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

To our global community,

It has been more than three years since Smartrac became an endorser of the UN Global Compact. During this time, the concept of Sustainability and Corporate Social Responsibility (CSR) has become ever more important for us.

That growing importance, as well as the success of our endeavors in this area, are reflected in the latest assessment by the world's most trusted provider of business sustainability ratings, EcoVadis: In recognition of our Corporate Social Responsibility (CSR) achievements, EcoVadis awarded us a Gold Medal and ranked Smartrac among the top five percent of all companies in the RFID industry.

Thereby, we feel confirmed in our efforts to create maximum value for our customers, employees and other stakeholders while mitigating possible adverse impacts of our activities. We feel encouraged to continue acting in compliance with the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption as far as it is within our power to do so.

The 'Communication on Progress' document you are looking at describes how our employees and business partners demonstrate leadership and excellence regarding CSR.

We are happy 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 PRINCIPLE	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 and Code of Conduct and Integrity (“Code”), which are published on our company website, and in our local company policies and guidelines. 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 employees and facilitate respect. These policies are made available to employees in a language that is understood by employees.

There are currently no open incidents of harassment or discrimination in any of the company's legal entities. Earlier in the year, one harassment investigation was undertaken in accordance with the documented investigation procedure for the entity. The matter was resolved in an expediated and satisfactory manner and without legal escalation.

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. At a minimum, no smoking is allowed within Smartrac office buildings.

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. Half of our entities have policies and run trainings to promote equal employment opportunity (EEO) and anti-discrimination. Some entities have also introduced recruitment targets for 2019 related to diversity.

As at August 2019, over 34 nationalities are represented in the company's workforce. Employee turnover is measured at an entity level, and on average for all Smartrac entities is 14% for the period January 2019 to August 2019.

COMMITMENT AND EXPECTATIONS

Smartrac employees are expected to conduct business in a responsible and ethical way. The Company Code documents have formally implemented 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 labor. Where it is lawful to hire young individuals, entities are fully aware of, and strictly adhere to, all guidelines and regulations as per local and international law.

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 2% of the employee population are currently active members of such associations.

The company has implemented a comprehensive Human Resources Information System and continues to develop reports which can support the company to measure performance with Key Performance Indicators such as accident frequency, overtime worked, gender and age spread, 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. In production, career paths are identified and communicated to employees.

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 2019 so far, is 5.5 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, sales commissions, 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.

The majority of entities offer group health/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 (U.S., China and Malaysia) have achieved certified compliance to ISO14001:2015 environmental standard requirements. This certification helps Smartrac identify and control its environmental impact and improve its environmental performance.

Smartrac's products comply with Conformité Européenne / European Conformity (CE) directives, which indicate conformity with EU health, safety, and environmental protection requirements.

Smartrac offers products in accordance with REACH (EC) No 1907/2006 - the European Union's regulation on registration, evaluation, authorization and restriction of chemicals. The Candidate list, Authorization list and Restricted list of REACH regulation are updated continually.

Smartrac's products are in accordance with RoHS 2011/65/EU - the European Union's directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment. The specific substances restricted according to in RoHS 3 are lead (Pb), mercury (Hg), cadmium (Cd), hexavalent chromium (Cr6+), polybrominated biphenyls (PBB), polybrominated diphenyl ether (PBDE), bis(2-ethylhexyl) phthalate (DEHP), butyl benzyl phthalate (BBP), dibutyl phthalate (DBP) and diisobutyl phthalate (DIBP).

Smartrac's inlay and tag products meet the halogen free requirements according to IEC 61249-2-21 specifications of less than 900 ppm of chlorine or bromine in homogeneous materials, and

a total amount of chlorine and bromine of less than 1500 ppm in homogeneous materials. Furthermore, Smartrac products contain less than 1000 ppm of antimony trioxide.

“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, health and safety policy is reviewed by the Management Team and approved by the Chief Executive Officer. Our current Environmental, Health and Safety Policy statement is as follows:

ENVIRONMENTAL, HEALTH & SAFETY POLICY

Smartrac is committed to continual improvement in all aspects of our business, which includes taking proactive actions to reduce our environmental impact and health and safety risks, and to prevent work-related injury and ill health. This policy provides the framework to fulfill our commitment.

1. Smartrac is committed to fulfill all compliance obligations related to the relevant environmental and occupational health and safety legislation, and regulatory and other requirements.
2. We will systematically identify potential environmental impacts, hazards and health and safety risks to our employees, contractors, and visitors by using appropriate risk assessment tools. Programs will be initiated, and controls will be implemented to eliminate hazards and reduce the identified environmental impacts and safety risks.
3. We will commit to continual improvement of the health, safety and environmental systems, processes and procedures to incorporate process changes, applicable regulatory changes and best practices. We will actively solicit consultation and participation of workers in the review and refinement of the health, safety and environmental systems.
4. 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 overall environmental impact and occupational health and safety risks.

5. 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.
6. 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.
7. We will communicate and make available this policy to our interested parties, including our employees and business partners to reinforce our management commitment to environmental, health and safety performance.

Measurement of Outcomes:

Smartrac announced in January 2019 its comprehensive Green Tag Program, taking on an obligation to manufacture RFID products that verifiably meet strict criteria regarding the use of recyclable substrates, avoidance of heavy metals, and non-use of chemical etching in the production of aluminium antennas. In April 2019 Smartrac announced to join forces with 4E Antenna AB, and now Smartrac can produce “Green Tags” in volume, using paper substrates and aluminium antennas which are made without any hazardous chemicals being involved, while maintaining the same performance and reliability characteristics as standard RFID tags. The complete recycling of aluminium residues, the absence of PET substrate, as well as a reduction in adhesive usage have a significant impact in carbon and environmental footprint reduction.

Smartrac is also working with other green product lines apart from the UHF products with 4E antenna manufacturing technology. As an example, Smartrac is developing paper-based NFC products and experimenting with fully organic conductive materials such as graphene. In addition to product-related improvements, Smartrac is also setting global environmental KPIs for all factory sites in U.S., China and Malaysia to improve environmental performance. In order to mitigate the environmental impact, the KPIs will include reduction of waste, process water usage and energy consumption. Environmental training will also be given to personnel yearly.

SMARTRAC's COMPLIANCE MANAGEMENT SYSTEM

The objective of SMARTRAC's Compliance Management System (CMS) is to ensure compliance with internal and external regulations. The CMS focuses on preventing and investigating violations in the areas of:

- Corruption,
- Antitrust law
- Export Control - Third Party DD
- Data Privacy
- Reputational damage

The pillars of SMARTRAC's Compliance Management System are: prevent, detect and respond.

PREVENT:

- Legal Compliance Risk analysis
- Compliance Policies / Regulations / Processes
- Communication
- Online & In-person Compliance Training
- Export Compliance / Business Partner Due Diligence / Doing Business in High Risk Countries
- Internal Compliance Certification

DETECT & RESPOND:

- Notification
- Whistleblowing procedure
- Internal Compliance Certification
- Investigation
- Monitoring
- Remediation & sanctioning

The Compliance Organization is set up in line with the organizational structure of the SMARTRAC Group.

ETHICAL CONDUCT AND COMPLIANCE:

The trust of our customers and stakeholders is of central importance for SMARTRAC. We must do everything we can to maintain that trust. Strict compliance with all laws and regulations is extremely important for this. This is due not only to our efforts to comply with the law, but also to our conviction that we will maintain the reputation of SMARTRAC and to our commitment to conduct our business fairly, honestly and openly in accordance with the highest possible ethical standards.

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. For SMARTRAC and its employees, corruption means the risk of criminal prosecution, fines, exclusion from bidding procedures and other sanctions. Therefore, SMARTRAC pursues a zero-tolerance policy with regard to bribery and corruption.

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.

COMPLIANCE MEASURES IMPLEMENTED:

- A compliance risk management system has been established. Critical processes relevant for the legal compliance were identified, and measures derived.
- Maintaining and communicating the Code of Conduct. The Online Code of Conduct Training is a part of onboarding procedure at SMARTRAC. The Code is available in Chinese, English, German, Spanish and Thai languages at: <https://www.smartrac-group.com/>
- The ethical guidelines clarify desired and intolerable behavior. Violations are reported to the Compliance Officer.
- The section on conflicts of interest was explicitly communicated. Internal compliance certification process related to conflicts of Interest is implemented.
- Posters related to whistleblowing procedure were designed and hung out in the showrooms, kitchen, production areas of the premises of all SMARTRAC entities.
- The anti-corruption guideline with gift & entertainment approval procedure is regularly communicated within the company.
- Compliance training courses in code of conduct, anti-corruption, export control.
- Targeted in-person training related to the EU General Data Protection Regulation
- Data Privacy officer have been appointed
- Implementation of data privacy and security audits.
- Annual & quarterly internal compliance certification procedures.
- Guideline Doing business in high risk countries communicated. The targeted in-person trainings provided.

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

MEASUREMENT OF THE RESULTS. 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 quote of the training equals to 100%. Regional Involvement:

- AMERICAS: USA
- EU: Germany, Finland, Holland
- ASIA: China, Malaysia, Japan, Hong Kong, Singapore

The participation quote for internal annual as well as quarterly compliance certification is 100%. The compliance certification includes the following certificates:

- SMARTRAC's Annual Letter of Certification Regarding Transactions with Related Persons/Companies
- Annual Anti-Bribery Compliance Certificate
- Annual Certification Regarding Sanctioned Persons and Countries
- Quarterly Certification Regarding Sanctioned Persons and Countries
- Annual Internal Compliance Certificates - Ethic Compliance Statement for Employees

Whistleblowing channel is available 24/7. The number of the relevant whistleblowing reports increased. It shows that the whistleblowing channel is working and employees as well as third parties actively use the available whistleblowing channels for their concerns.

Quarterly reporting to management board, supervisory board on compliance and data privacy issues as well as of recorded breaches and actions taken.

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
	SMARTRAC Data Privacy Policy	Compliance Training program (Online as well as in person trainings)
		Gift & Entertainment Approval Procedure