Napatech – Corporate Social Responsibility Report 2020

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

This Napatech annual statutory reporting on Corporate Social Responsibility is in accordance with Section 99a of the Danish Financial Statements Act.

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 world-wide, 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. Napatech RBA (EICC) conformance statement available on request through the company website.

Napatech has a Conflict Mineral policy with the objective of only use tin, tantalum, tungsten, and gold (3TG) that originate from conflict-free sources. All components are screened towards the Responsible Minerals Initiative smelter database, the actual screening is outsourced to Greensoft. Since 2017, our 1-gigabit and 10-gigabit products have been 100% conflict-free. And since 2018 this also applies to our products for 40G and 100G making all our products 100% conflict-free. We are proud to have maintained this position throughout 2020. Our commitment to achieving 100% conflict-free products is supported by our membership in the Responsible Minerals Initiative.

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.

Napatech adheres to national regulations on health, working environment, and safety. In Denmark, this includes regular inspections from the Danish Working Environment Authority in Denmark, where Napatech has been awarded a 'green smiley' indicating that the company 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 Workers Compensation Insurance.

In 2020 due to COVID19, we have had to implement several new initiatives to keep our employees safe. During national lockdown periods, our employees were encouraged to work from home when possible, and initiatives to ensure healthy working routines when working from home were implemented. Critical staff was allowed to work from the office in our headquarter in Denmark, where several regulations regarding social distancing and sanitizing have been implemented.

In Napatech overall results, and plans for health, environment, and safety are reviewed by the Board regularly. In 2020, 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.

Diversity
Napatech's 77 full-time employees, as of December 31st, 2020, include 9 women (12%), compared to 9 (12%) in 2019. The group primarily employs engineers, and as women are underrepresented among engineers, it is considered a natural consequence that women are underrepresented in Napatech. December 31, 2020, the management team consisted of six persons of whom one was a woman holding the position of HR Manager. It is the group's policy to increase the presence of women in the management team. In recruiting processes, the company aims for at least one of the last three candidates to be a female, however, it is always the best candidate for a specific position that will be chosen.

The Board of Directors consists of four men. The Board of Directors has a long-term goal to have at least 20% of women on the Board. In 2020 the number of board members was reduced from five to four and one new male Board member was elected for the Board of Directors. The candidate was elected due to his specific capabilities and knowledge. Due to the elected member being male, the target figure was not reached in 2020. The Nomination Committee has been instructed to actively look for suitable female candidates for additions to the Board. The Board is expecting to achieve the long term goal before 2023.

In general, Napatech wants to increase the presence of women throughout the organization. The group has a diversification strategy and employs 11 different nationalities. Salaries, positions, and duties are determined based on qualifications and experience.

TRANSPARENCY AND CREDIBILITY

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.

Napatech does not sell to the US and EU officially embargoed nation-states (so-called 'Rogue States').

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 behavior. Any form of corruption, extortion, or embezzlement is strictly prohibited. No bribes or improper advantages are offered or accepted.

CLIMATE AND ENVIRONMENT

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 center 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 2020, due to the COVID19 situation, our travel activity was reduced almost entirely. We expect travel activities will pick up again once the pandemic is over, but we still expect the activity to XX

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 2020, we further reduced our office space and implemented initiatives to reduce the consumption of electricity in our headquarter in Denmark.

Product Safety and Compliance
Our products are assembled by contract manufacturers that share our ambitions for social responsibility. We investigate each component regularly, and we declare that 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 Certification Mark for recognized components, and they are manufactured under UL's inspection and follow-up service, ensuring that safety-critical components are authenticated and handled according to UL's procedures.

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. They verify product compliance with international safety standards for electronics.

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

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.

Supply Chain
Our suppliers provide documentation that each product sold to us complies with our strict requirements.

> GENERAL REQUIREMENTS
> - *Our suppliers must follow RBA's (EICC's) Code of Conduct*
> - *Our suppliers must have a Material Declaration*
>
> RoHS
> - *Our suppliers must follow the EU's RoHS directive, and provide a list of claimed exemptions.*

REACH
- *Our suppliers must 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.*
- *Our suppliers must follow The proprietary regulations of IBM's Engineering Specification (ES 46G3772) and Cisco's Controlled Substances Specification (EDCS-661823).*

SAFETY
- *Our suppliers must provide documentation that products are safe to use.*
- *Our suppliers must provide safety certificates when requested.*

UL
- *Our suppliers must be part of a UL's wiring harness program if providing us with cable assemblies.*

CONFLICT MINERALS
- *Our suppliers must provide us with an updated status regarding their sourcing of conflict minerals by completing the Conflict Minerals Reporting Template, which is released regularly by the Responsible Minerals Initiative.*
- *Suppliers must also share our objective to only use 3TG that originate from conflict-free sources and work with their suppliers to meet this objective.*

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This CSR Report has been approved by the Board of Directors on February 18th, 2021.