



MTS SYSTEMS CORPORATION



# Global Code of Ethical Business Conduct FY19 Training

be certain.

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

- 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:
  - Anti-Corruption
  - International Trade
  - Business Communications

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

**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

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 conduct business as outlined in our MTS Code. It applies to all levels of our Company, including employees, board members and officers alike.

# 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
- ✓ Business 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



## 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. ”*

## Speak Up!

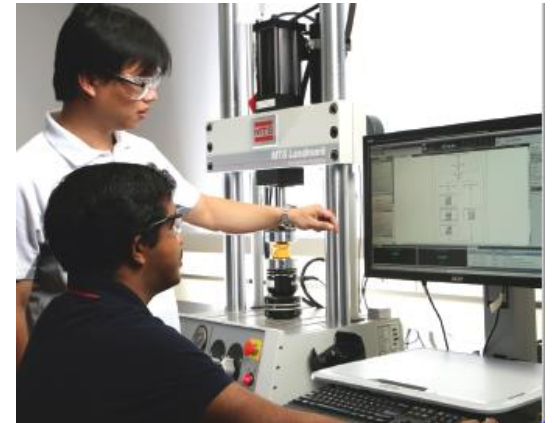
You should feel comfortable seeking guidance, asking questions and reporting concerns about actions that may not adhere to our Code.

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

- 
- 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.

## 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





## 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!

## How To Seek Guidance or Report a Concern



### TALK

To the Office of Risk and Compliance, or your Supervisor, HR, or Local Ethics Committee



### EMAIL

Office of Risk and Compliance [MTS\\_Risk\\_&\\_Compliance@mts.com](mailto:MTS_Risk_&_Compliance@mts.com)



### VISIT\*

MTS AlertLine <https://alertline.com>



### CALL\*

MTS AlertLine		
Country	Direct Access Number	AlertLine 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

**\* Reports to the AlertLine have the option to be made anonymously**

# We Do Not Tolerate Retaliation



MTS prohibits retaliation against anyone who 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.



# 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.

ORC-010 FCPA Policy  
*(and supporting ORC-010 procedures)*

## 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.



## 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**  
A Pricing Discount  
A Bonus  
Kickback



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



**Gifts**  
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  
Promise of free-of-charge goods



**Hospitality, such as:**  
Meals  
Drinks  
Hotel  
Travel  
Lodging  
Transportation



Hospitality is considered a bribe if expenses are:

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

# International Trade





As employees of a global company, we must be familiar with MTS' policies relating to international trade to ensure we comply with trade laws and regulations.

A violation of trade laws and regulations is illegal and runs counter to MTS values.

- Read and understand** the Global Trade Compliance Policy and related procedures for your role.
- Proactively **seek guidance** by contacting the Global Trade team [Import-Export-Screening-EP@mts.com](mailto:Import-Export-Screening-EP@mts.com)
- Report concerns** or potential violations by contacting the Office of Risk and Compliance [MTS\\_Risk\\_&\\_Compliance@mts.com](mailto:MTS_Risk_&_Compliance@mts.com)

ORC-008 Global Trade Policy

Many MTS business activities are impacted by these global trade laws and regulations. Some examples include the following:

## Engineering, Manufacturing, Operations

*Example:*

Required to provide a complete and accurate description of products to determine correct **tariff and export control classifications**.

### Business Activities

- **Design** and **develop** sensors & test systems
- **Exchange** and **release** hardware, software, knowledge, or technology
- **Manufacture**, **warehouse** or **return** goods, materials, tools, equipment, and other items

## Sales, Customer Service, Purchasing

*Example:*

Required to provide a complete and accurate description of systems, parts, accessories, and services sold to determine a correct **valuation**.

### Business Activities

- **Sell** or **ship** goods, materials, tools, equipment, and other items
- **Acquire** and **manage** customers, business partners, and other third parties
- **Purchase** or **receive** goods, materials, tools, equipment, and other items

Many MTS business activities are impacted by these global trade laws and regulations. Some examples include the following:

## Finance, Strategic Planning

*Example:*

Required to **pay duties, taxes, and fees** in the correct amount and at the correct time.

### Business Activities

- **Price** preparation for customers, MTS affiliates, discounts, commissions.
- **Pay** or **receive payments** to/from other MTS affiliates or third-parties.
- **Conduct due diligence** for mergers and acquisitions

## HR, Risk Management, IT

*Example:*

Required to **accurately record and retain documents** in support of screening employees, third parties and business transactions.

### Business Activities

- **Hire** employees, contractors, etc.
- **Travel** for MTS work to other countries.
- **Grant access** to buildings, to secure areas, and to technical data and information

# Business Communications



You must use approved business communication tools and software to conduct business and retain business records.

Not doing so is a violation of the Code.

- Read and understand MTS Business Communications & Approved Communication Systems Policy
- Use Company-approved Electronic Communication Systems for all business communications

IT-002 Electronic Business Communication Systems

## Business Communications vs. Other Communications

**Required** to use MTS-approved communication systems for business communications



### Business Communication Examples

- Agreeing on contract terms
- Discussing a new design
- Negotiating with a customer
- Granting access to a system
- Screening a new third party

**Not required** to use MTS-approved communication systems for other communications



### Other Communication Examples

- Checking a meeting time
- Sharing a conference room location with invitee
- Scheduling coffee
- Suggesting a rescheduled meeting time

**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 report a concern

## **Use your good sense to:**

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

The Office of Risk and Compliance is here to offer support, answer your questions, and help address your concerns.

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