



MTS SYSTEMS CORPORATION



Global Code of Ethical Business Conduct FY18 Training

be certain.

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

- The importance of ethics in business
- How to use the MTS Global Code of Ethical Business Conduct
- How to report a concern
- MTS stance on retaliation
- Key highlights on recently expanded topics:
 - Anti-Corruption
 - Conflict of Interest
 - Working with Third Parties

MTS Code: <http://intranet.mts.com/Values/index.htm>

The Importance of Ethics in Business



Ethics simply means doing the right thing.

It goes beyond what is allowed by laws and regulations.

“With our continued growth objectives, it is more important now than ever to remember that always **doing what is right** while delivering superior results tells customers and business partners who we are and what we believe.”

- Dr. Jeffrey A. Graves

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The MTS Global Code of Ethical Business Conduct (the “Code”) establishes a common understanding of the behavior expected of each of us.

Behavior that guides us in doing the right thing.

- ✓ By accepting employment at MTS, the Code applies to you.
- ✓ The Code places an obligation on all of us to take responsibility for our own conduct.

It is important that you read, understand and live what is outlined in the MTS Code. It applies to all levels of the Company, including employees, board members and officers alike.

MTS Code: <http://intranet.mts.com/Values/index.htm>

MTS Code Supports MTS Values



The Code is grounded in MTS Values

MTS Values reflect the deeply held beliefs that make MTS a reliable, trustworthy, and vital partner.

Every day, we reinforce our values through the collective and individual actions we take.

Code Content

- ✓ Letters from our CEO and Chief Risk and Compliance Officer
- ✓ Our ethical responsibilities
- ✓ Compliance and HR Focus Areas
- ✓ Q&A and Practical Guidance
- ✓ Resources to ask questions and report concerns



ACCOUNTABILITY



TOTAL CUSTOMER SATISFACTION



INNOVATION AND PASSION



INTEGRITY



INVEST IN OUR FUTURE



RESPECT



OPERATIONAL EXCELLENCE

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You Have An Important Role

- Read through the entire Code
- Think about how the Code applies to your job
- Follow the Code, Company policies, and laws and regulations that apply to your job
- Use the Code questions and answers to help clarify situations encountered
- Seek guidance before acting if you have questions



Phyllis Nordstrom
Chief Risk and Compliance Officer

“No code or manual can provide complete answers to all questions. In the end, we must rely on our good sense to assess if our actions align to MTS’s high ethical standards. The Office of Risk and Compliance is here to offer support, answer questions, and help address your concerns.”

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Speak Up!

You should feel comfortable seeking guidance, asking questions and reporting concerns about actions that may not be in adherence to our Code.

Part of the success of our Code is MTS's continued focus on a **Speak Up** culture.

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- We encourage you to talk openly about risks or challenges you may encounter.
 - There are multiple options for you to **Speak Up**. See details on slide 10.

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Additional Responsibilities for Supervisors

- ✓ Lead by example
- ✓ Communicate and promote legal, ethical and compliant practices
- ✓ Create and promote a **Speak Up** culture
- ✓ Promptly escalate reports you receive from employees
- ✓ Acknowledge and appropriately recognize employees for their sound ethical conduct
- ✓ Ensure employees complete required trainings



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Seek guidance before acting if you have questions

There are no shortcuts in doing what is right. When faced with a difficult situation, ask yourself questions like those below to support making the right ethical decisions.

- Is this legal?
- Is this consistent with MTS Values?
- Does this comply with corporate and local policies and procedures?
- Do you feel this may be wrong, but feel pressured to do it anyway?
- Do you feel good about your decision?



The Code will never be able to provide an exhaustive list of what to do in **every** aspect of your work.

It also is not a substitute for good judgment, so when in doubt ask questions and speak up!

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How To Seek Guidance or Report a Concern



TALK

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



EMAIL

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



VISIT

MTS Alert Line <https://alertline.com>



CALL

Country	Direct Access Number	Alert Line Number
North America	1	888-321-5562
China, PRC (Northern region)	108-888	888-321-5562
China, PRC (Southern region)	108-11	888-321-5562
Japan (KDDI)	00-539-111	888-321-5562
Japan (NTT)	0034-811-001	888-321-5562
Korea (Korea Telecom)	00-729-11	888-321-5562
India	000-117	888-321-5562
France	0800-99-0011 <i>or</i> 0805-701-288	888-321-5562
Germany	0-800-225-5288	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

We Do Not Tolerate Retaliation



MTS prohibits retaliation against anyone who asks questions or voices a concern in **good faith**.

- Anyone who engages in retaliation violates our Code and may face discipline, up to and including termination.
- If you have concerns about retaliation, speak up and report your concerns.



Retaliation occurs when an employee suffers punishment or harassment from co-workers, supervisors, or senior management for reporting a concern or cooperating in an investigation.



Good Faith is a sincere belief without any malice or the desire to defraud others. It does not mean that we are always right.

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Anti-Corruption



MTS takes a firm stance against corruption and bribery, regardless of impact on business performance.

This applies to all of us, regardless of where we work and regardless of local customs.

- Read and understand anti-bribery and anti-corruption MTS policies and procedures.

- Consistently execute your work in alignment with these MTS policies and procedures.

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What is the Foreign Corrupt Practices Act?

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.



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A bribe is illegal, no matter how small

Offering 'anything of value' is a bribe.
A bribe has a broader definition than just a cash payment.



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



Offered indirectly
*Such as a scholarship
to a family member
of a government
official*



Gifts (*that do not comply with local customs*)
Gift Certificate
Gift Cards
Charity Contributions
Political Contributions



Entertainment
*Such as concert tickets,
sporting event tickets,
a trip*



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



Hospitality, such as:
Meals
Drinks
Hotel
Travel
Lodging
Transportation



Hospitality is considered a bribe if expenses are:

- Unreasonable
- Disproportionate
- Do not support a legitimate business purpose

Conflict of Interest



We always expect one another to act in the best interest of MTS.

- Make business decisions free from any conflict of interest or the **appearance** of a conflict of interest.
- Make business decisions based on reasoning that is **objective** and **impartial**.
- Do not engage in **outside** interests that interfere with or directly impact your ability to make business decisions.

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Examples of situations that could result in a conflict of interest:

Outside Financial Interest

Having a financial interest or relationship with an MTS competitor, supplier or customer

Outside Competing Business

Owning your own business where your business is a competitor, supplier or customer to MTS

MTS Non-Public Information

Using MTS proprietary information, trade secrets, etc. for personal gain

Engaging in a Personal Relationship

Engaging in a personal relationship with an MTS employee that is inconsistent with MTS policy

Gifts / Gratuity

Giving or accepting a gift to/from a competitor, supplier, or customer that is inconsistent with MTS policy

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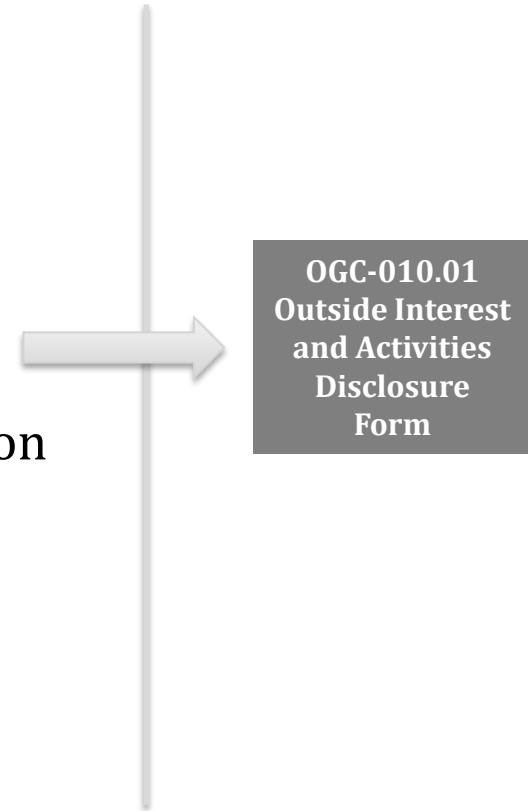
Conflict of Interest



As an MTS employees, you must:

- ✓ **Seek approval** from your VP and ORC to take part in legitimate **outside** activities by completing and submitting the OGC-010.01 disclosure form.

- ✓ **Disclose** (no approval required) to ORC when serving on the board of directors of a **non-profit entity**.
Such as a charitable, educational, or other nonprofit board, other than a religious organization.



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Working with Third Parties

We expect our business partners, vendors, suppliers, customers, end-users and other third parties we work with to follow legal, compliant and ethical business practices too.

- Do business with those who are committed to integrity and have practices aligned to the principles in our Code and the law.
- Follow Company policies when onboarding and using third parties.
- Reach out to the Office of Risk and Compliance or your legal team with questions.

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In the end, our confidence must rest on the honesty, integrity and good sense within each of us.

Our responsibility to follow legal, compliance and ethical obligations cannot be fully defined by any set of written rules.

Use the Code to:

- Understand what is expected of you as an MTS employee
- Help answer your questions
- Know where to go to report a concern

Use your good sense to:

- Do the right thing
- Base decisions on ethical principles and MTS Values