

KONTRON Policy 5.d.



Sustainability and Compliance in the Supply Chain

Version 1.1

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KONTRON AG

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CHANGE LOG

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1. PREAMBEL

1.1. PURPOSE

This KONTRON Global Policy SUSTAINABILITY AND COMPLIANCE IN THE SUPPLY CHAIN sets standards to improve the global and local supply chain / sourcing procedures within the KONTRON Group. KONTRON general business standards are laid down in the “KONTRON Code of Conduct” (“**KONTRON CoC**”). Based on requirements therein, KONTRON also published a “KONTRON Supplier Code of Conduct” (“**KONTRON Supplier CoC**”), which addresses KONTRON’s expectations directly to its supply chain.

1.2. AREA OF APPLICATION

This policy is binding for all KONTRON Companies worldwide.

The policy sets a standard to be reviewed and implemented by the local management of each KONTRON Company into its local policies, guidelines and procedures. Appropriate control checks need to be implemented in the internal control system of each KONTRON Company to secure that all requirements laid down herein are met.

The KONTRON Global Policy shall take precedence in case of any deviations of local policies, guidelines or procedures, unless such deviation had been previously approved by the board of directors of KONTRON AG.

2. EXECUTIVE SUMMARY - GENERAL SOURCING PRINCIPLES

In a nutshell:

- › (1) All KONTRON Companies (including their representatives, employees and other workers) are bound by requirements and standards as laid down in the KONTRON CoC and KONTRON Supplier CoC, both available on: www.kontron.ag (and as amended from time to time). For sourcing transactions from Related Parties (e.g. Ennoconn) the “KONTRON Group Policy: Related Party Transactions” is applicable in addition.
- › (2) “KONTRON Companies first”: Based on the KONTRON groupwide applicable standards for all KONTRON Companies in regard of compliance and sustainability (and regular monitoring of the same) sourcing within the KONTRON Group is preferred. This means: If a KONTRON Company submits a competitive offer comparable to offers from third parties not belonging to the KONTRON Group, then the requesting KONTRON Company shall choose the offering KONTRON Company as its supplier. For the avoidance of doubt, this principle shall solely apply if the offers are essentially comparable; and KONTRON Companies are only allowed to submit and accept offers on normal market terms to each other in accordance with “arms-length-principles”.
- › (3) When selecting a supplier, please note that not the “cheapest” offer is always the “best” offer. This means: KONTRON Companies should balance price and suppliers principles and values like KONTRON Group does. KONTRON Companies must ensure, that their suppliers do comply with the requirements laid down in the KONTRON Supplier CoC. Besides cost reasons also non-financial criteria must be taken into consideration in local supplier selection processes of the KONTRON Companies.
- › (4) Regardless if its internal or external sourcing, KONTRON Companies shall select their suppliers based on objective and transparent criteria. The decision and the underlying reasons for a supplier selection should be documented by KONTRON Companies. Every KONTRON Company is accountable for the results of its procurement decision and the transparency and fairness of the process in an economically efficient, open and competitive manner.
- › (5) KONTRON Companies shall monitor the compliance of their external supplier on a regular and reasonable basis, if the standards as laid down in the KONTRON CoC are still met. KONTRON Companies shall share the results and reports of their assessment/audit with other KONTRON Companies, that might also work with the same suppliers as they do (as reasonably known and may requested).

More details as well as further explanations are described under the following Section C in regard of this principles.

3. BEST PRACTICE IN SUPPLY CHAIN MANAGEMENT

KONTRON Group commits itself to high standards related to compliance and sustainability, including but not limited to, an implementation and guidance in regard of a best business practice for supply chain management. Having a responsible sourcing process in place shall be a core element of all local supply chain management procedures of KONTRON Companies. KONTRON wants to establish a standard across all countries and operations within the KONTRON Group.

Every KONTRON Group shall commit itself to a best practice in accordance with an appropriate supplier selection and monitoring process of its suppliers.

3.1. ASSESEMENT OF SUPPLIERS BUSINESS CONDUCT

Purchasing KONTRON Companies are expected to work with reliable suppliers in regard of sustainability and compliance as reasonably practicable. Suppliers of the KONTRON Group are expected to share the same principles, values and standards like KONTRON does. For more transparency towards KONTRON's suppliers and those who want to become KONTRON suppliers, those principles are laid down in the "KONTRON Supplier CoC", which is public available on www.kontron.ag and which will be amended from time to time. KONTRON Companies shall make sure that these requirements are met by their suppliers.

3.1.1 KONTRON COMPANIES AS SUPPLIERS (INTERNAL SOURCING)

All KONTRON Companies, including their representatives, employees and other workers are bound by requirements and standards as laid down in the KONTRON CoC and KONTRON Supplier CoC, both available on: www.kontron.ag and as amended from time to time.

If a KONTRON Company wants to source from another KONTRON Company, then a separate assessment and/or audit in regard of compliance and sustainability of the offering KONTRON Company is not needed by the requesting KONTRON Company. Every KONTRON Company is bound by the compliance and sustainability standards laid down in the KONTRON CoCs and related global and local policies, guidelines and procedures as well as KONTRON Suppliers CoC. KONTRON Companies will be audited on a regular basis by KONTRON AG in regard of their compliance with these general requirements. In this regard, every KONTRON Company can assume and rely on, that another KONTRON Company does comply with all standards without having a separate assessment and/or audit of the same.

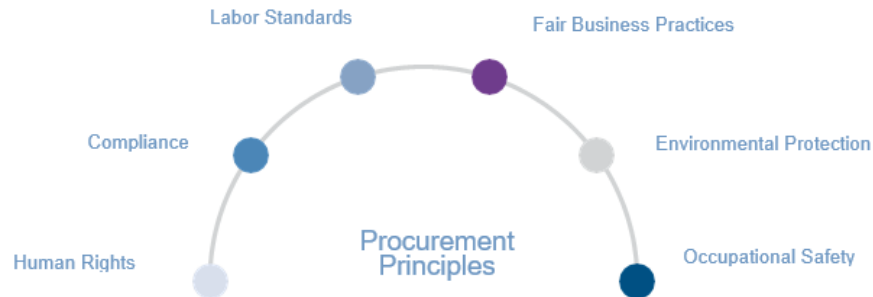
3.1.2 THIRD PARTIES AS SUPPLIERS (EXTERNAL SOURCING)

KONTRON's suppliers are expected to share the same values as KONTRON Group does. KONTRON Companies are expected to make sure, that their suppliers comply with the requirements as published in KONTRON Supplier CoC and KONTRON Companies will monitor their compliance accordingly. Supplier's compliance with KONTRON Supplier CoC is essential.

This applies regardless of

- › the specific supply item (hardware, software, services, licenses, ...)
- › supplier's location; or
- › on a specific business volume.

General principles in the KONTRON Supplier CoC, including, but not limited to, are:



The principles shall apply to all sourcing activities of the KONTRON Group.

Please note, that it is not mandatory, that each supplier does accept in writing KONTRON Supplier CoC. However, it is highly recommended to ask for suppliers written acceptance. KONTRON Companies are requested to document in a reasonable way results of appropriate supplier assessments. There are different methods that helps to show suppliers compliance with KONTRON standards, e.g.:

- › proof by public-available information
 - › supplier’s own Code of Conduct is equivalent or at least comparable to the requirements laid down in the KONTRON Supplier CoC
 - › additional information provided on Suppliers website or to KONTRON Company
- › certification of supplier by an independent third party in regard of comparable standards;
- › answering of a comprehensive questionnaire / self-assessment made by suppliers
- › written declaration of acceptance by supplier in regard of compliance with KONTRON Supplier CoC,
- › conducting site-visits and/or audits at suppliers locations by KONTRON Companies; and/or
- › obviousness of compliance based by same applicable geographical, legal and specific business / operational aspects, which does obviously do not allow any major deviation from KONTRON’s standards.

KONTRON’s suppliers are recommended to promote the implementation of same requirements also in their own supply chain.

Every KONTRON Company should review its current and new suppliers in regard of compliance with the principles laid down in the KONTRON Supplier CoC. Every KONTRON Company shall place a high priority on working with suppliers that support and respect the internationally applicable stipulations on human rights and other international compliance standards.

3.2. SUPPLIER SELECTION PROCESS AND DOCUMENTATION

3.2.1 KONTRON COMPANIES AS SUPPLIERS (INTERNAL SOURCING)

No additional assessment/audit in regard of compliance and sustainability of another KONTRON Companies as potential supplier is needed, when a pre-selection of suppliers is made by KONTRON Company, who intends the purchasing.

If a KONTRON Company submits an offer in the role as a suppliers, which is comparable to other offers of third parties not belonging to the KONTRON Group, then the purchasing KONTRON Company should choose the other KONTRON Company as supplier.

Please note, that all KONTRON Companies are only allowed to submit and accept offers on normal market terms with each other. This means any intercompany sourcing must be always conducted on an arm's length basis, which includes

- › (i) a consideration paid or received, and
- › (ii) other terms and conditions

neither less nor more favorable than any such consideration/terms available to any third parties under the same or similar circumstances. However, every KONTRON Company shall calculate a fair and competitive price for its supplies requested.

The purchasing KONTRON Companies should select their suppliers based on objective and transparent criteria. The decision and the underlying reasons for a supplier selection should be documented by KONTRON Companies, especially if they decide for another KONTRON Company as supplier. If a KONTRON Company decides for another KONTRON Group Company as supplier, then the decision and reasons for this decision shall be documented in transparent and proper manner by the purchasing KONTRON Company. Moreover a written agreement on the terms must be agreed between the KONTRON Companies for documentation purposes.

Every KONTRON Company is accountable for the results of its procurement decision and the transparency and fairness of the process in an economically efficient, open and competitive manner.

3.2.2 RELATED PARTIES AS SUPPLIER (EXTERNAL SOURCING)

Besides other KONTRON Companies so called "Related Parties" are e.g. members of the supervisory board of KONTRON AG, members of the board of directors of KONTRON AG as well as any party directly related with them, including also KONTRON AG's major shareholders (e.g. Ennoconn).

Prior to any sourcing from a Related Third Party there are special requirements e.g. information and approval requirement by the board of directors of KONTRON AG, which may apply in addition. Please see: "**KONTRON Group Policy – Related Party Transactions**".

3.2.3 THIRD PARTIES AS SUPPLIERS (EXTERNAL SOURCING)

Each KONTRON Company shall pursue a strict process of selection (and monitoring) for their suppliers. KONTRON Companies must evaluate their suppliers and should have a reasonable supplier approval and selection process in place (including, as the case might be, a supplier risk assessment and management system). The decision, which supplier becomes a business partner of the KONTRON Group, shall be taken after a reasonable assessment of the suppliers. Please see **Annex 1** to this policy, which shows as examples several possible criteria for supplier selection processes. Every KONTRON Company shall evaluate and consider for its local supplier selection process might in addition other criteria related to its specific business models/ operations as well as local specifics. It is important, that KONTRON Companies shall take their decisions related to their suppliers always based on transparent substantive and objective criteria, which needs to be documented by KONTRON Companies.

On request of a supplier, KONTRON Companies might communicate clearly on KONTRON Group's expectations and KONTRON's selection criteria. KONTRON Companies should be open to welcome new suppliers.

Every KONTRON Company is recommended to have a reasonable supply chain risk evaluation and management system locally implemented. A local supplier risk evaluation must take into consideration the risks related to the country of procurement as well as the category of the supplier (e.g. service provider, hardware supplier, original manufacturer, broker, software licensor, single source, ...). Critical suppliers can be identified in various ways. Examples for specific risk categories are suppliers:

- › based in higher risk countries with forced compulsory labor risks/ risk for child labor/ health and safety risks
- › that are single-source for the supply (and therefore, KONTRON has a high dependency)
- › with high purchasing volume

- › that sell refurbished materials/ "used" software licenses
- › provide services/supplies in a highly regulated environment
- › that act as brokers/distributors and do not directly purchase from the original manufacturers
- › providing products falling under the REACH / RoHS legislation
- › providing products or services with a high carbon footprint
- › providing products relevant concerning responsible mineral sourcing

If a supplier is rated as critical supplier and KONTRON Company wishes to work with this supplier, the KONTRON Company must secure with higher efforts (e.g. by requesting additional commitments and a written acceptance of our KONTRON supplier CoC, by conduction on-site-visits and audits), that this critical supplier does comply with KONTRON principles.

If a supplier passes the risk evaluation with high satisfying results, these should lead to a ranking as preferred and/or key supplier. The better such a result is, the better shall be the chance to become a major supplier of KONTRON and to intense the business relationship.

3.3. REGULAR MONITORING OF EXTERNAL SUPPLIERS

This section does solely apply to external suppliers (external sourcing).

External suppliers should be regularly monitored if they still comply with KONTRON standards by KONTRON Companies. This means, including but not limited to, e.g. to:

- › request a self-assessment from the suppliers
- › conduct a reasonable number of supplier audits in regards of compliance, quality and sustainability
- › make assessments/ perform audit /on-sight-visits (one-time, periodical, and/or event-driven) at Suppliers side
- › make (use of) assessments/audits by external auditors
- › request a substance commitment/declaration of the supplier
- › request a declaration/report related to responsible minerals sourcing processes, which show efforts to mitigate the risk of conflict minerals
- › request audit-reports/certificates or conduct direct audits within the supply-chain of the supplier
- › perform on a regular basis dialogues and meetings with major suppliers and mutually agree on measures for performance improvement of the supplier.

KONTRON Companies should monitor the compliance of their external supplier on a regular and reasonable (might event-driven) basis, if the standards as laid down in the KONTRON CoC are still met. KONTRON Company might decide - based on resources they have – which suppliers are more in the focus for measures in regard on the regular monitoring. E.g. it is more important to secure the compliance of a major single-source supplier compared to a one-time supplier with a small business volume.

KONTRON Companies shall share the results and reports of their assessment/audit with other KONTRON Companies, that might also work with the same suppliers as they do (as reasonably known).

3.4. CONSEQUENCES OF POOR RESULTS AND NON-COMPLIANCE OF SUPPLIERS

If an assessment, review and/or audit of an external supplier shows minor deviations compared to KONTRON's expectations laid down in the KONTRON Suppliers CoC, the KONTRON Company should agree with the supplier on an action plan to improve supplier's performance within reasonable time. If evidence and transparency on several criteria are open to be proven by supplier (and a

violation of KONTRON standards is not obviously evident), then suppliers shall be required to commit itself to undertake measures of improvement to show compliance as soon as possible. If non-conformance with KONTRON Supplier CoC is identified, KONTRON will work together with the supplier to mutually agree on corrective actions which have to be implemented within reasonable timeframe. If all efforts do not lead to better results, whether due to lack of willingness of the supplier and/or inability of the supplier to comply with KONTRON standards, KONTRON Company might phase-out this supplier. Continuously and/or repeatedly bad-performing suppliers shall be excluded from KONTRON network of suppliers.

If a supplier committed a major breach of KONTRON Supplier CoC (e.g. by supporting child labor), the KONTRON Company shall immediately cease to work with this supplier and inform affiliated companies accordingly.

4. ANNEX 1 – EXAMPLES FOR SUPPLIER SELECTION CRITERIA

The following might be considered as potential supplier selection criteria (not all might be applicable, e.g. based on the type of business of KONTRON Company) and these criteria might be amended by KONTRON Companies :

- › a. Legal Compliance
 - › i. International Laws and Regulations
 - › ii. Local Laws and Regulations
 - › iii. Authority Statements and Advise
 - › iv. Fair Competition and Respect of Anti-Trust Laws
- › b. Commonly adapted Ethical Standards, Conventions and Recommendations of International Organizations
 - › i. Human Rights
 - › ii. Labor Conditions and Practices
 - › iii. Others
- › c. Transparency with GDPR and IT-Security Principles
 - › i. General Awareness of IT-Security and Respect of Privacy
 - › ii. Data-Security in Products (HW/SW) and Services provided
- › d. Best Operating Practice
 - › i. Government Commissions and Combating Corruption
 - › ii. Adherence to IPR
 - › iii. Measures in place to prevent the use of Counterfeit Parts
 - › iv. Responsible Minerals Sourcing (avoiding conflict minerals)
 - › v. Best-practice of Business Conduct towards Third Parties
 - › vi. Combating Money Laundering
 - › vii. Adherence to Export, Import and Trade Controls
 - › viii. Awareness of Conflicts of Interest
- › e. Costs and Value of the Supply
 - › i. Existing Product Portfolio
 - › ii. Service and/or Product Roadmap
 - › iii. Capacity / Warranty offered / Payment Terms
 - › iv. Financial Stability
- › f. Service and Product Quality & Safety
- › g. Environmental Responsibility
- › h. Reliability
 - › i. Product / Service Reliability
 - › ii. Long Term Availability of Services/ Products
 - › iii. After Sale Services, including Availability of Parts/Supplies/Services
 - › iv. Delivery Performance
 - › v. Shared Values (Trust, Respect, Transparency, Communication)
 - › vi. Supply Chain Transparency/Compliance of the Supplier (Flow-Down of CoC requirements)