



# SUSTAINABILITY REPORT 2020



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 January 2020. 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 over the past years. 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 79 per cent of Kitron's products are now considered Conflict Mineral Free, and this work will continue to ensure responsible sourcing.

It is important to us to actively work to assess corruption risks in our supply chain, and we 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.

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. Kitron has outlined 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 going forward is to reduce our carbon footprint.

We will work systematically to reduce energy consumption and GHG emissions, with special focus on material consumption, energy consumption, effective communication and transportation. We have set targets for the reduction of CO<sub>2</sub> emissions for our in-house operations in accordance with the obligations in the Paris Agreement. To further our commitment to the environment we will during 2021 establish reporting on our environmental impact according to CDP and perform a TFCD climate risk process.

Of continued importance is also to improve data quality and the implementation of digitalized reporting on key KPIs for our internal work. We will continue our ongoing work with supplier dialogue and engage with suppliers to help them meet the highest ethical and quality standards.

The technical criteria for the EU Taxonomy for sustainable activities are in the process of being finalized, and Kitron will follow this process closely during 2021, as this is expected to become an important factor for investors going forward.

## ABOUT THIS REPORT

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

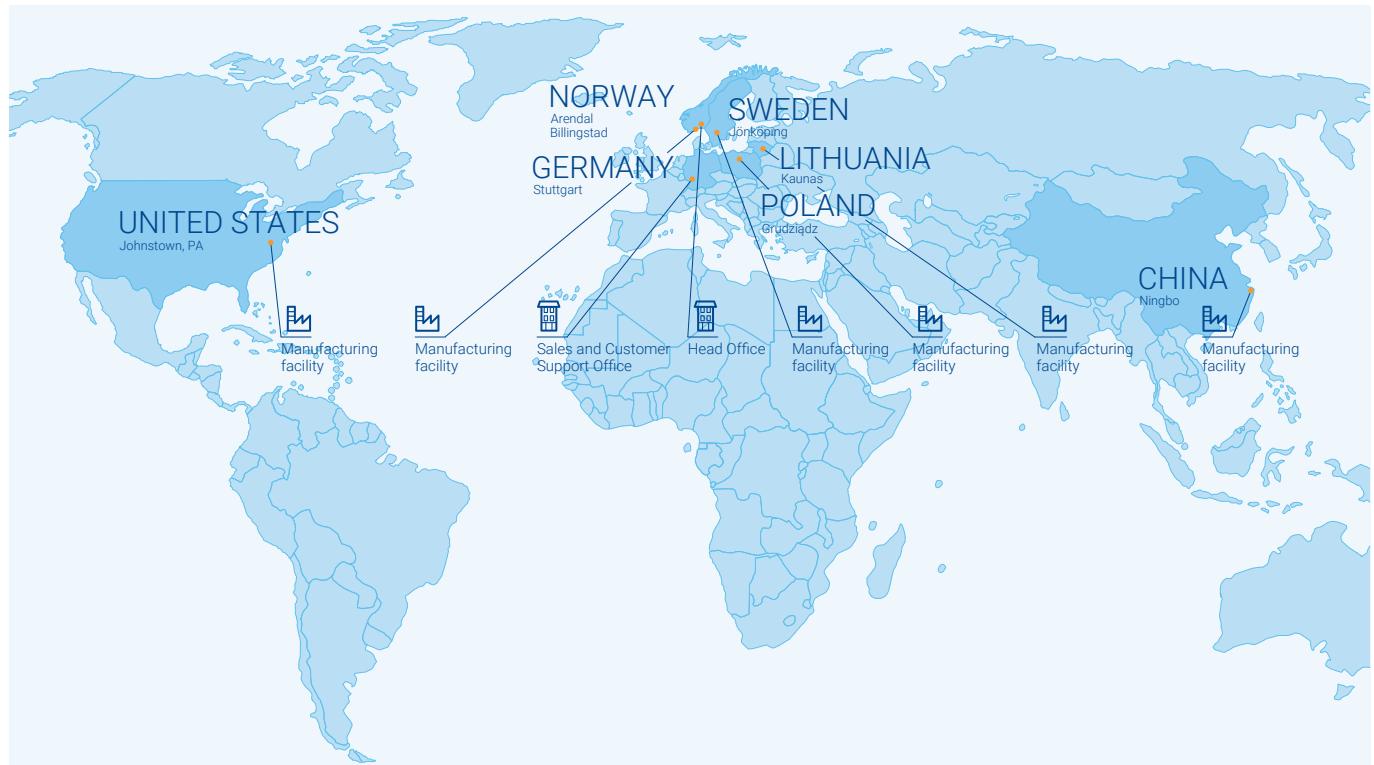
This report is prepared for Kitron ASA in accordance with The Oslo Stock Exchange Guidelines for Sustainability Reporting and Euronext Guidelines to issuers for ESG reporting from 2020.

The Sustainability report 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 2020

In 2020, labour costs amounted to 671.4 million (NOK 592.9 million) Payroll and social security expenses accounted for 16.9 (18.0) per cent of sales revenue.

### Procurement of goods and services

Kitron purchased goods and services valued at roughly NOK 2871.1 million (2416.7 million) in 2020.

### Tax

The Group's tax expenses for 2020 came to NOK 61.0 million (NOK 37.1) million.

#### Tax expense by country

(Amounts in NOK million)	2017	2018	2019	2020
Norway	5.6	4.2	3.0	10.1
Sweden	5.5	7.7	8.3	9.6
Lithuania	10.1	12.5	11.3	12.0
Other	12.4	6.5	14.5	29.3
<b>Total</b>	<b>33.6</b>	<b>30.9</b>	<b>37.1</b>	<b>61.0</b>

Table 1 Tax expense by country

### Sectors served

Kitron's core areas of expertise have over the past years been divided into the sectors Defence/Aerospace, Energy/Telecoms, Industry, Medical devices and Offshore/Marine.

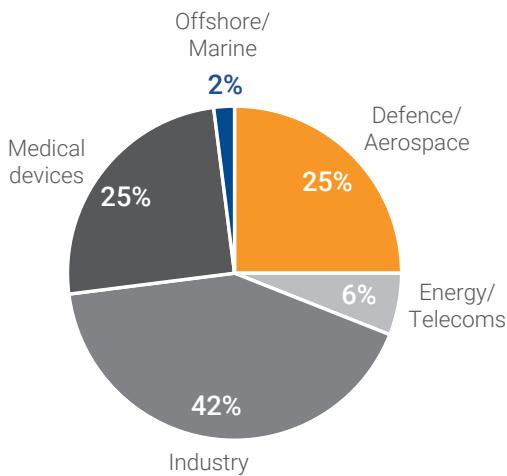


Figure 1 Revenue per sector

From 2021 these sectors are adjusted to better reflect market changes and growth outlook. Medical Devices and Defence/Aerospace are unchanged, and the other sectors are re-arranged into Connectivity and Electrification and Industry.

## KITRON'S APPROACH TO SUSTAINABILITY

Kitron's approach to sustainability and corporate responsibility are 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 effort 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 Oslo Stock Exchange 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

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 are 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 change



## EU's Taxonomy for sustainable activities

The EU Taxonomy aims to decide if an economic activity is sustainable, focusing on environment and climate. A sustainable activity is defined as one that substantially contributes to at least one of a defined set of environmental objectives, does not significantly harm any of the other objectives, while at the same time complies with social safeguards.

The final technical screening criteria have not yet been adopted by the EU. However, Kitron has been monitoring the process and analyzed the group's activities in light of the draft criteria.

As Kitron manufactures products for customers within a number of industries, there will be a mix of some revenue being aligned with the Taxonomy critieria and some not being aligned. A preliminary estimate indicates that about 20 percent of revenues in 2020 were aligned. This percentage is estimated to be slightly up from 2019.

## 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 affect 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 influence Kitron's sustainability 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.

See appendix 1 for complete list of stakeholders and arenas for dialogue.

## Stakeholder Dialogue

To ensure a strategic approach to sustainability reporting and to adhere to the intent of the Euronext Guidelines to issuers for ESG reporting, Kitron has undertaken 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 Euronext Guidelines to issuers for ESG reporting and GRI Standards. The findings from the stakeholder dialogue guided Kitron's priorities in the materiality assessment.



Figure 2 Kitron's stakeholders

## 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
- HSE, safety and security

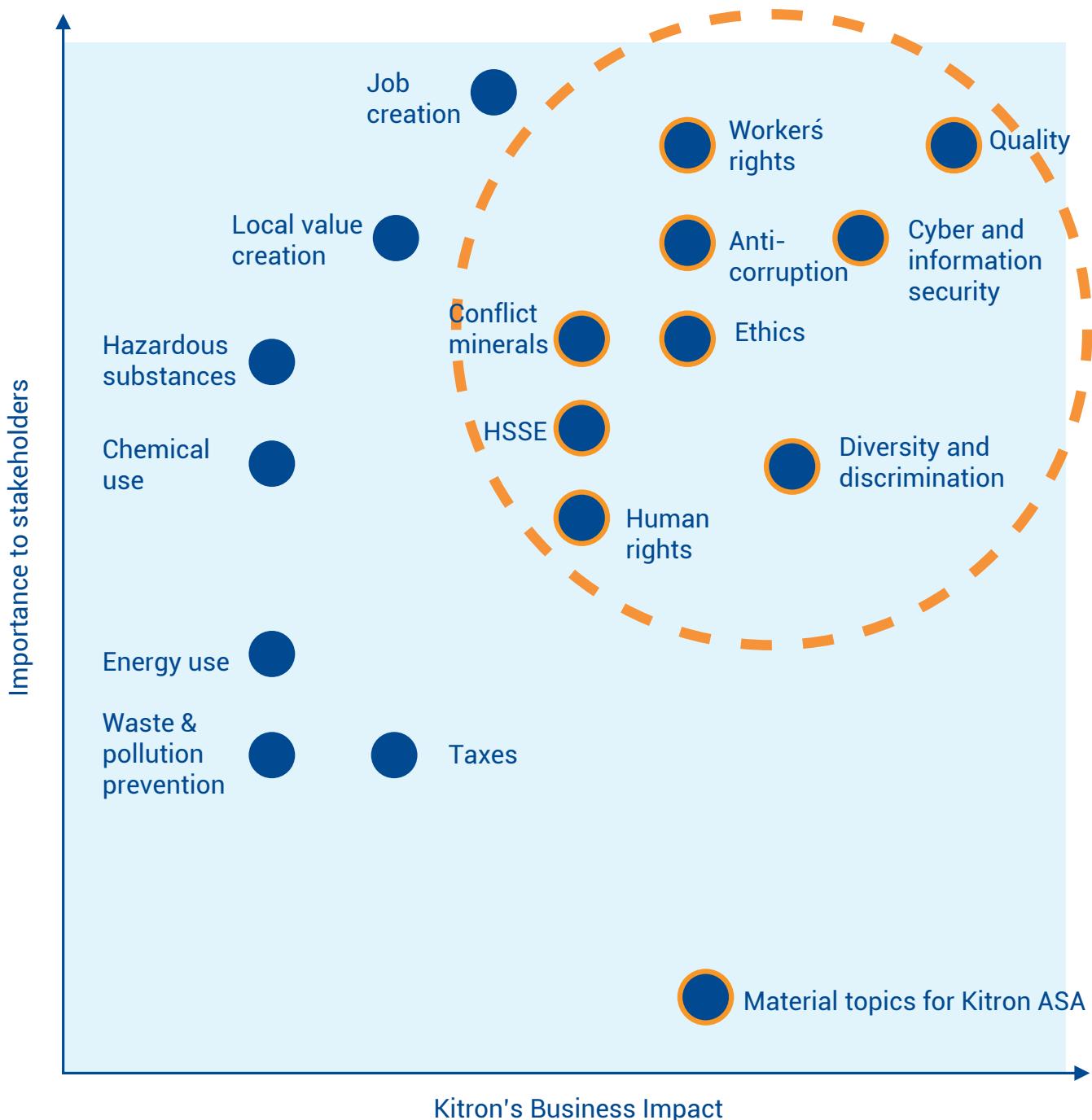


Figure 3 Materiality assessment

# 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 the Kitron Code of Conduct and the Supplier Code of Conduct. Since 2018, Kitron has been 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).

Conflict minerals	2017	2018	2019	2020
Conflict free 3TG+ NO 3TG by value	84.9%	83.7%	83.6%	79.1%
Conflict free 3TG + NO 3TG by number of parts	35 122	41 336	37 787	43 209

Table 3 Conflict Minerals by value and number of parts

## Goal 2020

Kitron set the following goals for human rights and conflict minerals in 2020:

Goal 2020	Status	Comment
Remain conflict free	Status is at 79.1%	The work continues.

## Goal 2021

Kitron set the following goals for human rights and conflict minerals in 2021:

- 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 a 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.

## Working environment, diversity and anti-discrimination

Health and safety in the working environment are very important to Kitron and is 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 of men's pay

Avg. pay direct women in % avg. direct men	2019	2020
Norway	85 %	87 %
Sweden	99 %	100 %
Lithuania	73 %	74 %
Poland	100 %	100 %
China	100 %	100 %
USA	94 %	86 %
Avg. pay indirect women in % avg. indirect men	2019	2020
Norway	81 %	90 %
Sweden	100 %	93 %
Lithuania	81 %	83 %
Poland	41 %	71 %
China	46 %	46 %
USA	72 %	82 %

	2019	2020
Average age	40.6	40.5
% of employees over 61	7.3 %	7.1 %
Share of employees in management positions	6.5 %	6.7 %
Share of female managers	32 %	27 %
Great Place to Work Survey - "Taking everything into consideration, I think this is a great place to work"	73 %	72 %

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

The Ethics Committee has received one concern regarding working environment. Investigations have been conducted and resulted in actions; the case is considered closed.

Kitron participates in the Great Place to Work survey. Annually, results are analysed and action plans developed and implemented. The results for 2020, where the overall score of the question "Taking everything into account, I think this is a great place to work", was 72%. This is slightly below last year's level, which was 73%.

Kitron will continue to utilize employee surveys to further strengthen the working environment.

Employees	2017	2018	2019	2020
Permanent employees	1 398	1 558	1 715	1 740
Temporary employees	203	185	129	212
Total workforce	1 601	1 743	1 844	1 952

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

Permanent employees	2019	2020
<b>Male employees</b>		
Norway	184	201
Sweden	115	108
Lithuania	288	272
Poland	56	68
China	55	71
USA	87	80
Germany	2	1
<b>Male employees</b>	<b>787</b>	<b>801</b>
<b>Female employees</b>		
Norway	139	146
Sweden	71	73
Lithuania	482	456
Poland	51	65
China	147	164
USA	37	34
Germany	1	1
<b>Female employees</b>	<b>928</b>	<b>939</b>
<b>Permanent employees</b>	<b>1715</b>	<b>1740</b>
Female employees in %	54 %	54 %

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

### 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 are parts of the current performance management process.

Kitron has implemented a 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 and work since continued to supplement Kitron Academy with learning and development activities. The work continues to increase the number of available trainings and track trainings within the digital platform.

In 2020, the number of training hours were 42 797 compared to 52 579 hours in 2019. The current Covid situation have caused certain trainings to be cancelled or shortened.

### Goals 2020

Kitron set the following goals for career development and training in 2020:

Goal 2020	Status	Comment
Register all training activities in Kitron academy	Completed	
Increase availability of training in Kitron academy	Significant progress made	

### Goals 2021

Kitron set the following goals for career development and training in 2021:

- Increase availability of trainings in Kitron academy

### 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. The current version of the 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 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. Kitron's Anti-Corruption 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.

Every year, Kitron conducts a Corruption and Risk of Bribery assessment on its existing suppliers. Active inventory suppliers and non-inventory suppliers are 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	2020
Very low risk	0.2 %	1.6 %	28.5 %	32.2 %
Low risk	41.3 %	42.5 %	26.5 %	23.3 %
Moderate risk	58.5 %	55.8 %	44.9 %	44.4 %
Increased risk	0.0 %	0.1 %	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 Kitron, the Ethical Code of Conduct is 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, 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 Group Ethics Committee either directly to one of the members 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 2020 the Ethics Committee received 2 reports of potential misconduct. One of the reports concerned personal misconduct, the other working environment. 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 2020.

Number of cases	2017	2018	2019	2020
Reported	1	1	0	2
Sanctioned	0	0	0	1

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

## Goals for 2020

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

Goal 2020	Status	Comment
Track share of employees who have completed the ethics and anti-corruption training in the digital platform.	Completed	We are now tracking all ethics and anti-corruption trainings in the digital platform that has taken place.

## Goals for 2021

Kitron has set the following goals for ethics and anti-corruption in 2021:

- Implement annual Ethics and corruption awareness trainings where the goal is that 90% of the employees at the end of the year shall have passed the trainings.

## 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

**Electronic components:** For this category, Kitron primarily deals with distributors rather than with manufacturers. On an annual basis Kitron purchases components from close to 1100 manufacturers through approximately 600 distributors. Kitron has established a Preferred Partner Program. In 2020 around 68 per cent of all electronic components (in value) were procured from 9 Preferred Partners.

**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.

**Printed Circuit Boards (PCB):** Kitron buys most of the PCBs from China (60 to 70 per cent of the world's PCBs are produced in China), either directly from manufacturers or through distributors, as with electronic components. In 2020 Kitron purchased 63 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, Poland, 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 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 and supplier coordination with local suppliers.

To ensure that the same supplier data is collected regardless of category and country, Kitron has 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 works at supplier consolidation, making sure that we work only with the best possible supply partners. In 2020, Kitron had 1973 active suppliers, up from 1396 the year before. The number of active suppliers is affected by the number of new customers and the general supply situation. Active supplier means Kitron have placed a purchase order in the last 12 months.

Unique active suppliers	2017	2018	2019	2020
Unique active suppliers (12 months)	1 477	1 639	1 396	1 973
Share of active suppliers who have signed Code of Conduct	49.8 %	53.0 %	80.0 %	90.1 %

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



Figure 4 Kitron's supply chain

## Goals 2020

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

Goal 2020	Status	Comment
Continue the work to on-board non-inventory suppliers using the RFI form	Not completed	For non-inventory suppliers, a risk based approach for registration will be implemented
Make sure all sites use the new standardised RFI and digital quality management system for gathering and storing RFI data	70.1 %	Significant progress made

## Goals 2021

Kitron has set the following goals for supply chain and quality management in 2021:

- Continue the work to on-board non-inventory suppliers using the RFI form. Introduce risk based requirements for registration and register higher risk non-inventory suppliers
- Make sure all sites use the new standardised RFI and digital quality management system for gathering and storing RFI data. Reach over 90% in 2021.

## 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 3.34 per cent for the group in 2020. 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 2020, there was no serious work-related accidents at Kitron sites. Kitron will continue to monitor the working environment regarding employee health and safety.

Absence and work-related injuries	2017	2018	2019	2020
Absence due to illness	4.3	3.1	3.6	3.3
Number of fatal occupational injuries	0	0	0	0
Number of occupational injuries causing permanent incapacity for work	0	0	0	0
Lost time Injuries (number of serious work-related accidents)	1	3	15	13

Table 9 Absence and work-related injuries

Turnover by site	2018	2019	2020
Turnover Norway	6.4 %	2.0 %	2,7 %
Turnover Sweden	11.6 %	9.0 %	6,1 %
Turnover Lithuania	18.0 %	16.7 %	14,6 %
Turnover Poland	-	6.0 %	18,6 %
Turnover China	26.0 %	36.0 %	29,5 %
Turnover USA	4.0 %	1.6 %	3,3 %

Table 10 Employee turnover by site

## Goals 2020

Kitron set the following goals for HSSE in 2020:

Goal 2020	Status	Comment
Decrease number of lost time injuries	Reduction from 15 to 13.	The number of lost time injuries are reduced.
Maintain or decrease employee turnover by site	Partially completed	For sites with large number of personnel or high turnover, the numbers are reduced.

## Goals 2021

Kitron has set the following goals for HSSE in 2021:

- Decrease number of lost time injuries
- Maintain or decrease employee turnover by site for sites with turnover over 10%

## 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 have set targets for the reduction of CO<sub>2</sub> emissions for our in-house operations in accordance with the obligations in the Paris Agreement. To further our commitment to environment we will during 2021 establish reporting according to CDP and perform a TFCD process.

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

Kitron's CO<sub>2</sub>-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 statistical data on greenhouse gas emissions includes the following sources of CO<sub>2</sub> 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.
- Scope 2 indirect emissions from electricity purchased: emissions from the consumption of electricity purchased. CO<sub>2</sub> emission factors used for electricity are location based and calculated using IEA emission factors.

Energy consumption		2019	2020
Diesel	Litres	8 734	9 034
Natural gas	Litres	246 122	268 455
Electricity	Mwh	13 041	15 562
Solar power	Mwh		155

Table 11 Energy consumption

Energy consumption	2019	2020
<b>Energy consumption, stationary resources (scope 1)</b>		
Diesel	22	23
Natural gas	283	309
<b>Scope 1 - tons</b>	<b>305</b>	<b>332</b>

Energy consumption, purchased grid electricity (scope 2 - market based)	2019	2020
Kitron Norway	0	0
Kitron Sweden	456	125
Kitron Lithuania	237	152
Kitron Poland	202	526
Kitron China	1 071	1 438
Kitron US	593	642
<b>Scope 2 - tons</b>	<b>2 559</b>	<b>2 883</b>

Energy consumption, own solar power (scope 2 - market based)	2019	2020
Kitron Lithuania		63
<b>Kitron Scope 1 and Scope 2</b>		
Revenue in MNOK	3 299	3 964
Energy efficiency factor (Energy consumption tons /Revenue MNOK)	0.87	0.83

Table 13 Tons CO<sub>2</sub> equivalents

Water consumption cubic metres	2019	2020
Kitron Norway	3 201	3 360
Kitron Sweden	1 700	1 910
Kitron Lithuania	8 180	5 941
Kitron Poland	1 097	3 291
Kitron China	3 685	5 185
Kitron US	1 544	998
<b>Kitron water consumption</b>	<b>19 407</b>	<b>20 685</b>
Revenue in MNOK	3 299	3 964
Water efficiency factor ( Water consumption cubic metres /Revenue MNOK)	0.47	0.25

Table 14 Water consumption cubic metres

Tons of waste	2019	2020
<b>Waste from manufacturing, sales and administration</b>		
Total waste	680	827
- recycled waste	436	525
- hazardous waste	84	42
Recycled waste in %	64 %	63 %

Table 15 Tons of waste

## Goals 2020

Kitron set the following goals for environment and climate in 2020:

Goal 2020	Status	Comment
Set goals and targets for the reduction of CO2 emissions from Kitron's business activities	Completed	

## Goals 2021

Kitron has set the following goals for environment and climate in 2021:

- Reduce CO2 emissions expressed as energy efficiency factor with 10%
- Report according to CDP
- Perform a TFCD process

## Information security and cyber security

### Information 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 consist of a Personal Data Protection Committee, a Corporate Data Protection Representative in addition to local Data Protection Representatives in all European countries.

### Cyber security

Kitron has clear requirements for cyber security commitments. The company is NIST 800-171 compliant and is preparing to be CyberSecurity Maturity Model Certification (CMMC) certified.

The standards requires a number of cyber security controls, procedures and processes as well as physical protection. Procedures includes intrusion tests, cyber security attack simulation exercises, IT risk analysis to name a few. The company has an IT charter and IT risks are presented annually to the management.





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 1 800 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.