

Rare Earth Coatings, Inc.

412 Gilman Ave. South • Litchfield, MN 55355

Tel: 320-693-2868 • Fax: 320-693-2869

REC-Supplier Code of Conduct

Rev A

Effective July 2017

This Supplier Code of Conduct expresses the expectations we hold for suppliers throughout the aerospace and defense industry.

General Disclaimer: This Supplier Code of Conduct is in no way intended to conflict with or modify the terms and conditions of any existing contract. In the event of a conflict, suppliers must first adhere to applicable laws and regulations then the contract terms, followed by this Supplier Code of Conduct.

I. Compliance with Laws

We expect our suppliers to maintain full compliance with all laws and regulations applicable to their business. When conducting international business, or if their primary place of business is outside the United States, suppliers must comply with local laws and regulations.

A. Maintain Accurate Records

We expect suppliers to create accurate records, and not alter any record entry to conceal or misrepresent the underlying transaction represented by it. All records, regardless of format, made or received as evidence of a business transaction must fully and accurately represent the transaction or event being documented. When a record is no longer needed to conduct current business, records should still be retained based on the applicable retention requirements.

II. Human Rights

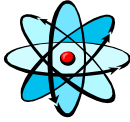
We expect our suppliers to treat people with respect and dignity, encourage diversity, remain receptive to diverse opinions, promote equal opportunity for all, and foster an inclusive and ethical culture.

A. Child Labor

We expect our suppliers to ensure that illegal child labor is not used in the performance of work. The term “child” refers to any person under the minimum legal age for employment where the work is performed.

B. Human Trafficking

Suppliers must adhere to regulations prohibiting human trafficking, and comply with all applicable local laws in the country or countries in which they operate. Suppliers must refrain from violating the rights of others and address any adverse human rights impacts of their operations. Suppliers must educate employees on prohibited trafficking activities, discipline employees found to have violated the law or rules, and notify the contracting officer of violations and actions taken against employees. Specifically, suppliers will be prohibited from the following in all contracts:



Rare Earth Coatings, Inc.

412 Gilman Ave. South • Litchfield, MN 55355

Tel: 320-693-2868 • Fax: 320-693-2869

- Destroying, concealing, or confiscating identity or immigration documents
- Using misleading or fraudulent tactics in recruiting
- Charging employees recruitment fees or providing inadequate housing based on local standards, laws and directives
- Failing to provide employment contracts and other documentation in the employee's native language

III. Employment Practices

A. Harassment

We expect our suppliers to ensure that their employees are afforded an employment environment that is free from physical, psychological, and verbal harassment, or other abusive conduct.

B. Non-discrimination

We expect our suppliers to provide equal employment opportunity to employees and applicants for employment, without regard to race, ethnicity, religion, color, sex, national origin, age, military veteran status, ancestry, sexual orientation, gender identity or expression, marital status, family structure, genetic information, or mental or physical disability, so long as the essential functions of the job can be competently performed with or without reasonable accommodation.

C. Substance Abuse

We expect our suppliers to maintain a workplace free from illegal use, possession, sale, or distribution of controlled substance.

IV. Anti-Corruption

A. Anti-Corruption Laws

Our suppliers must comply with anti-corruption laws, directives, and/or regulations that govern operations in the countries that they do business.

We require our suppliers to refrain from offering or making any improper payments of money or anything of value to government officials, political parties, candidates for public office, or other persons.

We expect our suppliers to exert due diligence to prevent and detect corruption in all business arrangements, including partnership, joint ventures, offset arrangements, and the hiring of consultants.

B. Illegal Payments

Our suppliers must not offer any illegal payments to, or receive any illegal payments from, any customer, supplier, their agents, representatives or others. The receipt, payment, and/or promise of monies or anything of value, directly or indirectly, intended to exert undue influence or improper advantage is prohibited. This prohibition applies even in locations where such activity may not violate local law.

C. Anti-Trust



Rare Earth Coatings, Inc.

412 Gilman Ave. South • Litchfield, MN 55355

Tel: 320-693-2868 • Fax: 320-693-2869

Our Suppliers must not fix prices or rig bids with their competitors. They must not exchange current, recent or future pricing information with competitors. Our suppliers must refrain from participating in a cartel.

D. Gifts/Business Courtesies

We expect our suppliers to compete on the merits of their products and services. The exchange of business courtesies may not be used to gain an unfair competitive advantage. In any business relationship, our supplier must ensure that the offering or receipt of any gift or business courtesy is permitted by law and regulation, and that these exchanges do not violate the rules and standards of the recipient's organization, and are consistent with reasonable marketplace customs and practices.

E. Insider Trading

Our suppliers and their personnel must not use material, non-publicly disclosed information obtained in the course of their business relationship with us as the basis for trading or for enabling others to trade in the securities of our company or those of any other company.

V. Conflict of Interest

We expect our suppliers to avoid all conflicts of interest or situations giving the appearance of a potential conflict of interest in their dealing with our company. We expect our suppliers to provide notification to all affected parties in the event that an actual or potential conflict of interest arises. This includes a conflict between the interests of our company and personal interest or those of close relatives, friends or associates.

VI. Information Protection

A. Confidential/Proprietary Information

We expect our suppliers to properly handle sensitive information, including confidential, proprietary, and personal information. Information should not be used for any purpose (i.e. advertisement, publicity, etc.) other than the business purpose for which it was provided, unless there is prior authorization from the owner of the information.

B. Intellectual Property

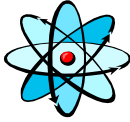
We expect our suppliers to respect and comply with all the laws governing intellectual property rights assertions, including protection against disclosure, patents, copyrights, and trademarks.

C. Information Security

Suppliers must protect the confidential and proprietary information of others, including personal information, from unauthorized access, destruction, use, modifications and disclosure, through appropriate physical and electronic security procedures.

VII. Environment, Health, and Safety

We expect our suppliers to operate in a manner that actively manages risk, conserves natural resources, and protects the environment. We expect our suppliers to apply environmental management system



Rare Earth Coatings, Inc.

412 Gilman Ave. South • Litchfield, MN 55355

Tel: 320-693-2868 • Fax: 320-693-2869

principles in order to establish a systematic approach to the management of risk/hazards and opportunities associated with the environment, including potential risk from regulatory non-compliance, reputational loss, and opportunities for business growth through operational and product stewardship.

We expect our suppliers to comply with all applicable environmental, health and safety laws, regulations, and directives. Suppliers should protect the health, safety, and welfare of their people, visitors, and others who may be affected by their activities.

VIII. Quality

Suppliers must take due care to ensure their work product meets our company's quality standards. We expect our suppliers to have in place quality assurance processes to identify defects and implement corrective actions, and to facilitate the delivery of a product whose quality meets or exceeds the contract requirements.

A. Counterfeit Parts

We expect our suppliers to develop, implement, and maintain methods and processes appropriate to their products to minimize the risk of introducing counterfeit parts and materials into deliverable products. Effective processes should be in place to detect counterfeit parts and materials, provide notification to recipients of counterfeit product(s) when warranted, and exclude them from the delivered product.

IX. Ethics Program Expectations

A. Whistleblower Protection

We expect our suppliers to provide their employees with avenues for raising legal or ethical issues or concerns without fear of retaliation. We expect our suppliers to take action to prevent, detect, and correct any retaliatory actions.

B. Consequence for violating code

In the event of a violation of any of the above expectations, we may pursue corrective action to remedy the situation. In the case of a violation of law or regulation, we may be required to report those violations to proper authorities. We reserve the right to terminate our relationship with any supplier under the terms of the existing Terms and Conditions Contract.

C. Ethics Policies

Commensurate with the size and nature of their business, we expect our suppliers to have management systems in place to support compliance with laws, regulations, and the expectations related to or addressed expressly within this Supplier Code of Conduct. We encourage our suppliers to create their own code of conduct and flow down this information to their suppliers and any entities that furnish them with materials and products.