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Subject: UN Global Compact - Communication on Progress (COP)

To our global community,

SMARTRAC wholeheartedly supports the concept of Corporate Social Responsibility (CSR). We consider it an important aspect of value creation for our customers, employees and stakeholders and the mitigation of possible adverse impacts.

Hence, we strive to act according to the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption within our sphere of influence and as appropriate for the company's circumstances at the corporate level.

The 'Communication on Progress' document you are looking serves as a proof of our endeavors. It describes how our employees and business partners demonstrate leadership and excellence regarding CSR.

We will continue to openly share this information with you in the spirit of transparency, stewardship, and continual improvement.

Kind regards,



Christian Uhl
CEO

Human Rights Principles

HUMAN RIGHTS PRINCIPLES	Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2 make sure that they are not complicit in human rights abuses.

POLICIES AND IMPLEMENTATION

SMARTRAC acknowledges and respects the principles contained in the Universal Declaration of Human Rights, and also observes and complies with all relevant laws in the countries it operates within. Our commitment to conduct our business activities and relationships in a manner consistent with these principles is manifested in our Human Rights Policy, Code of Conduct and Integrity ("Code"), and local company policies and guidelines, all of which are published on our corporate website. All employees are required to respect the human rights and dignity of others and conduct their roles and responsibilities ethically and compliantly.

The Human Rights Policy in particular, focuses on fostering open and inclusive workplaces and includes our standpoint on the following components:

- Respect for Human Rights;
- Valuing Diversity;
- Freedom of Association and Collective Bargaining;
- Safe and Health;
- Forced and Compulsory Labour;
- Child Labour;
- Collective Bargaining;
- Non-discrimination; and
- Employment Conditions.

Measurement of Outcomes

To ensure remediation of potential human rights or ethics abuses, our entities have established local grievance procedures. Employees are encouraged to report any circumstance or action that infringes, or appears to violate the Code, Company policies, or applicable laws.

A number of our entities also have Open Door Investigation and Complaint Investigation procedures in place to further support our employees and facilitate respect. These policies are made available to employees in a language that is understood by employees.

There have been no reported incidents of harassment or discrimination in any of the company's legal entities during 2018.

We are also committed to promoting the health and well-being of our employees and providing a safe workplace. The majority of our entities have introduced policies and site rules to ensure a working environment free from drugs, tobacco and alcohol.

Labour Principles

LABOUR PRINCIPLES	Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4 the elimination of all forms of forced and compulsory labour;
	Principle 5 the effective abolition of child labour, and
	Principle 6 the elimination of discrimination in respect of employment and occupation.

OUR PEOPLE

As an international company working across multiple cultures, we promote diversity and are continually looking for ways to complement our diverse workforce composition. We recognize

that to remain successful and competitive we must understand the local markets and draw on the local backgrounds, expertise, and dynamics of individuals.

We strive to instill an inclusive work environment where employees are given a high degree of freedom, and recognize their ability to influence the way business is done on a global scale. We are committed to ensuring equal opportunities for all employees without regard to specifics such as age, gender, or nationality.

Measurement of Outcomes

The recruitment process plays an important part in achieving a desirable diversity and gender balance. Managers are expected to examine their departments and entities to ensure that diversity and compliance with the relevant country laws is achieved. These processes are underpinned by the concepts of Equal Employment Opportunity and anti-discrimination.

Employee Turnover is measured at an entity level, and on average for all SMARTRAC entities is 10.79% for the period January 2018 to August 2018.

As at August 2018, over 16 nationalities are represented in the company's workforce.

COMMITMENT AND EXPECTATIONS

SMARTRAC employees are expected to conduct business in a responsible and ethical way that supports and respects the protection of human rights and fair labor practices. The Human Rights Policy and the Company Code documents have formally implemented the standards and practices relating to these ideals.

Specific statements from the Human Rights Policy that demonstrate our commitment to respect and protect internationally recognized human rights and support a work environment of integrity and diversity include the following:

- We respect freedom of association and cooperate in good faith with the bodies that our employees collectively choose to represent them within the appropriate national legal frameworks.
- We support free-chosen employment and the elimination of forced, bonded, or compulsory labor.

- We condemn all forms of exploitation of children, support all laws enacted to prevent and punish the crime of sexual exploitation of children, and shall cooperate with law enforcement agencies to address any such instances which we become aware of.

Measurement of Outcomes

No SMARTRAC entity hires any form of forced or child labour.

All employees have the right to join a trade union if they wish to do so and the company respects this right by making no record of membership. However, the company estimates approximately 11% of the employee population are currently active members of such associations.

The company is currently implementing a comprehensive Human Resources Information System. Quantitative data from the system will be used by the company to measure performance against Key Performance Indicators such as accident frequency, overtime worked, age, social benefits offered, and training conducted.

TRAINING AND DEVELOPMENT INITIATIVES

The development of employees is essential to acquiring the technical and leadership skills needed to operate in a dynamic and ever-changing technological environment. We are therefore committed to investing in our employee's professional development.

Training and development opportunities are open to all employees at all levels of the organization. The company seeks to equip its employees with the skills and tools they need to perform their job with competence and confidence.

The majority of SMARTRAC's training and development initiatives are implemented and managed on an entity level, based on local needs.

Measurement of Outcomes

Each entity has established training procedures in place that are compliant with the local law and adhere to the human rights of anti-discrimination and anti-harassment.

The average hours of training per employee, across all entities for 2018, is 6.5 hours.

COMPENSATION AND BENEFITS

We seek to offer employees fair and competitive remuneration packages, tailored to the individual cultural environment. We also complement our remuneration structure with various benefits including performance bonuses, commission payments, paid leaves (such as parental, sick and holiday), group health insurance plans, work accident insurance, and travel allowances.

Measurement of Outcomes

All employees across SMARTRAC entities are paid according to applicable labor laws. At a minimum, compensation is consistent with national law regarding minimum wages, overtime hours and legislated benefits and pensions.

Several entities offer group medical insurance or subsidized insurance for employees.

SMARTRAC also has a Corporate Travel Policy which entitles employees to allowances and per diems when they travel, and access to group travel insurance.

Environmental Principles

ENVIRONMENTAL PRINCIPLES	Principle 7 Businesses should support a precautionary approach to environmental challenges;
	Principle 8 undertake initiatives to promote greater environmental responsibility; and
	Principle 9 encourage the development and diffusion of environmentally friendly technologies.

GLOBAL PROGRAMS FOR ENVIRONMENTAL PERFORMANCE AND REGULATORY COMPLIANCE

SMARTRAC is committed to providing a production concept that guarantees economic manufacturing with minimal ecological impact. Being firmly convinced that environmental protection is the task of every individual and every company, SMARTRAC is emphasizing on energy efficiency and waste reduction. All sites are committed to continual improvement for environmental performance and impact, with best practices and successful improvement initiatives shared over the company intranet. Setting relevant and measurable environmental targets, and developing programs to achieve them, is an established management standard. Consequently, SMARTRAC is taking environmental compatibility into account when selecting suppliers and service providers.

Our company's manufacturing entities (US, China and Malaysia) have achieved certified compliance to ISO14001:2015 environmental standard requirements. The ISO 14000 family provides practical tools for companies and organizations seeking to identify and control their environmental impact and constantly improve their environmental performance. These certifications will help SMARTRAC identify and control its environmental impact and improve its environmental performance.

SMARTRAC offers products in accordance with RoHS 2002/95/EC - the European Union's directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment. The specific substances in question are lead (Pb), mercury (Hg), cadmium (Cd),

hexavalent chromium (Cr6+), polybrominated biphenyls (PBB), and polybrominated diphenyl ether (PBDE).

SMARTRAC's inlay and tag products are 'halogen-free' and meet the requirements according to IEC 61249-2-21 specifications of less than 900ppm of chlorine or bromine in homogeneous materials, and a total amount of chlorine and bromine of less than 1500ppm in homogeneous materials. Furthermore, SMARTRAC products contain less than 1000ppm of antimony trioxide.

SMARTRAC products also comply with the essential health and safety requirements of the relevant Conformité Européenne / European Conformity (CE) directives.

"Conflict minerals" refers to specific minerals originating from mines controlled by armed groups in the Democratic Republic of the Congo or adjoining countries. The specific metals in question are coltan (columbite tantalite) and its derivatives (tantalum), cassiterite and its derivatives (tin), wolframite and its derivatives (tungsten), and gold. SMARTRAC is committed to complying with United States law and plans to comply with forthcoming regulations to enable designation of all SMARTRAC products as 'conflict-free.' SMARTRAC has defined and started an extensive due diligence program of the company's supplier base. In addition to these measures, SMARTRAC will take the appropriate actions to fully comply with the regulations regarding conflict minerals and will support efforts by its customers to reach the joint target of a socially responsible supply chain.

GLOBAL POLICY FOR ENVIRONMENTAL MANAGEMENT

SMARTRAC's environmental and health and safety policies are reviewed by the Management Team and approved by the Chief Executive Officer. Our current Environmental, Health and Safety Policy statement is as follows:

SMARTRAC is committed to continual improvement in all aspects of our business which includes taking proactive actions to reduce our environmental impact and to reduce health and safety risks. This policy provides the framework to fulfill our commitment.

1. We will systematically identify potential environmental impacts and hazards to our employees, contractors, and visitors by using appropriate risk assessment methodologies. Programs will be initiated and controls will be implemented to reduce the identified risks.

2. We will implement, review, and continually improve health, safety and environmental systems, processes and procedures to incorporate process changes, applicable regulatory changes and best practices.
3. We will implement environmentally sound processes and safe work practices. We will provide employees with the necessary equipment, information and training to work safely and to minimize our environmental impact.
4. Our management team will establish, review and monitor the performance of our environmental and safety objectives. Appropriate actions will be taken to achieve these objectives.
5. We will inform our employees, contractors, and visitors of their responsibility to act in a safe and environmentally responsible manner while working for SMARTRAC or visiting SMARTRAC facilities.
6. We will communicate this policy to our employees and business partners to reinforce our management commitment to environmental, health and safety performance.

MEASUREMENT OF OUTCOMES

SMARTRAC's factory sites in USA, China and Malaysia will initiate a program to measure "carbon footprint" environmental impact in 2019. Continuous improvement initiatives completed regularly at each factory site are quantified in terms of measurable benefit and impact. Project results are shared internally to promote the replication of company best practices and specific solutions for environmental management.

Ethical Conduct and Compliance

SMARTRAC NV is signatory to the UN Global Compact which means that SMARTRAC has joined other companies in demonstrating a commitment to the ongoing development of efficient anti-corruption measures.

SMARTRAC's Code of Conduct and Integrity ("Code") sets forth highest standards to promote honest and ethical conduct with all of SMARTRAC's stakeholders, appropriate public disclosures and legal compliance. It is designed not only to prevent any violations of legal requirements but also to ensure that voluntary commitments are upheld. It is binding for all employees worldwide, members of the Board of Management of SMARTRAC N.V. and all its affiliated and related companies.

The Code covers, among others, conflicts of interest, gifts or entertainment, dealing with government officials, protecting privacy and confidentiality as well as fraud, dishonesty or criminal conduct. New employees are required to read the Code and agree to abide it and any related policy when joining the SMARTRAC.

The Online Code of Conduct Training is a part of onboarding procedure at SMARTRAC.

The Code is supplemented by further policies on specific areas. It is reviewed continuously and updated as needed. It is part of SMARTRAC's constant endeavor to ensure its commitment to lawful and ethical behavior.

The Code is available in Chinese, English, German and Spanish languages at:

<https://www.smartrac-group.com/>

Anti-Corruption

Bribery and corruption are unlawful, unacceptable, bad business practice and an obstacle to economic wealth and democracy. SMARTRAC is committed to conducting its business in an honest and ethical manner. Therefore, SMARTRAC has a zero tolerance towards bribery and corruption.

As a part of anti-corruption program the Board of Directors adopted SMARTRAC's Anti-Bribery Policy. The principles of SMARTRAC's Anti-Bribery Policy also apply to all third parties that are contractually bound with SMARTRAC, such as suppliers, intermediaries, consultants and business partners.

SMARTRAC carries out Foreign Corrupt Practices Act orientated due diligence procedures and trains its personnel accordingly. Therefore, SMARTRAC is training on the

contents of Code of Conducts and Integrity and other compliance policies in face-to-face training sessions as well as in Group-wide compliance e-learning tools as part of its preventative provisions.

SMARTRAC uses various communication channels to keep its employees up to date. SMARTNET, the Intranet of SMARTRAC is basic form of communication. Here, SMARTRAC's employees worldwide are able to access information about Compliance and Legal Guidelines.

Key Figures:

100 % availability of all compliance related communication due to offline /offsite availability of Intranet System Worldwide.

SMARTRAC employees participated in in-person as well as online compliance training.

The completion rate of the training equals to 100%.

Regional Involvement:

AMERICA: USA

EU: Germany, Finland, Holland

ASIA: China, Malaysia, Japan, Hong Kong, Singapore

Increase of:

- number of training participants to 10%
- time spent for In-Person Training to 15%
- training expenditure 20%

Whistleblowing Procedure

SMARTRAC's Whistleblowing Procedure is developed to support and encourage its employees to report and disclose improper or illegal activities so that the company is able to fully investigate such reports and disclosures.

The intended objectives of Whistleblowing Procedure are:

- To provide avenues for employees to raise concerns and define a way to handle them;
- To inform Management at the earliest possible stage about acts of misconduct;
- To develop a culture of openness, accountability and integrity.

The third parties such as suppliers, customers, service providers, external consultants, etc. may also use this procedure to report improper and illegal conducts or activities of SMARTRAC employees, Management & Supervisory Board Members.

[Whistleblowing channel is available 24/7.](#) Quarterly reporting to management board, supervisory board on compliance and data privacy issues as well as of recorded breaches and actions taken.

Whistleblowing Procedure is available in five languages at: <https://www.smartrac-group.com/compliance.html>

Principle 10: Work against Corruption	Basis	Actions
	SMARTRAC's Code of Conduct and integrity	Whistleblowing Procedure
	SMARTRAC's Anti-Bribery Policy	Internal Compliance Certification Procedure
	SMARTRAC Compliance Handbook	Compliance Third Party Approval Procedure
		Compliance Training program (Online as well as in person trainings)
		Gift & Entertainment Approval Procedure