

Napatech – Corporate Social Responsibility Report 2023

Napatech's commitment to socially responsible business practices and the creation of value for both the company and society is longstanding. Our commitment is built upon the UN Global Compact principles on human rights, labour, environment, and anti-corruption.

This Napatech annual statutory reporting on Corporate Social Responsibility is in accordance with Sections 99a of the Danish Financial Statements Act and forms part of the management review in the annual report 2023 for Napatech A/S.

BUSINESS MODEL OF NAPATECH

Napatech's business model is to develop and sell high-performance, programmable network interface cards and software for programmable NICs. Production of the HW is outsourced to a contract manufacturer.

OVERVIEW OF OUR MOST MATERIAL ISSUES

In our most recent materiality assessment, Napatech has identified the following key ESG topics:

Environment	Social	Governance
• Responsible Design	• Diversity	• Conflict Minerals
• Responsible Purchasing	• Human Rights	• Anti-corruption
• Responsible Manufacturing	• Employee satisfaction	• CSR compliance & reporting

ENVIRONMENT AND CLIMATE

Napatech is committed to conducting business operations in an environmentally responsible manner. We must take responsibility and work to mitigate potential risks and install countermeasures. We provide green solutions in the form of energy-efficient products that save on data centre power consumption. The products can be recycled or disposed of safely.

As a manufacturing company, there is a risk that producing and delivering products to our customers will impact the environment. We work actively to limit adverse impacts which we cause or contribute to or to which we are directly linked through our business relationships. Napatech also supports and promotes environmental concerns with suppliers to help them conduct manufacturing activities in an environmentally safe and responsible manner.

As a global company, our business activities include travel that has an impact on the environment. In general, we aim to minimize our travel activities by using virtual meetings whenever possible. In 2023, our travel activity was still below pre-pandemic levels, as we see online meetings substitute a fair amount of travelling compared to 2019 and before.

In the course of administrative tasks, Napatech consumes certain goods, the production of which has a risk of impacting the environment. In the office, Napatech recycles plastic, shredded paper, and printer cartridges to minimize the environmental effects of the production hereof. In 2023, we implemented further initiatives to reduce electricity consumption in our headquarters in Denmark. In the future, we expect to continue this work, and we are planning to have dialogues with our suppliers and our contract manufacturer to evaluate the possibility of reducing the environmental impact of our product.

Product Safety and Compliance

Our products are assembled by a contract manufacturer who shares our social responsibility ambitions. We investigate each component regularly, as declared in our conformance declaration with the EU RoHS directive and the REACH regulation.

Our products comply with EU directives and carry the CE mark, as declared in our EU declaration of conformity. They carry the UL mark for recognized components and are manufactured under UL's inspection and follow-up service, ensuring that safety-critical components are authenticated and handled according to UL's procedures.

In addition, we work closely with our contract manufacturer in the US to improve their environmental performance through more efficient use of resources and waste reduction. On our request, our contract manufacturer is ISO 14001 certified. In three meetings during 2023, we discussed the initiatives under their environmental management system with them to evaluate the effectiveness of the processes. In 2024, we are planning to evaluate whether a KC Safety Certification process should be implemented on our products.

Documents and Policies

RBA (EICC), VALIDATION, CONFLICTING MINERALS DISCLOSURE

Our products' quality and compliance are ensured through our policies, processes, and validation. We document this in our policy statements, certificates, declarations, reports, and journals.

Safety

CB, UL, IEC, EU DECLARATION OF CONFORMITY

It is our policy to provide safe products. Our products' safety is ensured by accredited third parties. As of 2023, the following declaration, certificates, and reports apply to all Napatech products:

- *EU Declaration of Conformity*
- *CB Safety Certificates*
- *UL Safety Certificates*
- *IEC Safety Test Reports*
- *UL Safety Test Reports*

Environment

ROHS, REACH, EU DECLARATION OF CONFORMITY, CHINA ROHS DECLARATION
We support and favour a healthy environment. All our products are investigated and analyzed to comply with rules for substances and minerals.

As of 2023, the following declarations apply to all Napatech products:

- *EU Declaration of Conformity*
- *RoHS Declaration of Compliance*
- *REACH Declaration of Compliance*

As of 2023, the following declaration applies to selected Napatech products:

- *China RoHS Declaration*

EMC

EU DECLARATION OF CONFORMITY

We are committed to providing electromagnetic-compatible products. For all our products, we ask accredited third parties to verify electromagnetic compliance with international EMC standards.

As of 2023, the following declaration and report apply to all Napatech products:

- *EU Declaration of Conformity*
- *EMC Test Reports*

SOCIAL RESPONSIBILITY

Human Rights

Napatech conducts business as part of the large electronics industry. In this context, Napatech is connected to a wide network of people working worldwide, contributing to components for Napatech's products. Accordingly, there is a risk that Napatech inadvertently could support the unethical treatment of people through this connection. It is important to Napatech that these people, while not directly employed by Napatech, have acceptable working conditions.

Napatech complies with The Responsible Business Alliance (RBA), formerly the Electronic Industry Citizenship Coalition (EICC), Code of Conduct that establishes standards to ensure that working conditions in the electronics industry, or industries in which electronics is a key component, and its supply chains are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible and conducted ethically. The Napatech RBA (EICC) conformance statement is available upon request through the company website.

Napatech has a Conflict Mineral policy with the objective of only using tin, tantalum, tungsten, and gold (3TG) that originate from conflict-free sources. All components are screened towards the Responsible Minerals Initiative smelter database, and the actual screening is outsourced to Greensoft. Since 2018, all our products 100% have been conflict-free. We are proud to have maintained this position throughout 2023. Our commitment to achieving 100% conflict-free products is supported by our membership in the Responsible Minerals Initiative.

In 2023, our sourcing department inspected the factories of some of our Asian supplies and discussed with them their approach to human rights. We are planning to make follow-up visits in the future and to visit factories from other suppliers as well.

Diversity

Napatech's 77 full-time employees, as of December 31st, 2023, include 8 women (10%), compared to 9 (11%) in 2022. The group primarily employs engineers, and as women are underrepresented among engineers, it is considered an obvious consequence that women are underrepresented in Napatech.

In general, Napatech wants to increase the presence of women throughout the organization. In order to attract more female applicants, our efforts are focused on improving work-life balance.

The group has a diversification strategy and employs more than 10 different nationalities. Salaries, positions, and duties are determined based on qualifications and experience.

Internal Working Environment, Occupational Health, and Safety

In the fast-paced and ever-changing business of high tech, employees can be at risk of work overload. It is important to Napatech that our dedicated employees have an acceptable work-life balance. At Napatech, we make sure that working conditions are safe and that our employees are treated with fairness, respect, and dignity. We assign resources to ensure compliance with changing legislation and have company policies for smoking, alcohol, and stress.

Stress is for Napatech always an area of focus and management at all levels are paying attention to signs of stress in employees so that we can take action before it becomes a long-term condition. This was the case in 2023 and the focus to minimize stress will continue in 2024.

Napatech adheres to national regulations on health, working environment, and safety. In Denmark, this includes regular inspections from the Danish Working Environment Authority, and Napatech has been awarded a 'green smiley' indicating that the company's work environment is satisfactory. In the US, Napatech provides a safe working environment following general guidelines from the Federal Occupational Safety and Health Administration (OSHA) and carries Worker's Compensation Insurance.

In Napatech, overall results and plans for health, environment and safety are reviewed by the Board regularly. In 2023, Napatech continued our focus on developing and retaining employees via both structured Employee Development Interviews and increased the number of one-on-one employee satisfaction interviews.

Employee satisfaction surveys are carried out every third year. Last time in 2022.

In our latest employee satisfaction survey, we were overall placed well above the benchmark level. We did detect that some offices were exposed to heat during the summer; in 2023, we, therefore, have fitted sun protection to meet the challenges with heat. Furthermore, we continued in 2023 to pay attention to the ergonomic area and offer all employees counselling to prevent injuries due to sedentary computer work.

In 2023, Napatech continued our focus on the physical working environment, including stress and harassment. We have worked on a harassment policy to ensure a healthy and safe working environment in which employees can thrive and feel secure. This is for preventative reasons and to contribute to a good tone of communication. The harassment policy is launched in the organization in 2024.

CORPORATE GOVERNANCE

One of Napatech's core values is being TRUSTWORTHY. We are reliable in every sense, from the integrity of our word to the solidity of our products. In the event something should go wrong, we are committed to openness and transparency.

Our compliance is ensured through policies, processes, and in-depth validation. We document this in our policy statements, certificates, declarations, reports, and journals. As of 2023, the following documents, overviews, and policies apply to all products:

- *Responsible Business Alliance Code of Conduct*
- *Napatech Environmental Management*
- *Napatech Commitment to Conflicting Minerals Disclosure*
- *Conflict Minerals Report for Napatech Products*
- *Napatech Statement on REACH*
- *Napatech Description of Vibration Setup*
- *Napatech Environmental Stress Vibration Test Report*
- *Vibration Testing @ Delta*
- *Napatech Certificate of Origin*
- *Power Consumption for Napatech Adapters*
- *Letter of Volatility*

Napatech does not sell to the US and EU officially embargoed nation-states (so-called 'Rogue States'). Our suppliers provide documentation that each product sold to us complies with our strict requirements. As of 2023, our suppliers must:

- *follow the RBA Code of Conduct*
- *have a Material Declaration*
- *follow the EU's RoHS directive and provide a list of claimed exemptions.*
- *follow the EU's REACH Regulation with compliance to the maximum threshold of any of the SVHC substances listed in the current version of the SVHC Candidate List.*
- *follow The proprietary regulations of IBM's Engineering Specification (ES 46G3772) and Cisco's Controlled Substances Specification (EDCS-661823).*
- *provide documentation that products are safe to use.*
- *provide safety certificates when requested.*

- *be part of a UL's wiring harness program if providing us with cable assemblies.*
- *provide us with an updated status regarding their sourcing of conflict minerals by completing the Conflict Minerals Reporting Template, which is released regularly by RMI.*
- *share our objective to only use 3TG that originate from conflict-free sources and work with their own suppliers in order to meet this objective.*

In Napatech, we have a Regulatory Compliance Manager whose full-time job is to secure that Napatech and our suppliers comply not only with the various legal requirements but also with certain ethical standards.

The conformant lists represent the smelters and refiners that have successfully completed an assessment against the applicable RMAP standard or an equivalent cross-recognized assessment. RMAP assessments are backward-looking.

Anti-corruption

Napatech will conduct its business in an open, honest, and ethical manner. We commit to being open and transparent about our business activities and will not participate in or support any form of bribery, corruption, or fraudulent practices.

Conducting transactions in an international environment, Napatech must be aware of differing business practices and promote ethical behaviour. In some of the countries Napatech sources components from, corruption is a more widespread problem, and the risk of corruption and bribery in connection with transactions, therefore, is present. According to Napatech's policies, any form of corruption, extortion, or embezzlement is strictly prohibited. No bribes or improper advantages are offered or accepted in any of our transactions, and we expect any agents or persons acting on our behalf to comply with this policy.

In 2023, no cases of corruption or bribery have been identified. During the fiscal year, our Sales and Operations Teams have been informed about our position on anti-corruption including recognizing and reporting any suspected corrupt practices and emphasizing to the Teams our zero-tolerance policy. In addition, a double-check reviewed process of all expense claims from the sales team is in place. To ensure that our anti-corruption awareness is continuously updated and top-of-mind, an anti-corruption information campaign for our sales organization, our sourcing organization and our executive management team is planned for 2024.

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This CSR Report was approved by the Board of Directors on March 7, 2024.