
- Promote violation of laws
 regarding workplace safety, the
 environment and child labor –
 to name just a few.





Legislation

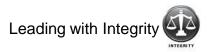
Given the potential for these negative affects, countries around the world have enacted laws to prohibit bribery and corruption. There is much at stake for companies that violate these laws, including:

- Substantial fines and even long terms of imprisonment for individuals
- Suspension or debarment from government contracting
- > Damage to a company's reputation, business relationships and continued success

The Foreign Corrupt Practices Act (FCPA)

The FCPA is the name of the United States law that addresses anti-bribery and anti-corruption. The FCPA scope and applicability is broad. The content of the FCPA laws and regulations must be observed by all MTS employees at all locations.

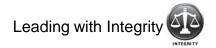
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The Foreign Corrupt Practices Act (US Law)

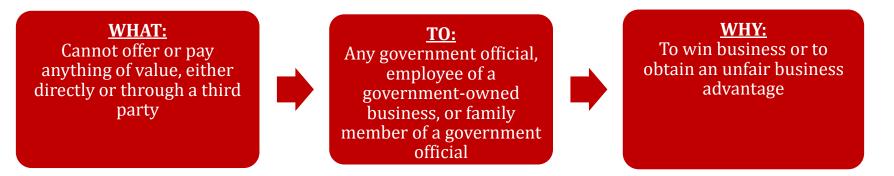
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What is the FCPA?

The FCPA is the law in the United States that addresses bribery and corruption. The FCPA prohibits MTS employees and anyone who conducts business on our behalf from offering corrupt payments or anything of value to a government official in order to obtain/retain business or gain an undue business advantage.



UK Anti Bribery Act of 2010

The UK Anti Bribery Act of 2010 is additional anti-bribery legislation broadly applying to any company that operates within the UK. This is in addition to, not replacing, FCPA legislation.

Local Laws & Regulations

Local laws and regulations apply in each country in which MTS conducts business.

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Understanding the Law

Understanding key terminology will help you better understand – and comply – with MTS FCPA policy and the anti-bribery laws everywhere we operate. The key terms are:

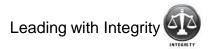
- > Bribes
- Corrupt Intent
- Government Official
- Undue Business Advantage

BRIBE

A bribe has a broader definition than just a cash payment. If something is offered in exchange for obtaining or retaining business, gaining an unfair advantage or causing someone to do something improper, it is likely to be considered a bribe.

Remember, a bribe is illegal, no matter how small.

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The Foreign Corrupt Practices Act (FCPA)



BRIBE

Remember, a bribe is illegal, no matter how small.



Cash Check Money Order A Pricing Discount A Bonus Kickback Free-of-charge goods



A Favor, such as: Use of materials, equipment, etc. Use of facilities A loan Promise of a job Offer to pay insurance benefits

Offered indirectly Example: Scholarship to a family member of a government official



Gifts (that don't comply with local customs) Gift Certificate Gift Cards Charity Contributions Political Contributions



Entertainment, such as: Concert tickets Sporting even tickets A trip



Hospitality, such as: Meals Drinks Hotel Travel Lodging Transportation

CORPORATE

Hospitality is considered a bribe if expenses are:

- Unreasonable
- Disproportionate
- Don't support a legitimate business purpose

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Understanding the Law

CORRUPT INTENT

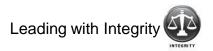
It doesn't matter if an offer made is accepted or not; simply making an offer with the intent to wrongfully influence a government official would be a violation of the law. Being instructed by someone else to make an offer does not relieve you of your responsibility.

GOVERNMENT OFFICIAL

This is a broad definition - know who you are working with. A government official is anyone acting in an official capacity for a non-U.S. government or public international organization. Examples include:

- Member of the armed services
- Doctor at a state-owned hospital
- Person hired to review bids on behalf of a government agency
- Member of a royal family who manages a government-owned industry
- > Employee of a state-owned or state-controlled utilities company
- ➤ Immigration official
- Customs agency official

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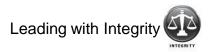
Understanding the Law



We, as MTS employees, cannot act in the ways listed below in exchange for payment or anything of value. These are examples of improper actions under anti-bribery law:

- Side-stepping export or import rules or regulations
- Granting an exception to a regulation
- Doing something improper to influence the procurement process
- Giving someone access to nonpublic bid information
- > Influencing the outcome of a lawsuit or enforcement action

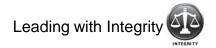
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Importance of Accurate Record Keeping and Internal Controls

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Accurate Record Keeping & Internal Controls





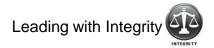
Rule: Requires individuals and businesses to keep accurate and complete records of the transactions in which they engage

To Comply: MTS must maintain books and records that accurately reflect the transactions of the corporation

Rule: Prohibits individuals and businesses from knowingly failing to implement internal controls

To Comply: MTS must maintain a system of internal accounting controls to ensure accurate reporting of transactions and safeguarding of assets must be devised and maintained





Accurate Record Keeping & Internal Controls



Transparency

Expenses need to be recorded in a transparent manner. You have a responsibility to make sure you:

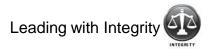
- Keep accurate records of any payments made or received, and of all other significant transactions.
- Comply with MTS internal controls to ensure all payments are honestly described and MTS company funds are not used for unlawful purposes.
- Report a potential violation of these controls.

Accurate Record Keeping Means:

- Accurate recording of transactions (e.g. amount, business purpose, entities/individuals involved)
- Adequate supporting documents
- All funds and accounts are disclosed and recorded

Internal Controls Means:

- Necessary approvals on transactions
- Accountability for assets
- Prevent and detect





Examples of Non-Adherence to Policies

Travel & Entertainment

- Expense reimbursement reports do not include proper descriptions (account / project codes, dollar amount, business purpose, entities/individuals involved, etc.)
- Expense reimbursement reports are missing supporting documentation / receipts

Management Approvals

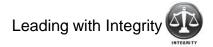
- Sales discount approvals by management are missing
- Expense reimbursement reports have late or missed management approvals

Sponsorships

- Sponsoring state-owned institutions (i.e. universities) that involve foreign officials
- Expenses appearing to be lavish in nature, with the intent to win or retain business

Import/Export

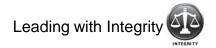
- Payments to customs officials to expedite the import/export of goods
- Payments to government agency officials to secure expedited or false import/export licenses or permits





Importance of Understanding Third Party Requirements

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You Are Responsible

According to the DOJ and SEC, a large percentage of all FCPA enforcement actions have involved improper conduct by third parties when acting on behalf of the respective company

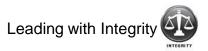
In addition to our own actions, we can be held liable for the acts of our agents, consultants, resellers, and other business partners. That is why it is critical you understand the antibribery business practices required at MTS.

Due Diligence

MTS ensures all business partners with which we do business:

- Don't have a reputation for or history of illegal or corrupt behavior.
- Know they must conduct business in compliance with OGC-018 Foreign Corrupt Practice Act Compliance Policy.
- Ensure contracts are clear about the work to be done and the need to conduct business in a lawful manner.
- Escalate to the Office of Risk and Compliance you have any concerns that might suggest an act of bribery.

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Red Flags

We, as MTS employees, have a responsibility to know and comply with the law, MTS policies and MTS procedures. When looking to work with a new third party, be alert to statements such as:

- "This is the way we do business in this country."
- "This payment does not require approval."
- "I have a connection to someone in the government who can help us."
- "Our policy is to use a bank outside of our country."
- "My company has a special arrangement with an official."
- "A political contribution might speed things along."

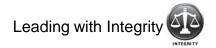
If it sounds suspicious, dishonest or contrary to the law, it probably is! Reach out to the Office of Risk and Compliance if you encounter this type of situation.





Your Obligations

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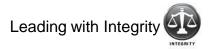
In your everyday work at MTS, you have an obligation to:

- Know and comply with MTS anti-bribery policy and anti-bribery laws
- Promptly share any concerns about suspected violations of the law
- Seek guidance from the Office of Risk and Compliance if unsure of how the law applies to a situation you are facing

For more information, review related policies & procedures:

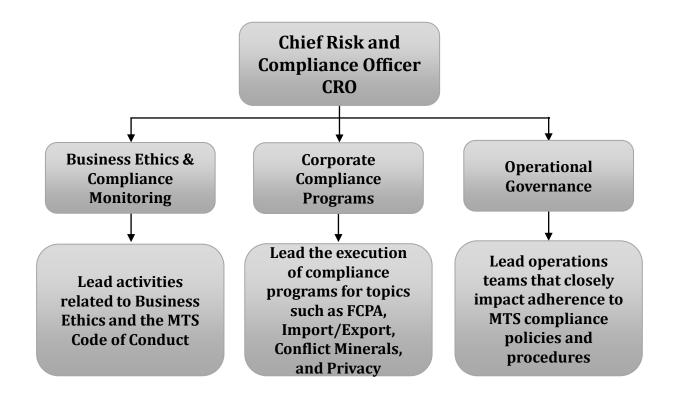
OGC-018 Foreign Corrupt Practice Act Compliance Policy

OGC-018.02 Procedure for Compliance with the Foreign Corrupt Practices Act



Office of Risk and Compliance



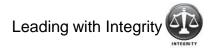


Phyllis Nordstrom



How can you contact the Office of Risk and Compliance? MTS_Risk_&_Compliance@mts.com

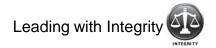
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How to Report a Concern

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SPEAK UP! If you have concerns about adherence to the Global Code of Ethical Business Conduct



To your Supervisor, HR, Local Business Ethics Committee member or other member of management



Office of Risk and Compliance MTS_Risk_&_Compliance@mts.com



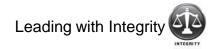
MTS Alert Line

https://alertline.com



Country	Direct Access Number	AlertLine Number
North America		888-321-5562
China, PRC (Northern region)	108-888	888-321-5562
China, PRC (Southern region)	108-11	888-321-5562
Japan (KDOI)	00 539-111	888-321-5562
Japan (NTT)	0034-811-001	B88-321-5562
Korea (Korea Telecom)	0072-911	888-321-5562
France	0800-99-0011 ar 0805-701-288	888-321-5562
Germany	0-800-2255-288	888-321-5562
Italy	800-172-444	888-321-5562
Sweden	020-799-111	888-321-5562
United Kingdom (BT)	0800-89-0011	888-321-5562
United Kingdom (C&W)	0500-89-0011	888-321-5562





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Now that you have completed this training, remember:

- Do not bribe directly or indirectly to a government official for an improper purpose
- Keep accurate records
- Ensure due diligence has happened before entering business with a new third party
- Reach out to ORC with questions
- Report concerns

OUR COMMITMENT

MTS takes a firm stance against corruption and bribery. We are subject to a variety of international anticorruption and bribery laws across the globe. We are committed to the highest standards of ethical conduct by complying with these laws everywhere we do business.

