



CODE OF CONDUCT

**AS AGREED BETWEEN FÖRSVARETS MATERIELVERK – FMV
(THE SWEDISH DEFENCE MATERIEL ADMINISTRATION)**

AND

**FÖRSVARSHINDUSTRIFÖRENINGEN - FIF
(ASSOCIATION OF SWEDISH DEFENCE INDUSTRIES)**

**ON PARTICIPATION IN A SWEDISH DEFENSE PRIORITIES AND
ALLOCATIONS SYSTEM SUPPORTING U.S. DEPARTMENT OF DEFENSE
PROGRAMS**

1. This Code of Conduct is established pursuant to:
 - a) The Declaration of Principles for Enhanced Cooperation in Matters of Defense Equipment and Industry dated 28 April and 14 May, 2003 between the United States Department of Defense and the Government of the Kingdom of Sweden, represented by the Ministry of Defence (hereinafter referred to as the "DoP"), and
 - b) the Implementing Arrangement for Meeting National Defense Requirements - Security of Supply, dated 11 and 26 June, 2003 between the Government of the Kingdom of Sweden and the Government of the United States (hereinafter referred to as the "Implementing Arrangement").
2. The overall obligations and responsibilities of the respective Government are set out in the DoP and the Implementing Arrangement.
3. The purpose of this Code of Conduct is to establish a Swedish Defense Priorities and Allocations System (hereinafter the "Swedish DPAS") that enables it to provide for preferential treatment of contracts that supports U.S. Department of Defense programs needed to meet urgent and critical defense requirements.

This Code of Conduct relates furthermore to supply of defense products, material and services to discharge the United States military commitments and does not include commercial end items commonly available in the country of the supplier.

The participation of Swedish defense and other companies to this Code of Conduct is voluntary. A Swedish company who decide not to subscribe to this Code of Conduct shall not be precluded from receiving defense contracts by this reason from Swedish authorities.

A Swedish company that accepts the commitments in this Code of Conduct and fulfills the criteria set forth in Annex 1 shall, in this context, be considered as a member of the Swedish DPAS and an "Accredited Swedish Company".

4. Accredited Swedish Companies will be notified by FMV to the US Defense procurement community. It is recognized that, in accordance with the Implementing Arrangement, in those US source selection evaluations where security of supply is an important issue, membership in the system will be a positive consideration during the source selection deliberative process. If a request of a contract, supporting US Department of Defense programs, for priority performance of supply of defense products, material or services needed to meet urgent and critical defense requirement is submitted to an Accredited Swedish Company (hereinafter "the Request"), then the Accredited Swedish Company will use its reasonable endeavor to agree on terms and conditions related to the Request, including;
 - a) accepting that a contract with the US Department of Defense or with a US company, related to the Request, will, after approval by FMV, be treated as a contract falling under the Swedish DPAS,
 - b) use its best commercial efforts to insert into subcontract provisions designed to ensure due performance of a contract related to the Request,
 - c) responding in a timely manner to requests of the US Department of Defense for amendments to the timing of deliveries provided that the customer undertakes to pay and provide the Accredited Swedish Company full compensation for the consequences of any such amendment, and
 - d) bringing to the attention of FMV conflicts between contracts related to the Request and other contracts.

In the event that an Accredited Swedish Company and its US counterparty cannot agree on the terms and conditions related to the Request due to the fact that the parties cannot agree on the Accredited Swedish Company's compensation in this connection, the Accredited Swedish Company may reasonably decline the Request.

In the event that a Swedish company cannot satisfy a request to amend a Swedish DPAS contract without incurring a financial loss, and the relevant customer is unwilling to reimburse it, the company may reasonably decline the Request. This will be without prejudice to their continued membership of the Code and the benefits received under the Code. Under no circumstances shall a Swedish company be required to suffer a loss without full compensation in order to fulfill the obligations detailed in this Code of Conduct.

5. If a Request would seriously imperil future client customer relations and/or endanger future business, the Accredited Swedish Company shall be entitled to notify FMV about the situation and ask for assistance to have the issue surrounding the case investigated. Pending on the issue, FMV will act as an "honest broker" to examine any such conflict of interest. This consultation will take into account the long term viability and interest of the Accredited Swedish Industry. If FMV agrees with the Accredited Swedish Company's

concern, then it will, if requested to do so by the Accredited Swedish Company, use its good offices to resolve any such difficulties with all interested parties.

If an accredited Swedish Company is unable to fulfill a Request as requested, the Company immediately shall inform FMV and provide FMV with alternative proposals for meeting the Request in terms which the Contractor is reasonably able to accept including the costs of fulfilling any such proposals.

6. Nothing in this Code of Conduct shall prejudice any Accredited Swedish Company from entering into any similar undertakings or joint cooperation regarding security of supply with other parties.
7. This Code of Conduct shall be open to all Companies in Sweden who are prepared to comply with its provisions. FMV will notify the US Government of which Swedish Companies that participates in the Swedish DPAS. Failure to comply with the provisions of this Code of Conduct may lead to a review of the Accredited Swedish Company's participation conducted by FMV.

If an Accredited Swedish Company has failed to comply with this Code of Conduct FMV may either lodge a caution (telling what the company has done is not in line with this Code of Conduct and should not be repeated) or suspend the said company from the Code of Conduct. Besides from the said FMV is not entitled to issue any other sanctions or to submit any other claims whatsoever towards the Swedish Accredited Company.

8. A Swedish DPAS Accreditation Committee will be established and chaired by FMV and contain one representative from FIF. It will review the operation of the Swedish DPAS at least once a year.