

# SUSTAINABILITY REPORT 2019

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**Kitron**

Your ambition. Our passion.

## CEO LETTER OF INTRODUCTION



**Lars Peter Nilsson**  
CEO of Kitron ASA



As a leading Electronics Manufacturing Services (EMS) company with operations in Norway, Sweden, Lithuania, Germany, Poland, China and the United States, Kitron has direct and indirect economic, social and environmental impact on our surroundings and stakeholders. How we source our materials and 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.

The foundation for Kitron's sustainability 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 Sustainability Reporting and Euronext Guidelines to issuers for ESG reporting from 2019. We are a UN Global Compact Signatory and support the UN Sustainable Development Goals.

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 sustainability work from investors and customers and have received a number of inquiries for information this year. We hope that this report can contribute to answer some of our stakeholders questions about how we work and the results achieved. For Kitron, sustainability and corporate responsibility 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.

An 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 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. 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.

As a result of strong management focus and the implementation of a digitalized system, our work on screening and onboarding suppliers to Kitron's expectations and ethical standards are seeing significant improvements this year. 80% of our suppliers have now signed our Code of conduct as part of their digital onboarding process with Kitron. Another sign of improvement is that the number of moderate and increased risk suppliers are reduced from 55.9% to 45%.

We also strive to engage on sustainability topics beyond our direct value chain. I am pleased to confirm that Kitron ASA reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-corruption.

In this annual report, which is also our annual communication on progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication. 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. In the report for 2019, we for the first time describe Kitron's support for the UN Development Goals, and outline which of the 17 goals we are striving towards making a reality as part of our sustainability efforts. The goals give a clear and concrete statement of what is needed and expected of businesses and organisations to be able to deliver towards our shared goals for the future. 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 2020 is to improve data quality and the implementation of digitalized reporting on key KPIs for our internal work. We will make efforts to bring new locations on-board our continuous improvement agenda and ensure internal follow-up across sites to streamline KPIs and metrics for reporting on our progress. 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 CFO Cathrin Nylander.

This report is prepared in accordance with The Oslo Stock Exchange Guidelines for Sustainability Reporting throughout 2018 and Euronext Guidelines to issuers for ESG reporting from 2019. In this report and hereafter solely referred to as Guidelines

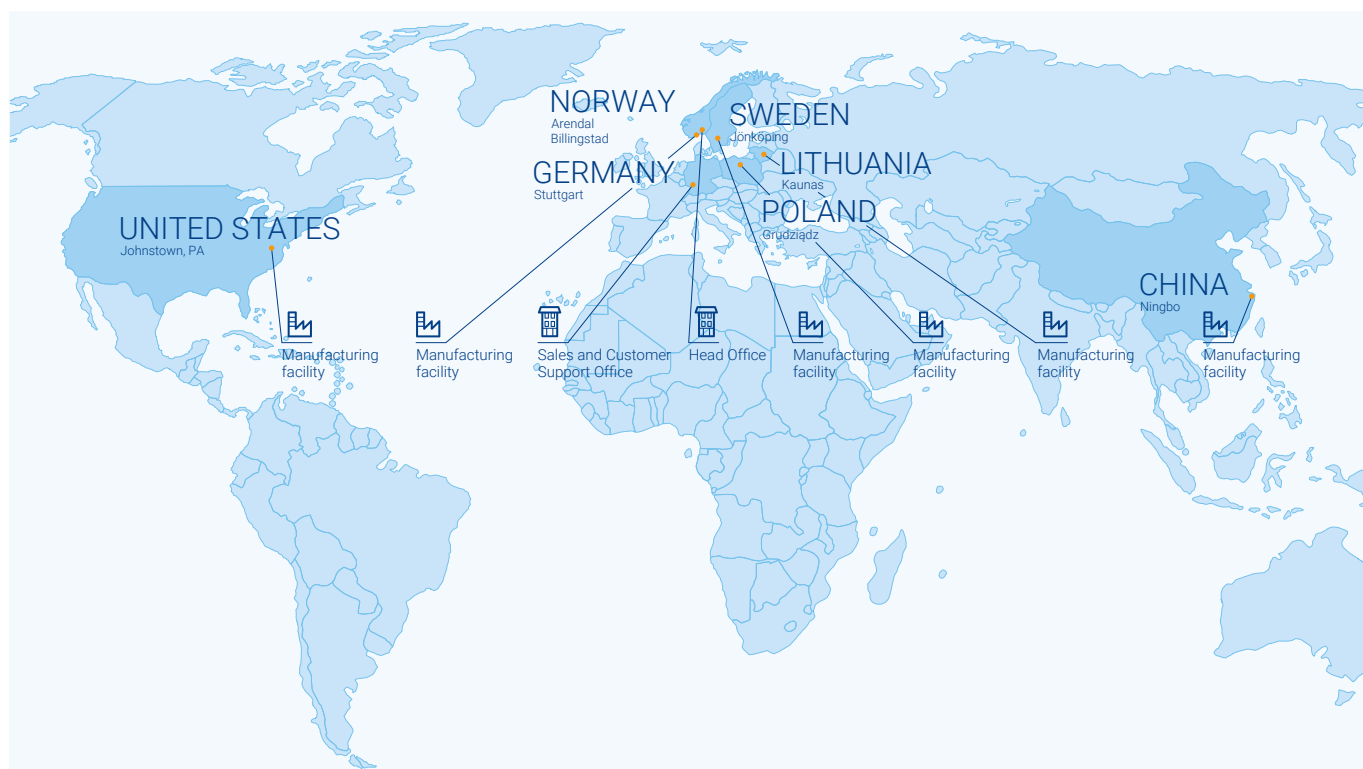
The Kitron Group report on Corporate Responsibility has been reviewed and approved by the Board.

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, Poland, China and the United States. 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 analysing and test development are also key competencies offered by Kitron.



## Locations

Kitron ASA has operations in Norway, Sweden, Lithuania, Germany, Poland, China and the United States. Kitron's headquarters is located in Asker, Norway

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

## 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 2019

In 2019, labour costs amounted to NOK 593 million (NOK 497 million) Payroll and social security expenses accounted for 18 (19) per cent of sales revenue.

### Procurement of goods and services

Kitron purchased goods and services valued at roughly NOK 2 417 million (1 910 million) in 2019.

### Tax

The Group's tax expenses for 2019 came to NOK 37.1 million (NOK 31.0 million).

#### Tax expense by country (Amounts in NOK million)

	2017	2018	2019
Norway	5.6	4.2	3.0
Sweden	5.5	7.7	8.3
Lithuania	10.1	12.5	11.3
Other	12.4	6.5	14.5
<b>Total</b>	<b>33.6</b>	<b>30.9</b>	<b>37.1</b>

Table 1 Tax expense by country

### Sectors served

Kitron's core areas of expertise are in the sectors Defence/Aerospace, Energy/Telecoms, Industry, Medical devices and Offshore/Marine.

In addition, Kitron is currently developing expertise in Automotive Electronics with a special focus on autonomous technologies.

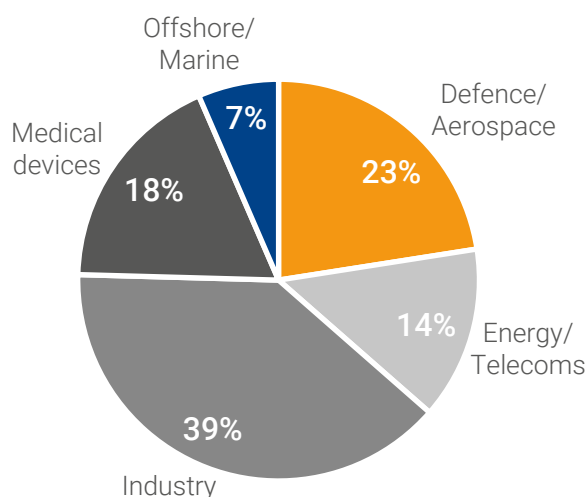


Figure 1: Revenue per sector

## KITRON'S APPROACH TO SUSTAINABILITY

Kitron's approach to sustainability and corporate responsibility is guided by our Code of conduct, our commitment to the UN Global Compact and contribution towards the UN Sustainable development goals. Our focus areas are based on stakeholder dialogue and materiality assessment, to ensure we put our efforts where it makes a difference for our stakeholders and our business impact.

This report covers topics related to corporate responsibility and sustainability that are of importance to Kitron and Kitron stakeholders. Kitron's approach to sustainability reporting is based on the materiality assessment undertaken in 2017 according to the Guidelines on Sustainability Reporting. 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.



### Kitron supports The UN Sustainable Development Goals

The UN has defined 17 Sustainable Development Goals the world should resolve by 2030. Several of these goals can only be achieved by taking action on responsible supply chain practices and ethical business initiatives.

The UN Sustainable Development Goals are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. The UN Sustainable Development Goals have become a global framework for sustainability efforts, and an important part of the sustainability context for Kitron.

For Kitron, the UN Sustainable Development Goals show how our complex global value chain is affected by and affects these global challenges. We have identified which of the 17 goals are most relevant to Kitron, where we can make a difference towards achieving the goal and how they are linked to our material topics.

Our main contribution to the UN Sustainable Development Goals are contributions to the following goals.

- 5 Gender equality and women's empowerment
- 9 Build resilient infrastructure, promote sustainable industrialization and foster innovation
- 12 Responsible consumption and production
- 13 Climate action





## 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 sustainability and corporate responsibility.

### Management approach

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

### Annual General Meeting (AGM)

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

### The Board of Directors

The Group Board of Directors bears the ultimate responsibility for Kitron's sustainability and the report on sustainability 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 sustainability. The day-to-day work with corporate responsibility and environmental management 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 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 sustainability priorities.

### Authorities and civil society

Civil society, for instance governments and regulatory authorities, affects 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 dialogue

To ensure a strategic approach to Sustainability reporting and to adhere to the intent of the Guidelines Kitron undertook systematic stakeholder dialogue in 2017 and keeps an ongoing dialogue with key stakeholder groups.

Kitron's 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 sustainability 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 sustainability 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 Guidelines and GRI Standards. The findings from the stakeholder dialogue guided Kitron's priorities in the materiality assessment.



Figure 2: Kitron's stakeholders

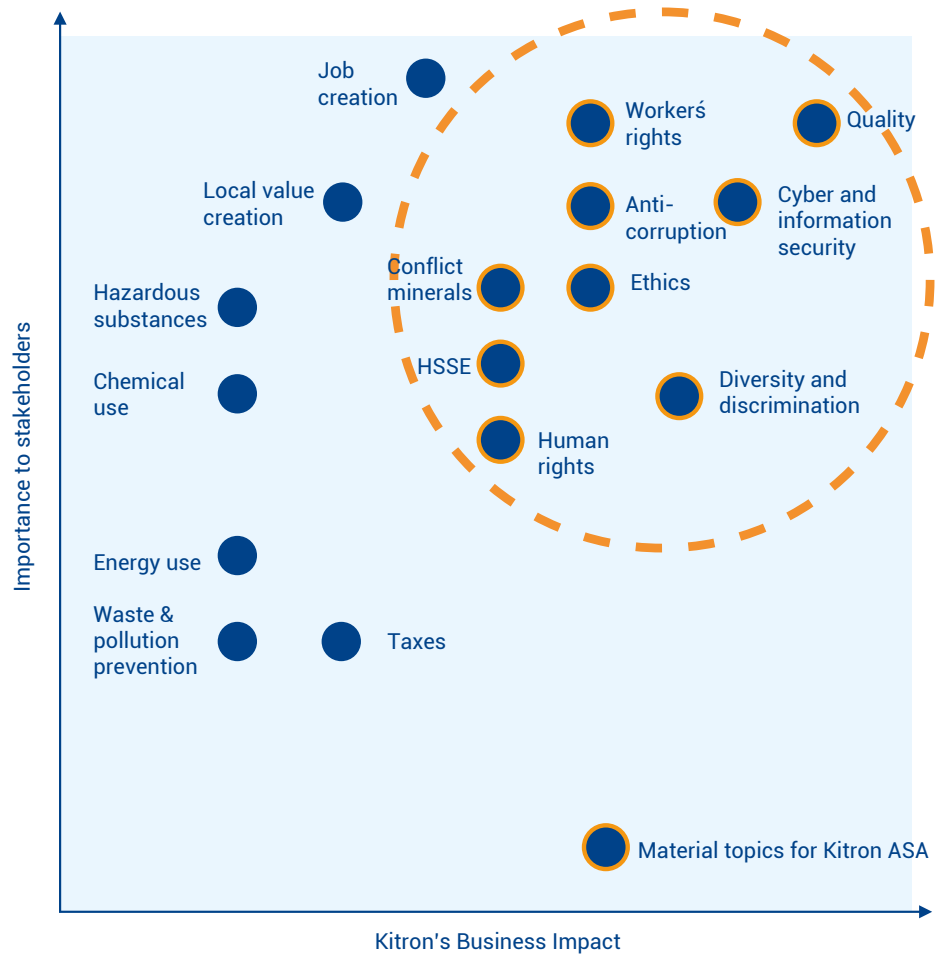


Figure 3: Materiality assessment

## Materiality assessment

The Materiality assessment was established in 2017 by the internal task force on sustainability 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
- Health, safety, security and environment (HSSE)

## 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 RMI (previously CFSI) Conflict Minerals Reporting Template (CMRT).

Conflict minerals	2017	2018	2019
Conflict free 3TG + No 3TG by value	84.9%	83.7%	83.6%
Conflict free 3TG + No 3TG by number of parts	35 122	41 336	37 787

Table 3: Conflict Minerals by value and number of parts

#### Goals for 2019

Kitron set the following goals for human rights and conflict minerals work in 2019:

Goals for 2019	Status	Comment
Become a member of an industry initiative against conflict minerals, such as RMI	Not a member	Kitron has undertaken an internal process to determine how the company should pursue the work against conflict minerals in the supply chain and decided not to pursue membership but rather establish company specific procedures and standards.
Remain conflict mineral free	Completed	

#### Goals for 2020

Remain conflict mineral free.

### Workers' rights, diversity and non-discrimination

At 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, Poland and China.

Employees	2017	2018	2019
Permanent employees	1398	1558	1715
Temporary employees	203	185	129
Total workforce	1601	1743	1844

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

Employees	Men	Women	Total
Employees Norway	184	139	323
Employees Sweden	115	71	186
Employees Lithuania	288	482	770
Employees in Poland	56	51	107
Employees China	55	147	202
Employees USA	37	87	124
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 are very important to Kitron and are to be ensured to provide a safe, healthy and satisfactory workplace. 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 2019

	Norway	Sweden	Lithuania	China	USA	Poland
Avg. pay direct women % of men	85%	99%	73%	100%	94%	95%
Avg. pay indirect women % of men	81%	100%	81%	46%	72%	41%

The indirect workforce includes roles with significant difference in responsibility and pay. Pay depend on roles and not gender. We will aim for an improved gender distribution across the positions and countries.

The Ethics Committee has received two concerns regarding working environment. Investigations have been conducted and resulted in actions; the cases are considered closed.

In 2018 Kitron participated for the first time in the Great Place to Work survey. The results were analysed and action plans developed and implemented. These efforts resulted in significantly improved results in 2019 survey, where the overall score of the question "Taking everything into account, I think this is a great place to work" increased to 73% from 68% the previous year. Kitron will continue to utilize employee surveys to further strengthen the working environment and company culture.

In 2019, quarterly updates from the CEO to all employees were launched. The update is digital and includes financial results, major highlights from each site, and recognition of the winners of Kitron global awards.

Kitron global awards were launched in 2019. The intention is to recognize extraordinary efforts made by teams and individuals across the group. Every quarter the Corporate Management Team selects candidates in the following categories for the awards:

- Financial impact
- Innovation
- Operational excellence
- Customer relations
- Special awards

### 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 was further developed and supplemented with learning and development activities, Kitron AB now has all training tracked in the digital platform. The goal for 2020 is to have all training activities at all sites registered in the digital tool and also to increase the amount of available digital training.

### Goals 2019

Kitron set the following goals for workers' rights, diversity and non-discrimination in 2019:

Goals 2019	Status	Comment
Increase the employee satisfaction score on the question "Taking everything into account, I think this is a great place to work" to above 70%.	73%	Significant progress made.
Begin to report average hours of training per employee.	All training registered in digital platform in Sweden, in progress for the other sites.	In 2020 all sites will register all training activities in digital platform. Full year tracking possible from 2021.

### Goals for 2020

- Register all training activities in Kitron Academy (digital platform) at all sites
- Increase availability of digital training courses

### 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 21 December 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 sustainability, and that it can subject us to substantial financial risk. To deal with our sustainability 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 2019, Kitron conducted a corruption and risk of bribery assessment on its existing suppliers. 3 084 suppliers (1 396 active inventory suppliers and 1 450 non-inventory suppliers) were screened for corruption and bribery risk. Moreover, since 2019 all new suppliers are screened for corruption and bribery risk as part of the onboarding process.



Share of suppliers per risk category	2017	2018	2019
Very low risk	0.2%	1.6%	28.5%
Low risk	41.3%	42.5%	26.5%
Moderate risk	58.5%	55.8%	44.9%
Increased risk	0.0%	0.1%	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, the Ethical Code of Conduct was made available as an online training in 6 different languages.

### 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 to best 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 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 workplace, 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 workplace safety can alternatively be reported to the relevant representative, HSSE-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](mailto: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 2019 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 2019.

Number of cases	2017	2018	2019
Reported	1	1	0
Sanctioned	0	0	0

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

### Goals for 2019

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

Goals 2019	Status	Comment
Introduce ethics and anti-corruption training as part of onboarding of new employees and as e-learning for everyone.	Online training in Code of Conduct in place in 6 different languages	From 2020 it will be possible to track per cent of employees who has completed online Code of Conduct training.
KPI: share of employees who have completed the ethics and anti-corruption training, share of new employees who have completed onboarding process.	All employees of Kitron are provided an onboarding process, this will be tracked in the digital training platform going forward.	
Ensure that all new onboarded suppliers are at low or very low risk	Completed	Number of moderate and increased risk suppliers reduced from 55.9% to 45%
Ensure that all suppliers sign Kitron's Code of Conduct	Completed	All suppliers must sign code of conduct when filling RFI form
Define simple, lean and easy to use onboarding process for non-inventory suppliers and implement it	Completed	Simplified RFI form approved

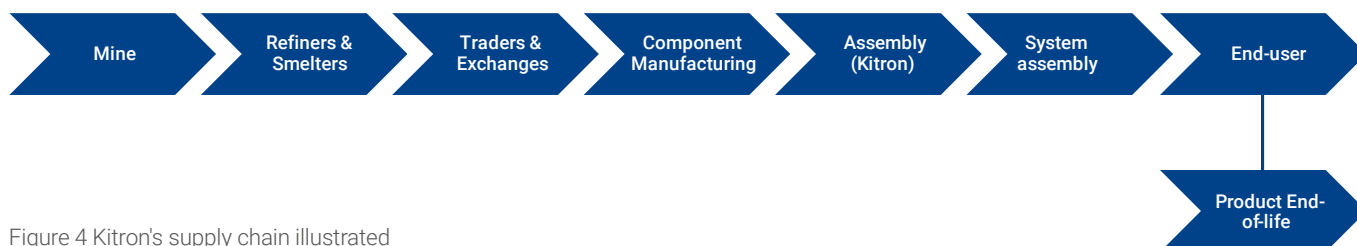


Figure 4 Kitron's supply chain illustrated

## Goals for 2020

Kitron has set the following goals for ethics and anti-corruption in 2020:

- Track share of employees who have completed the ethics and anti-corruption training in the digital platform

## Supply chain and quality management

Kitron's goal is to minimize negative environmental and social impacts from its supply chain. Kitron expects 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. In 2019 around 63 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 moulded 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 PCBs 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.

In 2019 Kitron purchased 66 per cent of the PCBs from preferred partners. In the case of PCBs, these preferred partners include both distributors and manufacturers.

### Supplier selection and onboarding

Kitron's sourcing experts are located in Norway, Sweden, Lithuania, China and United States, enabling us to manage our global network

of suppliers and ensure an optimal flow of components and materials to our manufacturing centres. Sourcing at 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 and supplier coordination with local suppliers.

To ensure that the same supplier data is collected regardless of category and country, in 2019 Kitron developed and implemented a web based RFI (Request for information). This data is then automatically uploaded into Kitron's Supplier Evaluation Model (SEM).

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. Moreover, Kitron diligently work with supplier consolidation, making sure that we work only with the best possible supply partners. In 2019, Kitron had 1396 active suppliers, down from 1639 in 2018. Active supplier means Kitron have placed a purchase order in the last 12 months.

Unique active suppliers	2017	2018	2019
Unique active suppliers (12 months)	1 477	1 639	1 396
Share of active suppliers who have signed Code of Conduct	49.8%	53.0%	80%

Table 8: Number of unique active suppliers

### Quality standards

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 2019

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

Goals 2019	Status	Comment
Define and implement onboarding process for non-inventory suppliers	In progress	RFI form approved
Standardize RFI and implement digital quality management system (DocLogix) for gathering and storing RFI data	In progress	RFI standardized and included in quality management system for all sites.

## Goals 2020

Kitron has set the following goals for supply chain and quality management in 2020:

- Continue the work to onboard non-inventory suppliers using the new RFI form
- Make sure all sites use the new Standardized RFI and digital quality management system (DocLogix) for gathering and storing RFI data

## HSSE

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 3.6 per cent for the group in 2019. 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 workplace. 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 poses 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 2019, there were no serious work-related accidents at Kitron sites. Kitron will continue to monitor the working environment regarding employee health and safety in 2020.

Absence and work-related injuries	2017	2018	2019
Absence due to illness	4.3	3.1	3.6
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)	1	3	15

Table 9 Absence and work-related injuries

Turnover by site	2018	2019
Turnover Norway	6.4%	2.0%
Turnover Sweden	11.6%	9.0%
Turnover Lithuania	18.0%	16.7%
Turnover Poland	-	6.0%
Turnover China	26.0%	36.0%
Turnover USA	4.0%	1.6%

Table 10 Employee turnover by site

### Environment and climate

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.

We will work systematically to reduce energy consumption and GHG emissions, with special focus on material consumption, energy consumption, effective communication and transportation. We are working on setting targets for the reduction of CO2 emissions for our in-house operations in accordance with the obligations in the Paris Agreement.

Several of the Kitron group's manufacturing units are certified in accordance with the NS ISO 14000 series of environmental management standards.

Kitron's CO2 emissions have been calculated in accordance with the "Greenhouse Gas Protocol" published by the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI).

The below data on greenhouse gas emissions includes the following sources of CO2 emissions:

Scope 1 direct emissions: emissions from fuel combustion on-site, transportation using company owned vehicles and on-site generation of electricity, heat or steam. All emission factors for Scope 1 emissions are from DEFRA 2018.

Scope 2 indirect emissions from electricity purchased: emissions from the consumption of electricity and district heating purchased. All CO2 emission factors used for electricity are location based and calculated using IEA emission factors.

Kitron is aware that the emission data presented in the GHG emissions table is somewhat inaccurate due to varying reporting methods among the Kitron sites, and we are working to improve our methods for GHG emissions reporting to reduce such errors in the future.

Business Unit	Tonnes CO2 equivalents		
	Scope 1	Scope 2 location based	Sum scope 1 + scope 2
Kitron Norway	11	30	41
Kitron Sweden	-	59	59
Kitron Lithuania	1 253	315	1 568
Kitron Poland	100	355	455
Kitron China	-	885	885
Kitron USA	-	222	222
<b>Group total</b>	<b>1 364</b>	<b>1 866</b>	<b>3 230</b>

Table 11: GHG emissions from Kitron sites

### 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.

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 consists of a personal data protection committee, a corporate data protection representative in addition to local data protection representatives in all European countries.

### Goals for 2019

Kitron set the following goals for the HSSE work in 2019:

Goals 2019 HSSE	Status	Comment
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)	Completed	Emissions reporting according to the GHG protocol Scope 1 and 2

### Goals for 2020

Kitron has set the following goals for the HSSE work in 2020:

- Set goals and targets for the reduction of CO2 emissions from Kitron's business activities
- Maintain or decrease employee turnover by in site
- Decrease number of Lost Time Injuries



Kitron is a Scandinavian Electronics Manufacturing Services company. The company has manufacturing facilities in Norway, Sweden, Lithuania, Poland, China and the US and has about 1 700 employees. Kitron manufactures both electronics that are embedded in the customers' own product, as well as box-built electronic products. Kitron also provides high-level assembly (HLA) of complex electromechanical products for its customers.

Kitron offers all parts of the value chain: from design via industrialisation, manufacturing and logistics, to repairs. The electronics content may be based on conventional printed circuit boards or ceramic substrates.

Kitron also provides various related services such as cable harness manufacturing and components analysis, and resilience testing, and also source any other part of the customer's product. Customers typically serve international markets and provide equipment or systems for professional or industrial use.