

ARNON.

Art of Automation.

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GENERAL SUPPLIER REQUIREMENTS



ARNON provides electrification and automation as a service to our selected customers – machine, equipment and system providers in marine, mining, energy, and renewables industries.

We provide industrial electrification and automation as a service to our selected customers. We can offer a unique portfolio of competencies starting from instrument-, and electrification level through automation systems. Our aim is to be a true partner to our clients boosting their competitiveness.

To reach this goal our aim is also in long-term and well considered partnerships with all our selected suppliers.

Sourcing and procurement team is responsible for supplier relations management enabling the best quality and total cost efficiency for our selected customers. Expertise has been built up through long-lasting partnerships and our own active research both with our customers and suppliers.

By following the general requirements for our suppliers, we can together achieve the level of cooperation needed if we are to succeed in meeting the needs of our customers.

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1. MANAGEMENT RESPONSIBILITY

We require commitment to ARNON Code of Conduct, full compliance to applicable national and international laws and respect for human rights in the spirit of internationally recognized ethical standards. Suppliers' management responsibility requirements are needed to provide a framework for successful business operations.

CODE OF CONDUCT

Supplier shall be committed to develop business operations according to ARNON's Supplier Requirements to continue cooperation with ARNON. Some of these requirements may not be applicable to all suppliers and these requirements may therefore be left out from the scope of the assessment. The compliance with Supplier Requirements will be taken into consideration when making sourcing decisions.



To meet ARNON's requirements, the daily operational process and way of working shall be optimized for best performance. ARNON needs suppliers to support its operations and the needs of our customers. Fluent and streamlined processes between the suppliers and ARNON enable continuous improvement. In our supplier relations, we aim to establish long-term and constructive partnership. In regular meetings with the supplier, we agree upon development and activity plans and evaluate the fluency of the relationship.

The supplier shall sign a written commitment regarding confidentiality/ non-disclosure. All communications, information and/or data disclosed by ARNON, whether written, visual, or oral, is confidential. The supplier shall not disclose the confidential information of to anyone, shall not use it for any other purpose than the one determined, and shall keep the confidential information in confidence with the same degree of care as is used for its own confidential information and at least with reasonable care. The supplier shall comply with the specific requirements of the applicable confidentiality/non-disclosure agreement.

Clear business vision and strategy is needed regarding further development of the company, understanding its status and vision as to where it would like to be in the future is.

Management shall have a plan showing how it plans to achieve its vision and strategic objectives. The Supplier shall apply key performance indicators that are derived from appropriate strategic goals covering relevant business expectations.

Management will use these indicators to monitor and review its performance as well as to initiate improvement actions.

The Supplier shall have an active customer satisfaction program based on delivery performance, customer ratings, customer surveys and interviews, etc. Management shall take actions based on the results of the program.

Management supports the Health and Safety, Environment and Quality Management System by periodically reviewing it to verify its continued effectiveness and suitability for future needs.

The Supplier shall also have on-going performance improvement programs based on strategy elements, key performance indicators, quality and environmental objectives, customer satisfaction program etc. This includes ensuring that employees have the required education, training and competence for their position and tasks.



2. ENVIRONMENTAL MANAGEMENT

Environmental Management is needed to develop the management of environmental issues in supply chain and ensure the compliance of with Code of Conduct.

The Supplier shall be knowledgeable of environmental legislation and applicable regulations and provide evidence of compliance with such regulations including an up to date, documented Environmental Policy including commitment to environmental protection, prevention of pollution, compliance with environmental legislation and continuous improvement. The Supplier shall have a documented and certified Environmental Management System to ensure effective planning, operation, and control of environmental aspects. This Environmental Management System shall satisfy the requirements of ISO 14001 or other internationally recognized standard.

3. COMPLIANCE

The Supplier shall comply with all applicable laws and regulations, including competition, corporate governance, taxation, financial disclosure, occupational health and safety, employee rights, environmental protection, and export control.

We expect our suppliers to comply with all applicable laws and regulations and to follow the same good business conduct that we follow. In our supply chain, we also encourage our suppliers to set forth similar requirements for their suppliers and to take responsible business behaviour upstream in the entire supply chain.

The Supplier shall certify and ensure that the Supply does not contain any hazardous material or substance in the basic material or in the components used in the supply.

The supplier shall certify and ensure that no Conflict Minerals (3TG), including tin, tantalum, tungsten, or gold and cobalt originated in conflict affected or high-risk areas, are procured or contained in the supply, including those from its own suppliers.

The supplier shall confirm compliance with RoHS (Restriction of Hazardous Substances (2011/65/ EU)) and REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) and TSCA (Toxic Substances Control Act).





4. RISK MANAGEMENT

Risk Management is needed to support the achievement of company's strategies and goals as well as to protect the continuity of the business.

The Supplier shall have an up-to-date documented Risk Management Policy ensuring the active identification, analysis, control, and monitoring of business risks. The Supplier shall also take necessary actions to minimize probability and/or impact of such risks or eventual effects if such risks materialize.

The Supplier shall have a documented Risk Management System to ensure effective identification, analysis, control, and monitoring of associated risks, including timely preventive actions for risk mitigation. The Risk Management System shall include risk categories such as strategic, financial, operational, commercial, technical, quality and schedule as well as external categories such as location, natural hazards, export control and product liability.

The Supplier shall have a documented and implemented Emergency Procedure(s) including an evacuation and rescue plan.

The Supplier shall take occupational safety precautions throughout the organization for dealing with hazardous materials, noise, powered-up equipment, etc. by means of safety instructions and appropriate safety devices, protective clothing, hearing protectors, etc.

The supplier shall ensure that the organization complies with all relevant safety regulations. Also, full compliance of ARNON's HSEQ (Health and Safety, Environment and Quality) regulations and rules are required, when vendor is operating in ARNON's premises or under ARNON's supervising. Evidence of such compliance shall be available when requested.

The Supplier shall have a documented Disaster Recovery Plan (Business Continuity Plan). The Plan shall establish the procedures and responsibilities to be used by the Management to guarantee business operations continuity and customer service following an interruption event. The Supplier shall have a documented and implemented Security Procedure(s) covering buildings, employees, documents, and data systems. The Supplier shall be able to provide evidence of the effectiveness of the procedure(s).

5. DATA PROTECTION AND INFORMATION SECURITY

ARNON has implemented policies and guidelines to help protect the confidentiality, integrity, and availability of its information. These policies and guidelines are designed to reflect the commercial trade-off between a company's risks, probabilities, impacts, and mitigation costs.



Application of data protection and data security

Our suppliers are obligated to warrant the right to informational self-determination, the protection of personal data, the security of all business information and personal data in compliance with the legal requirements, and the applicable data protection and information security laws across all business processes.

Assurance of information security

Electronic data processing systems and the handling of information are unavoidable. Intrusion into such systems or

errors therein and the reckless treatment of information can have serious repercussions, such as lost data, theft of personal data, or the violation of copyrights. ARNON has therefore undertaken suitable measures and enacted rules to protect the confidentiality, integrity, and accessibility of electronically stored and other information.

We expect our suppliers to also ensure the protection of electronically stored and other information through appropriate security measures. They meet all required measures to prevent the internal or external misuse of sensitive information as well as a threat thereto.



6. QUALITY MANAGEMENT

The Supplier shall have an up-to-date documented Quality Policy. Management shall ensure that the policy is communicated, understood and implemented at all levels within the organization.

The Supplier shall have a documented Quality Management System to ensure effective planning, management, and control of quality. This Quality Management System shall satisfy the requirements of the ISO 9001 or other internationally recognized standard of the business area.

A description of the Supplier's Quality Management System documents and their hierarchy shall be available to illustrate the structure of the system. The Supplier shall have a document control operation to create, check, approve, release, distribute and delete quality system documents and data throughout the organization.

The Supplier shall have documented procedure for handling customer quality complaints. The Supplier shall also have database for storing the quality complaints. Moreover, the Supplier shall have a system for notifying ARNON of potential quality problems.

The Supplier shall define Internal and External Quality Records.

These records shall cover both Quality Management System elements such as reviews, audits, meetings, etc., as well as material and product related tests and inspection data. Agreed Quality Records shall be available to ARNON upon request.

The Supplier shall perform all inspection and testing operations according to documented inspection and test flow charts with reference made to relevant documented procedures and test plans. The Supplier's inspection and test equipment used for verification and validation of product requirements shall be calibrated and maintained at defined intervals in accordance with appropriate plans, instructions, and check sheets. The Supplier shall review these records regularly and take corrective and preventive actions as required.

The Supplier shall perform internal quality and environmental audits using qualified auditors in accordance with documented procedures and active plans.

The Supplier shall have appropriate quality tools at relevant phases of the processes that facilitate performance management and control of the processes. Data shall be available to ARNON upon request.

7. SUPPLIER MANAGEMENT

Supplier Management is needed to have efficient and successful cooperation with suppliers.

The Supplier shall have documented procedures for measuring and monitoring external supply chain performance and have active performance improvement plans.

The Supplier shall select its suppliers and subcontractors according to documented procedures for identifying and evaluating potential suppliers of products as well as for selecting the suppliers. When appropriate, a second source policy shall be applied. ARNON also reserves the right to audit Tier 2 Suppliers.





8. SUSTAINABLE SOURCING & PROCUREMENT

We consider sustainability as a key driver for business performance, reputation, attraction and retention of employees, and corporate citizenship. We expect you as a business partner to ensure that the commitments set forth below are acknowledged and undertaken, then implement standards and actions, which facilitate this vision and mission.

ARNON sourcing aims to identify, monitor, and minimize negative environmental and social impacts of ARNON supply chain while ensuring that best possible economic conditions are met, and a high-quality level is maintained.

Suppliers shall engage in sourcing in a responsible manner. They shall engage socially and economically different categories of suppliers through inclusive sourcing processes that promote equal opportunities.

It is expected suppliers shall communicate the above 'Key Expectations' as a ARNON Supplier to their own suppliers and shall monitor their suppliers' compliance. ARNON reserves the right to organize jointly with the Supplier an audit of a Tier 2 supplier. It is expected the supplier will extend the ARNON supplier engagement with their own suppliers, especially in field of climate change, decent work, and social excellence.

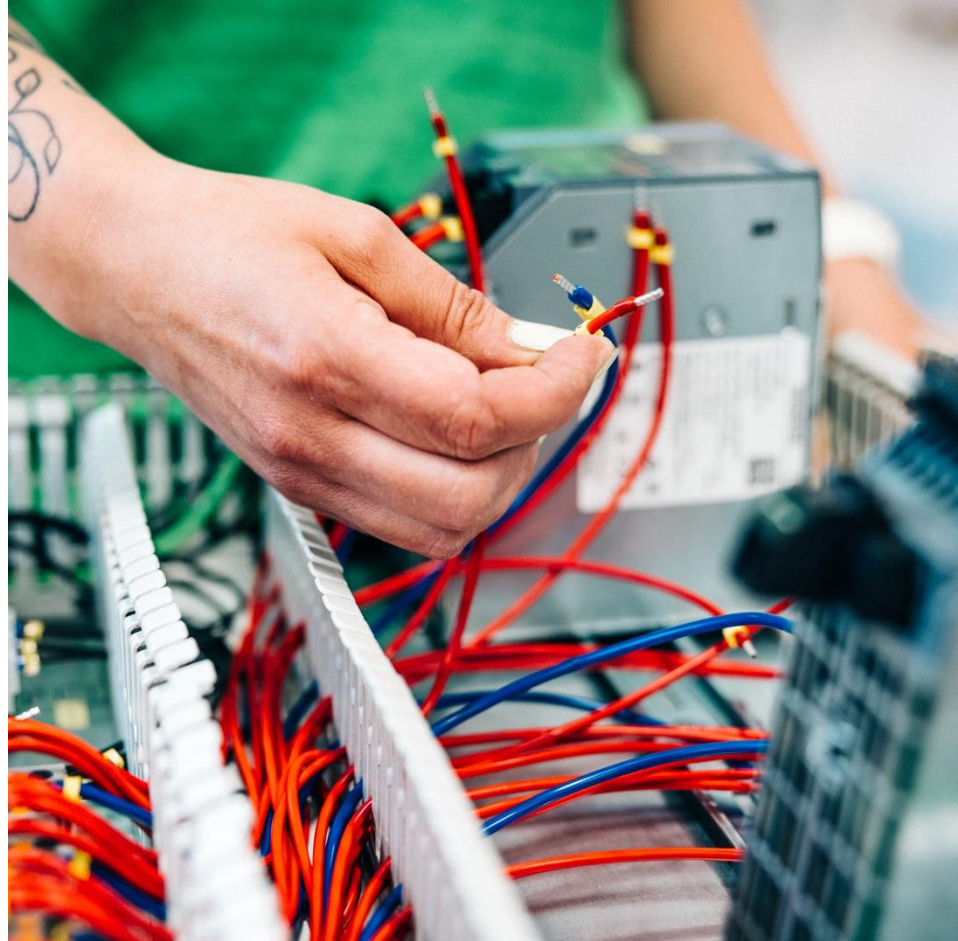
To help our suppliers achieve sustainability success, we encourage alignment with EcoVadis. Arnon monitors suppliers EcoVadis completion rate.

9. MATERIAL CONTROL

Material control is needed to ensure that right material is at the right place at the right time. The Supplier shall verify incoming materials used for production for conformance to relevant specifications.

The Supplier shall have adequate material handling, storage, packing and delivery instructions to prevent safety hazard and material damage. Material usage shall follow the first-in first-out principle. The Supplier shall have clearly documented procedures for the control, handling, and disposition of non-conforming products (scrap, rework). The Supplier shall have a system of manufacturing control used for the identification of products regarding type, lot or serial number, and their status during all stages of production and test. The shipments containing finished products shall be labelled according to relevant ARNON specifications.

The Supplier shall have a system for ensuring finished product traceability back to factory, date code and lot or serial number as specified by ARNON. The Supplier shall also have a system for identifying and tracing critical raw materials back to the source. When appropriate, requirements traceability shall be implemented at the request of ARNON.





10. SUPPLY PROCESS MANAGEMENT

The supply process management is the planning, implementing, and controlling delivery process as efficiently as possible.

The supplier shall have a supply process, covering all phases from order placement to product delivery. The Supplier shall have a forecasting process including receiving of forecast, production planning and confirmation of forecast. The Supplier shall have documented procedures for measuring and monitoring internal and external supply chain performance (e.g. delivery accuracy) and have active performance improvement plans.

The Supplier shall also have a system for notifying ARNON of potential short- and long-term delivery problems, e.g. capacity shortages, delivery delays or end of life components. Changes to products or systems (including changes to legal requirements, processes, or technical specifications) delivered to ARNON should be introduced in a controlled and coordinated manner.

The Supplier shall have a documented Product Liability Procedure including recall process and clearly defined liability related responsibilities. Non-hazardous and safe materials and components

shall be used in products and their approval obtained from applicable authorities (e.g. CE, UL). The Supplier shall have Liability Insurance for finished components and products worldwide, with no exclusions for any geographic areas.

The Supplier shall have documented procedure for handling ARNON quality complaints. ARNON may demand a specific root cause analysing system, to be used when a non-conforming product or material has been detected. In such cases ARNON will issue a non-conformity report (NCR) with compensation to the supplier.

THANK YOU!