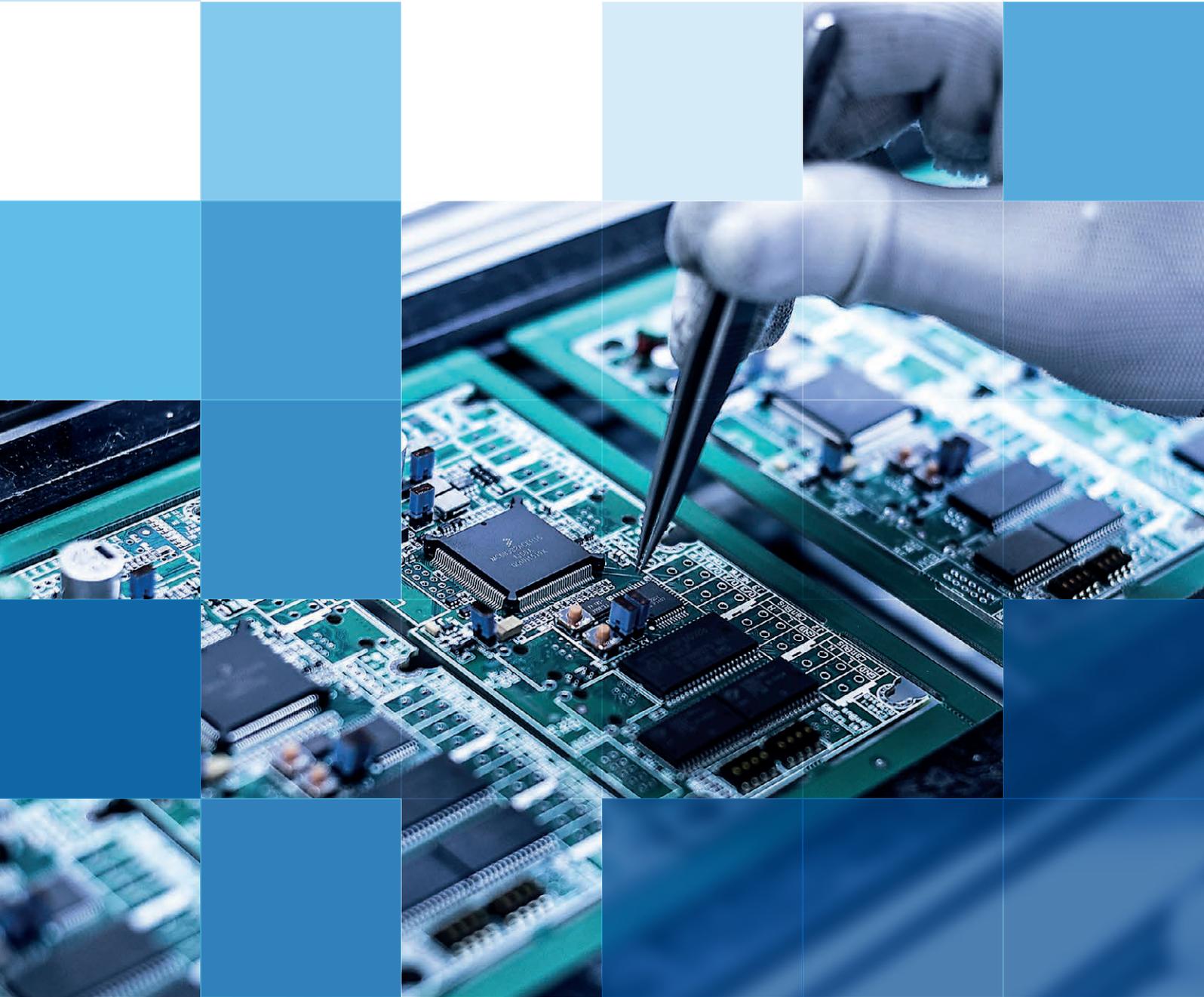


CORPORATE SOCIAL RESPONSIBILITY 2018



CEO LETTER OF INTRODUCTION



Cathrin Nylander
Acting CEO of Kitron ASA

As a leading Electronics Manufacturing Services (EMS) company with operations in Norway, Sweden, Lithuania, Germany, China and the USA, Kitron has an economic, social and environmental impact on our surroundings and stakeholders. As an EMS company, how we source our materials and how we treat our employees directly affect the quality and sustainability of our products. This impact comes with great responsibility and requires that we are in ongoing dialogue with our stakeholders and constantly strive to deliver quality products while adhering to the highest possible ethical standard. For Kitron, Corporate Social Responsibility (CSR) is about delivering value to our shareholders while at the same time acting responsibly and taking a broader view of the risks and opportunities in our surroundings.

The foundation for Kitron's CSR work is the Kitron Ethical Code of Conduct, Kitron Suppliers Code of Conduct and Kitron Anti-Corruption Policy. This report is prepared in accordance with the Oslo Stock Exchange Guidelines for Corporate Social Responsibility Reporting. At Kitron, we believe in taking responsibility and sustainability into account when making business decisions. By continuously striving to be an ethical and responsible company, we can contribute to minimize risks and realize new business opportunities for the future. I firmly believe that being a responsible and sustainable business on the one hand and being a profitable business on the other hand are mutually reinforcing aspects. We also see an increasing interest in our CSR work from investors and our customers.

This year, Kitron has taken steps to further develop our management approach to corporate responsibility. Our Code of Conduct has been updated with new statements, reflecting that the company is now a UN Global Compact Signatory. I am pleased to confirm that Kitron ASA supports the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption. We are committed to making the UN Global Compact and its principles part of the strategy, culture and day-to-day operations of our company,

and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals.

The year has been impacted by the challenging material allocation situation.

Another ongoing challenge for companies with mining and metals as part of their supply chain is conflict minerals. Conflict minerals and the avoidance of using such minerals are of particular importance to Kitron. I am particularly proud to see that the company has maintained our results on sourcing conflict mineral free products. More than 83 per cent of Kitron's products are now considered Conflict Mineral Free, and this work will continue to ensure responsible sourcing. In 2019, we have also actively worked to assess corruption risks in our supply chain and will continue to engage with our suppliers to decrease the risk of corruption and bribery, and this work is now supported by digital systems and processes which we believe will make our work more systematic and ensure a consistent approach across our growing organisation.

Going forward, we seek to further improve our performance and report on progress for the five topics identified in the materiality assessment. Among our key goals for 2019 is to leverage the systems and initiatives implemented to ensure all aspects of our CSR work is addressed in a systematic manner, and further streamline how we implement and measure the effects of our initiatives. Examples of this are rolling out new training programmes for all employees, including CSR topics in the digital tools for supplier assessments and continue our efforts to align our work with internationally recognized standards and industry initiatives. We will continue our ongoing work with supplier dialogue and engage with suppliers to help them meet the highest ethical and quality standards.

ABOUT THIS REPORT

For information about this report and its content, please contact Kitron ASA acting CEO and CFO Cathrin Nylander.

This report is prepared for Kitron ASA in accordance with The Oslo Stock Exchange Guidelines for Sustainability Reporting.

The Kitron Group report on Corporate Social Responsibility has been reviewed and approved by the Board.

The claims and data in this report has not been audited by a third-party.

ABOUT KITRON ASA

Kitron is an Electronics Manufacturing Services (EMS) company with operations in Norway, Sweden, Lithuania, Germany, China and USA. Kitron manufactures and delivers anything from fully assembled electronic circuit boards to complete end products for customers globally.

Related technical services like prototyping, industrialization, material analyzing and test development are also key competencies offered by Kitron.

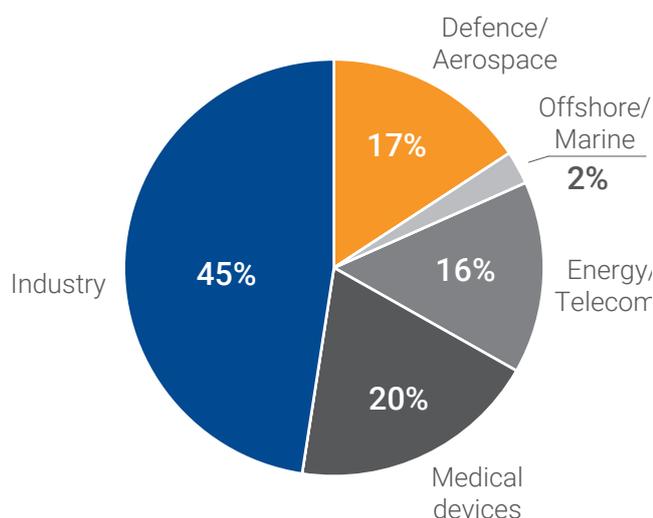


Locations

Kitron ASA has operations in Norway, Sweden, Lithuania, Germany, China and USA. Kitron's headquarters is located in Asker, Norway.

Kitron is an ASA company listed on the Oslo Stock Exchange (ticker: KIT)

Revenue per sector 2018



Key figures (2018):

No. of employees: equivalent to approx. 1 606 full-time equivalents

Revenue: NOK 2 619.3 million

Profit (EBIT): NOK 156.1 million

Equity ratio: 37.1 per cent

Economic impact and tax information

Kitron creates value in countries in which we operate, directly through the payment of direct and indirect taxes, the payment of dividends to owners and wages to employees, and indirectly by buying goods and services from suppliers.

Kitron impacts a large number of stakeholders, many of them directly or indirectly involved in Kitron's value creation. Below is an overview of the values Kitron creates and the main stakeholders.

Payroll and social security expenses

In 2018, labour costs amounted to NOK 496.1 million (NOK 480.8 million) Payroll and social security expenses accounted for 19.0 (19.7) per cent of sales revenue.

Procurement of goods and services

Kitron purchased goods and services valued at roughly NOK 1 910 million (NOK 1 754) million in 2018.

Tax

The Group's tax expenses for 2018 came to NOK 31.0 million (NOK 33.5 million).

Tax expense by country

(Amounts in NOK 1 000)	2016	2017	2018
Norway	3 631	5 594	4 246
Sweden	5 704	5 464	7 707
Lithuania	7 042	10 084	12 510
Other	7 884	12 360	6 487
Total	24 261	33 502	30 950

Table 1 Tax expense by country

KITRON'S APPROACH TO CORPORATE SOCIAL RESPONSIBILITY

This report covers topics related to Corporate Social Responsibility that are of importance to Kitron and Kitron stakeholders. Kitron's approach to Corporate Social Responsibility reporting is based on the materiality assessment undertaken in 2017. Kitron shall comply with applicable laws and regulations, respect human rights and act in a socially responsible manner. Kitron's business activities and internal operations are conducted with a high level of integrity and with a clear ambition to be a socially responsible company acting ethically and lawfully in all aspects of our value chain

Corporate governance

Kitron shall comply with applicable laws and regulations respect human rights and act in a socially responsible manner. Kitron's business activities and internal operations are conducted with a high level of integrity and with a clear ambition to be a responsible company acting ethically and lawfully in all aspects of our value chain. Kitron's corporate governance structure shall ensure a systematic approach to our corporate social responsibility.

Management Approach

Kitron's general system of governance is linked to the Norwegian Code of Practice for Corporate Governance.

Annual General Meeting (AGM)

The Annual General Meeting (AGM) is the Kitron Group's supreme governing body and where the shareholders can influence how corporate social responsibility is practiced.

The Board of Directors

The Group Board of Directors bears the ultimate responsibility for Kitron's Corporate Social Responsibility and the report on Corporate Social Responsibility is discussed and approved by the Board.

Corporate Executive Management

Corporate Executive Management bears the responsibility for the Group's strategy, development and day-to-day work. This means Corporate Executive Management is responsible for compliance with legislation and regulations and our Ethical Code of Conduct, as well as for the implementation of appropriate and effective initiatives to ensure that we reach our goals.

The Sites

The business areas are responsible for follow up and compliance with policy, strategy, targets and governance documents related to corporate social responsibility. The day-to-day work with corporate social and environmental responsibility is usually handled by the sites with support from the Corporate Executive Management.

Ethics Committee

Kitron Ethics Committee's mandate is to review and suggest updates of guidelines, decide and/or advise in ethical dilemmas, conduct risk analysis and implement relevant actions and make periodical reviews. The Ethics Committee consists of members of the Corporate Executive Management and Corporate Staff.

Kitron's stakeholders

Owners

Kitron's owners are primary stakeholders and directly affects the company's priorities and strategic direction.

Employees

Kitron's employees are directly affected by Kitron's internal policies and activities.

Suppliers

Kitron's suppliers are economically affected by the company, and their responsibility is indirectly affected by Kitron's focus on responsible practices and the expectations placed on them by Kitron.

Customers

Kitron's customers directly affect the company economically, and customer expectations is part of driving Kitron's Corporate Social Responsibility priorities.

Civil Society

Civil society like governments and regulatory authorities affect Kitron and its operating conditions directly and indirectly. Local communities are indirectly socially, environmentally and economically affected by Kitron's activities such as job creation, contribution to local value creation and environmental impacts.

Stakeholder group	Expected of Kitron	Arena for dialogue
Customers	Price Quality Timely delivery Transparency Supply chain responsibility	CSR Questionnaire (2017) RFI Supplier code of conduct Supplier audits Supplier actions plans (reviews) Stakeholder dialogue Ecovadis survey
Suppliers	Fair and neutral supplier assessment Fair pricing Clear communication of expectations Anti-corruption and anti-bribery routines	CSR Questionnaire (2017) RFI Supplier code of conduct Supplier audits Supplier action plans (reviews) Stakeholder dialogue
Employees	Economic compensations Labour/Management Relations Reputation Company performance	CSR Questionnaire Employee survey 2016 Employee survey 2018
Owners	Economic performance Risks and opportunities Corporate governance	Meetings with company representatives MSCI II ratings Analyst interviews (2016) Kitron website Kitron Quarterly and annual reports Capital Markets Day Kitron sustainability report

Table 2: Stakeholder groups and arenas for dialogue

Stakeholder dialogue

To ensure a strategic approach to Corporate Social Responsibility reporting and to adhere to the intent of the Oslo Stock Exchange guidelines Kitron has undertaken systematic stakeholder dialogue in 2017 and keeps an ongoing dialogue with key stakeholder groups.

For Kitron to be in ongoing conversation with its most relevant stakeholders strengthens its relationship with the society in which it operates. The stakeholder dialogue also benefits the company by allowing Kitron to detect, investigate and manage potential risks arising in its immediate surroundings. In 2017 Kitron invited key stakeholders to give their view on how they perceive Kitron and its relevant corporate social responsibility topics. This was done by interviews, electronic surveys, and direct contact with employees, customers and suppliers. The findings from the stakeholder dialogue were gathered and structured for discussion in Kitron's Corporate Social Responsibility task force and used as ground work for the materiality assessment.

The stakeholder dialogue is both a means and an end in itself, as ongoing systematic stakeholder dialogue is a key objective in the Oslo stock Exchange guidelines and GRI Standards. The findings from the stakeholder dialogue guided Kitron's priorities in the materiality assessment.

Materiality Assessment

The Materiality assessment was established in 2017 by the internal task force on Corporate Social Responsibility based on the stakeholder dialogue and information gathering. The main goal of the materiality assessment is to establish key reporting topics for Kitron, reflecting the key risks and opportunities created by Kitron's business activities. Further, these topics are included in the Kitron Sustainability report, describing how the most important topics are included in general risk management and strategy process and the measures Kitron is taking to reduce risks associated with material issues and how these are integrated into operational management and corporate governance. The materiality assessment concluded the following 5 material topics for Kitron to report on:

- Workers' rights, diversity and non-discrimination Human rights and conflict minerals
- Ethics and anti-corruption
- Supply chain and quality
- HSE, safety and security (including information and cyber security)

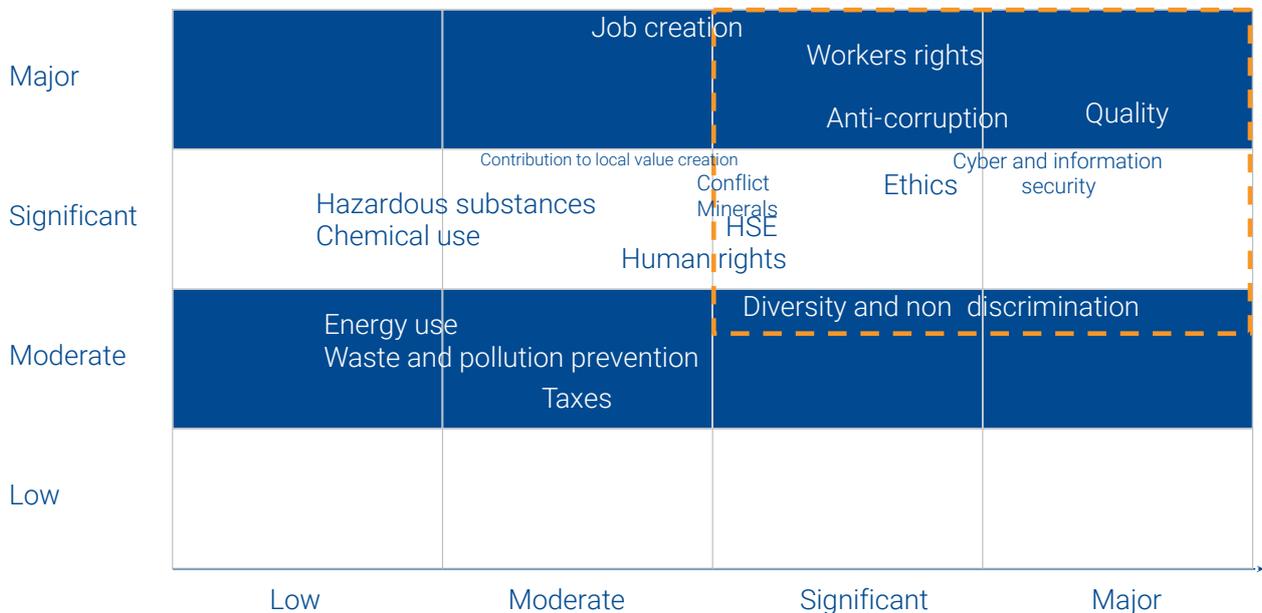


Figure 1 Kitron's Materiality assessment

REPORTING ON MATERIAL TOPICS

Human rights and conflict minerals

All units of Kitron comply with UN's Universal Declaration on Human Rights, The UN's Convention on Rights of the Child and International Labour Organization Conventions (ILO conventions). Kitron's approach to human rights protection is guided by Kitron Code of Conduct and the Supplier Code of Conduct. Since 2018, Kitron is a UN Global Compact Signatory and supports the ten UN Global compact principles. The ten UN Global compact principles are embedded in Kitron's Code of Conduct.

Kitron and Kitron suppliers shall comply with the human rights in the ILO conventions, and specifically comply with the labour rights and child labour avoidance conventions. Kitron shall not engage in or support any kind of child labour. If a young worker is employed, this needs to be controlled and arranged according to legal requirements in terms of safety, work hours and guidance and is not allowed to interfere with applicable compulsory schooling. Kitron opposes all forms of forced and compulsory labour.

Conflict minerals

Kitron's suppliers shall have policies to reasonably assure that the tantalum, tin, tungsten and gold in the products they manufacture do not directly or indirectly finance or benefit armed groups that are perpetrators of serious human rights in the Democratic republic of Congo or an adjoining country. Suppliers shall exercise due diligence on the source and chain of custody of these minerals. All Kitron suppliers are required to fill in the CFSI (now RMI) Conflict Minerals Reporting Template (CMRT).

Employees	2016	2017	2018
Conflict free 3TG + No 3TG by value	61.7%	84.9%	83.7%
Conflict free 3TG + No 3TG by Number of parts	20 654	35 122	41 336

Table 3: Conflict Minerals by value and number of parts

Goals for 2018

Kitron has set the following goals for Human rights and conflict minerals work in 2018:

Goal 2018	Status	Comment
Become a UN Global Compact Signatory company	Complete	
Become a member of an industry initiative against conflict minerals such as RMI	Not started	Due to limited capacity, Kitron has not yet become a member of an industry initiative against conflict minerals. Kitron does however use the RMI templates for supplier screening.
Remain conflict mineral free	Complete	

Goals for 2019

- Deliver first Communication on Progress (COP) to UN Global Compact
- Become a member of an industry initiative against conflict minerals, such as RMI
- Remain conflict mineral free

Worker's rights, diversity and non-discrimination

In Kitron, we want the working environment to be characterized by openness, communication and respect for the individual. Diversity and a balanced work force in terms of gender, is recognized as strength and an advantage. Fair employment practices following local norms, laws and collective bargaining agreements is the basic standard in all Kitron entities. Employee representatives are in place in Norway, Sweden, Lithuania and China.

	2017	2018
Permanent employees	1 398	1 558
Temporary employees	203	158
Total workforce	1 601	1 743

Table 4: Kitron's workforce: total workforce by employment type

Employees	Men	Women	Total
Employees Norway	166	142	308
Employees Sweden	122	73	195
Employees Lithuania	315	498	813
Employees China	54	162	216
Employees USA	12	6	23
Employees Germany	2	1	3

Table 5: Kitron's workforce: permanent employees by gender and region

Working environment, diversity and anti-discrimination

Health and safety in the working environment is very important to Kitron and is to be ensured to provide a safe, healthy and satisfactory work place. Kitron opposes discrimination in any form, e.g. due to race, nationality, gender, sexual orientation or religion. Kitron also opposes any form of trafficking and purchase of sexual services. No form of discrimination, harassment or bullying is tolerated. Kitron offers a working environment where it is possible to combine work, career, family life and spare time. Women's percentage amount of men's pay in 2018 for the total workforce was 90 per cent. The Ethics Committee has received one concern regarding working environment. Investigations have been conducted and resulted in actions, the case is considered closed.

In 2018 Kitron participated for the first time in the Great Place to Work survey. The results have been analysed and action plans have been developed per country. Kitron will continue to utilize employee surveys to further strengthen the working environment.

Career development and training

Kitron values the competences of employees, and sharing knowledge and information is an area of priority, as is on-the-job development. Individual career and competence development is part of the current performance management process. In 2017, Kitron decided to implement a new digital learning management system, LMS, in order to further strengthen individual development and competence. In 2018, the new digital learning platform, Kitron Academy, was launched. In 2019 Kitron Academy will be further developed and supplemented with learning and development activities. The platform offers the possibility to report on training activities per individual and group level.

Goals 2018

Kitron has set the following goals for worker’s rights, diversity and non-discrimination in 2018:

Goal 2018	Status	Comment
Roll out new digital learning platform and training for all	Complete	
New employee survey to be conducted globally	Complete	KPI: Average employee satisfaction score on the question “Taking everything into account, I think this is a great place to work” 2018 result: 68% of Kitron employees answering the Great Place to Work survey agrees with the statement “Taking everything into account, I think this is a great place to work”

Goals for 2019

- Increase the employee satisfaction score on the question “Taking everything into account, I think this is a great place to work” to above 70%
- Begin to report average hours of training per employee

Business ethics and corruption prevention

Kitron opposes any form for corruption and strives to prevent corruption in and as a result of Kitron’s business activities. Kitron Ethical Code of Conduct clearly expresses Kitron’s obligation and commitment to ethical business practices authorities.

Ethical Code of Conduct

Kitron Ethical Code of Conduct presents Kitron’s obligation and commitment to ethical business practices and describes the standards and requirements that Kitron employees must adhere to in their work. In 2018 the Code was revised and approved by the Board of Directors and published on December 21st, 2018. The Code applies to all Kitron board members, elected officers, permanent and temporary employees, hired staff, consultants and agents acting in or on behalf of Kitron. The Code also applies to all contractors, sub-contractors, suppliers and sub-suppliers. It includes all companies in the Kitron group.

Kitron work on anti-corruption

Kitron is directly affected by corruption risk in our operations and indirectly affected by corruption risk through business relationships and our supply chain. Kitron has operations in industries and countries that are particularly susceptible to the risk of corruption. Kitron also does business in countries known for having problems associated with human rights, child labour and environmental pollution.

We are aware that this presents challenges in regard to our corporate social responsibility, and that it can subject us to substantial financial risk. To deal with our corporate social responsibility and minimize our financial risk, we work systematically on Ethics and Anti-corruption. Kitron Ethical Code of Conduct describes several areas of importance for preventing corruption. In 2014 Kitron implemented an Anti-Corruption Policy. The policy clearly describes Kitron’s work on anti-corruption, including risk analysis, monitoring, responsibilities, follow-up and training.

Kitron is aware that suppliers, customers and other relevant business partners, such as acquisition targets or agents might expose Kitron to corruption risks. To reduce the risks, Kitron has introduced routines for a risk-based evaluation before entering into new such relationships. The Kitron Suppliers Code of Conduct also defines Kitron’s expectations regarding the suppliers’ anti-corruption activities. Kitron also has in-house rules for gifts and representation as well as sponsorships.

Risk assessment

Kitron operates in countries and in lines of business that are susceptible to corruption, and Kitron is also indirectly subject to corruption risk and bribery risks through business relationships. To reduce risk, Kitron does not use agents or market representatives, as it constitutes a high risk for corruption. In 2018, Kitron conducted a Supplier Risk of Bribery assessment for its suppliers. 3 084 suppliers (1 639 active suppliers and 1 445 non-inventory suppliers) were screened for corruption and bribery risk. All new suppliers in 2018 were screened for corruption and bribery risk.

Suppliers per risk category	Very low Risk	Low Risk	Moderate Risk	Increased Risk
Share of suppliers 2017	0.2%	41.3%	58.5%	0%
Share of suppliers 2018	1.6%	42.5%	55.8%	0.1%

Table 6: Supplier risk assessment results per risk category

Ethics Training

All Kitron personnel are required to attend periodic training in the Kitron Ethical Code of Conduct to ensure that Kitron’s ethical values are understood and implemented at all levels. In 2019, all employees will receive training in the Ethical Code of Conduct and e-learning version of the Code of Conduct will be developed for the on-boarding of new employees.

Ethics Committee

Kitron has an Ethics Committee whose objective is to ensure that Kitron maintains a high-level focus on issues related to ethics and anti-corruption and a common understanding and practice regarding how best to address and follow up on these issues.

Firstly, it is in charge of the policy document itself and reviews or updates of the Kitron Ethical Code of Conduct. Secondly, the committee is an advisory board related to ethical dilemmas or questions from managers and employees in the group on difficult borderline issues. It is also in the main scope of the committee to perform regular ethical audits mainly related to anti-corruption.

The Ethics Committee meets as needed and at least three times a year. Head of the Ethics Committee reports to CEO who in turn reports to the board of Kitron ASA. The Chairman of the Ethics Committee has also a direct reporting line to the Audit Committee of the Board.

Reporting irregularities

All conditions, which give raise to ethical issues or matters that could involve a breach of laws and which may cause legal liability, loss of value or reputation for Kitron should be reported.

Examples of concerns related to Kitron's business practices that may be reported include allegations such as:

- Violations of Kitron's Ethical Code of Conduct
- Violation of corruption laws
- Insider trading
- Conflict of interest;
- Sexual harassment or other forms of harassment or discrimination;
- Threats against life and health, e.g. safety deficiencies at the work place, violence and exposure or interaction with dangerous materials etc. Kitron staff has an obligation to report any criminal acts, harassment, discrimination or circumstances where life or health might be in danger.

As the general rule, a report shall be made to the immediate superior or the superior's superior. Reports can also be made to an employee representative. Environmental matters or issues relating to work place safety can alternatively be reported to the relevant representative, HSE-manager and/or the company health service. Financial matters may be reported to the finance manager.

Each Kitron site also has its own contact persons for reports which is the Managing Director, the HR Manager and the (main) employee representative for the site (jointly referred to as the "Reporting Contact"). If the employee does not obtain any appropriate response or reaction, or does not feel comfortable reporting the matter to the immediate superior or persons as set above, the employee shall report to the Reporting Contact. It is also possible for the employee to report directly to the Chairman of the Group Ethics Committee, the CHRO or by email to Whistleblowing@kitron.com. Should the employee not be comfortable reporting to anyone in Kitron management, the employee may report to the Chairman of the Audit Committee for Kitron ASA.

Reporting may be anonymous, but open reporting will normally facilitate expedient resolution of the matter. The name of a reporting person shall remain confidential to all but the recipient.

In 2018 the Ethics Committee received 2 reports of potential misconduct. None of the reports concerned corruption. Both cases have been investigated, actions have been taken and the cases are considered closed. Kitron is not in and has not been in any legal proceedings related to business ethics in 2018.

Number of cases	2016	2017	2018
Reported	0	1	1
Sanctioned	0	0	0

Table 7: Number of reported potential corruption cases and number of sanctioned cases

Goals for 2018

Kitron has set the following goals for ethics and anti-corruption in 2018:

Goal 2018	Status	Comment
Ensure that all new onboarded suppliers are at Low or Very Low Risk	Ongoing	KPI: share of suppliers in the different risk categories KPI: share of 2018 new suppliers in the different risk categories
Ensure that all suppliers sign Kitron's Code of Conduct	Ongoing	KPI: share of suppliers who have signed Kitron's Code of Conduct 53% of inventory suppliers have signed the Kitron Code of Conduct Process in place to include this digitally in the standard RFI
Define and implement simple, lean and easy to use onboarding process for non-inventory suppliers	Not started	Awaiting new digital solution for RFI
Introduce ethics and anti-corruption training as part of onboarding of new employees and as e-learning for all employees	Ongoing	New e-learning system is in place, and training will continue throughout 2019

Goals for 2019

Kitron has set the following goals for ethics and anti-corruption in 2019:

- Ensure that all new onboarded suppliers are at Low or Very Low Risk
- Ensure that all suppliers sign Kitron's Code of Conduct
- Define simple, lean and easy to use onboarding process for non-inventory suppliers and implement it
- Introduce ethics and anti-corruption training as part of onboarding of new employees and as e-learning for all employees. KPI: share of employees who have completed the ethics and anti-corruption training, share of new employees who have completed onboarding process

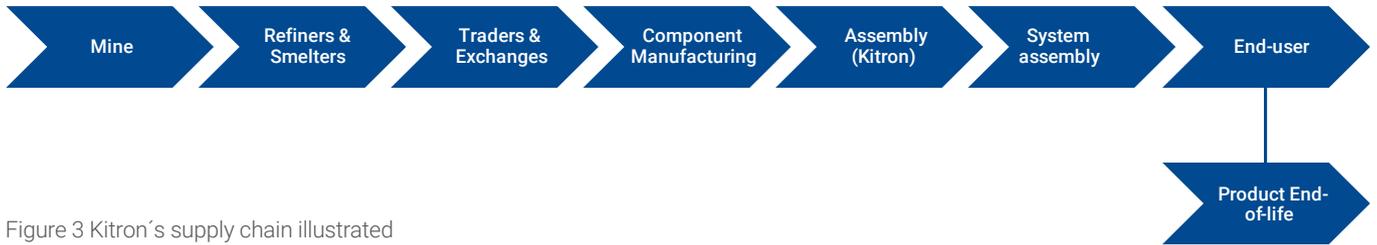


Figure 3 Kitron's supply chain illustrated

Supply chain and quality management

Kitron's goal is to minimize negative environmental and social impacts from its supply chain. Kitron expect its suppliers to adhere to all applicable laws and regulations, to the highest ethical standards defined in the Kitron Code of Conduct, as well as to the separate Suppliers Code of Conduct, which applies to all suppliers. Delivering high quality products is key to Kitron's competitive advantage and of high importance to our customers, employees and owners. Kitron affects quality directly through our purchasing, supplier selection, and quality management processes, as well as indirectly through our business relationships.

Kitron's supply chain

Kitron production inputs can be divided into three parts: electronic components, mechanical drawing parts and PCB (Printed Circuit Boards), and the inputs are with few exceptions sourced and produced outside of Norway.

Kitron's role in the supply chain

For production of Electronic Components – Kitron primarily deals with distributors rather than with manufacturers. On an annual basis Kitron purchases components from close to 1000 manufacturers through approximately 400 distributors. In 2014 Kitron established a Preferred Partner Program. Because of this, in 2018 around 68 per cent of all electronic components (in value) were procured from 9 Preferred Partners.

For Mechanical drawing parts – This sub commodity includes a wide variety of parts, from metal casting, to machine parts, injection molded plastic, sheet metal and Aluminium die casting. Due to the bulk and weight of this type of parts, Kitron tends to purchase these components close to the point of use.

For Printed Circuit Boards (PCB) – Kitron buys most of the PCB's from China (70 to 80 per cent of the world's PCBs are produced in China), either directly from manufacturers or through distributors. As with electronic components, Kitron purchases 68 per cent of the PCB's from Preferred Partners. In the case of PCB's, these Preferred Partners includes both distributors and manufacturers.

Supplier selection and onboarding

Kitron's sourcing experts are located in Norway, Sweden, Lithuania and China, enabling us to manage our global network of suppliers and ensure an optimal flow of components and materials to our manufacturing centres. Sourcing in Kitron is a shared responsibility between the global sourcing team and local sourcing managers.

New sales, new requests for information (RFI) and conflict mineral reporting is handled by the global sourcing team while local teams handle RFIs for existing suppliers, manage supplier dialogue with local suppliers and supplier coordination.

To ensure all sites use same RFI form to collect data from supplier regardless of supplier category, Kitron's Supplier Evaluation Model (SEM) is used for this purpose. In 2018 All new suppliers were filling in a web based RFI form and based on their given information SEM report was generated with evaluation (table audit).

To minimize supply chain risk, Kitron seeks to ensure that Kitron's spend with any specific supplier does not exceed 20 per cent of the total revenue of any single supplier and seeks to diversify its sourcing strategy. In 2018, Kitron had 1639 active suppliers. Active supplier means Kitron have placed a purchase order in the last 12 months.

Unique active suppliers	2016	2017	2018
Unique active suppliers (12 months)	1 412	1 477	1 639
Share of active suppliers who have signed Code of Conduct	46.4%	49.8%	53.0%

Table 8: Active suppliers

Quality management

Thanks to our long history satisfying a world of demanding customers, we take pride in delivering the quality best suited for the customer's needs. Our quality management includes effective quality management systems, documented improvement programs and risk management tools.

Kitron sites are certified according to the following quality management standards:

- ISO 9001:2015
- ISO 14001:2015
- EN9100:2018 (Technically equivalent to AS9100D and JISQ 9100:2016)
- ISO/TS 22163
- ISO 13485:2016
- 21 CFR 820 Quality System Regulation
- AQAP 2110 Edition D Version 1

Goals 2018

Kitron has set the following goals for supply chain and quality management in 2018:

Goal 2018	Status	Comment
Define and implement onboarding process for non-inventory suppliers	Not started	Awaiting implementation of digital RFI system
Standardize RFI and implement Digital Quality Management system (DocLogix) for gathering and storing RFI data	Complete	KPI: Average employee satisfaction score
Approve and implement a common supplier audit report	Complete	

Goals 2019

Kitron has set the following goals for supply chain and quality management in 2019:

- Define and implement onboarding process for non-inventory suppliers
- Standardize RFI and implement Digital Quality Management system (DocLogix) for gathering and storing RFI data

HSE, Safety and security

Health and safety in the working environment are very important to Kitron. Kitron aims to provide a safe, healthy and satisfactory workplace. Kitron follows local and international norms and relevant legislation to provide such an environment.

Injuries and absence due to illness

Absence due to illness (as a percentage of total hours worked) was 3.1 per cent for the group in 2018. This is a slight decrease from previous years. A good working environment and the possibility to develop are important factors to keep the absence due to illness at a low level. Going forward, Kitron will continue the work to provide such an environment for our employees.

Injuries and work-related accidents are registered at site level. While the ambition of the company is to have zero accidents, it is of critical importance to have full overview of any incident or accidents at any of the Kitron sites in order to be able to work on prevention and ensure a healthy and safe work place. Reporting incidents and accidents will be further streamlined across the sites and handled through a digital tool. By improving reporting routines, it is expected that the number of incidents reported might increase temporary.

The Kitron work environment proposes risks to the employees foremost in the manual mounting and in the processes where chemical liquids, nitrogen or lead is involved as well as the long-term risks associated with repetitive tasks. The most important mitigation and prevention of accidents and injuries is the workplace design, education of employees and routines for safely handling chemicals.

All chemicals procured and applied at Kitron sites are registered and handled according to relevant regulations. To prevent negative effects of repetitive tasks, all sites has implemented job rotation for certain tasks. In 2018, there was no serious work-related accidents at Kitron sites. Kitron will continue to monitor the working environment regarding employee health and safety in 2019.

	2016	2017	2018
Absence due to illness	3.7	4.3	3.1
Number of fatal occupational injuries	0	0	0
Number of occupational injuries causing permanent incapacity for work	0	0	0
Lost time Injuries (number of serious work-related accidents)	0	1	9

Table 9 Absence and work-related injuries

Turnover by site	2018
Turnover Norway	6.4%
Turnover Sweden	11.6%
Turnover Lithuania	18.0%
Turnover China	26.0%
Turnover USA	4.0%

Table 10 Employee turnover by site

Environment

Kitron internal value chain does not pollute the external environment to any material extent. Kitron Suppliers Code of Conduct describes the requirements Kitron imposes on the Suppliers to minimize the adverse effects to community, environment and natural resources while safeguarding the health and safety of the public. Supplier shall obtain all required environmental permits. The main risks posed to the natural environment from Kitron's operations are direct emissions from the use of chemical liquids, nitrogen or lead in Kitron's production and indirect emissions from energy use in operations, transportation and business travels.

Several of the Kitron group's manufacturing units are certified in accordance with the NS ISO 14000 series of environmental management standards. Kitron AS in Norway is a UN climate partner.

Kitron AS environmental impact	2018
Energy use (kwh)	11 252 337
Waste (t)	547.5
Sorted waste (t)	366.1
Percentage sorted waste	66.8%
Percentage recycled waste*	84.8%

*(including waste incineration with energy recovery)

Table 11: Environmental impacts from Kitron

Information security and cyber security

Kitron employees have a duty of confidentiality in respect to all business matters and situations that could give unauthorized people access to confidential information. All information not made public is to be considered confidential. This duty of confidentiality remains in force after a Kitron staff member has left the company. Only designated persons may make public statements on behalf of Kitron.

In 2017, Kitron initiated the process to become compliant in accordance NIST 800-171, which is equivalent to ISO 27000 on information security. The implementation is made site by site and the ambition is for all sites to be fully compliant in 2018.

GDPR Compliance

In 2017, Kitron initiated the process towards GDPR compliance in our handling of personal data supported by IT consultancy Atea. Data analysis undertaken in the GDPR project shows that Kitron does not handle sensitive personal data to the extent that a Data Protection Officer is required, however, Kitron has set up an organizational structure to handle the tasks required by the GDPR. The structure is described in the Personal Data Protection Policy for Kitron and consist of a Personal Data Protection Committee, a Corporate Data Protection Representative in addition to local Data Protection Representatives in all European countries. Role descriptions are made for the defined roles.

Goal 2018	Status	Comment
Number of sites that has implemented job rotation	Complete	All Kitron sites has implemented job rotation, but only for a certain amount of workers/positions
Become NIST 800-171 compliant	Ongoing	
Undertake necessary actions to adhere to GDPR regulations	Complete	Kitron has appointed a Data protection representative per site. Kitron as implemented policies and dedicated sufficient resources to operate in line with GDPR and relevant local data protection legislation
Appoint Data Protection Officer	Not relevant	Kitron does not handle personal data to the extent that requires a Data Protection Officer
Report employee turnover by site	Complete	See table 10
Report environmental and climate impacts from all Kitron sites	Complete	See table 11
Streamline reporting for all sites on injuries and accidents, as well as near-miss incidents	Complete	Supported by digital documentation in Doclogix

Goals for 2019

Kitron has set the following goals for the HSE, safety and security work in 2019:

- Take actions to maintain or decrease employee turnover by site (KPI: employee turnover by site)

- Continue to increase access to job rotation on all Kitron sites
- Take actions to maintain or decrease environmental impact from all Kitron sites (KPIs: environmental and climate impacts from all sites, KPI ISO 140001 re-certification)

