

## Sustainable Sourcing Policy, actions and results

Beamex supply chain management aims to create sustainable competitive advantage, continuity and innovation through collaboration. We need to protect our brand image and manage our supply chain disruption risks and we recognise, that knowing our suppliers better is a key factor here. Our excellence in a high-mix business model depends on effective management of suppliers and strategic subcontractors. To live up to economic, environmental and social responsibility, our customer promises and stakeholder expectations, a reliable and responsible supply chain is vital for Beamex. We set requirements to our suppliers and work together with them in a fair way for better understanding and better processes, contributing to a more sustainable supply chain.

### TYPICAL PRODUCT SUPPLY CHAIN

Many of Beamex direct suppliers are located in Finland, many of them even close to its Pietarsaari manufacturing site. We source components and mechanical parts primarily from Finland, Western Europe and the United States, and to some extent from a few Asian countries. The upstream supply chains resemble those of other typical global electronic manufacturing industry supply chains.

Beamex manufacturing involves assembly, configuration, and calibration of electronic and mechanical equipment. Typically, our products are modularly customized according to customer specifications, and therefore many products are made-to-order, thus keeping inventories of finished goods low. Final products are shipped to representatives or directly to customers from the factory – in most cases by air freight.

### Stakeholders (interested parties) for Sourcing

Stakeholder	Topics
Business strategy and management	status reporting and reviews, sustainability requirements and targets for Sourcing in line with strategy
R&D	co-operation and early supplier involvement during R&D phase, efficient change management for reduced scrap
Production and Sales	well-updated forecasts, well-managed product ramp-ups and ramp-downs
Suppliers and partners	use of reusable transportation containers with subcontractors, optimizing delivery lot sizes. Include CSR-related questions in supplier audits, questionnaires and meetings. Create awareness, discuss risks and suggest good CSR practises and ISO-certifications. Promoting local job creation and minimising transportation cost by local sourcing.
Packing & shipping	using easily recyclable cardboard packaging, minimize use of plastics
Transportation companies	long-term co-operation for efficient operation
Service & recalibration	careful planning of spare part stock
Authorities	transparency and full compliance with laws and regulations (like export control, customs and EU trade statistics), follow-up on changes in requirements
Company owners	cost-efficiency, strategic partnerships, sourcing risk management
Customers	openness and transparency in CSR communication, dialogue, needs and feedback through questionnaires and audits

### CSR Responsibilities in Sourcing

Economic responsibility	Environmental responsibility	Health and safety responsibility	Social and ethical responsibility
<ul style="list-style-type: none"> <li>efficient supply chain</li> <li>offering job opportunities for local, domestic and international companies</li> <li>improve Total Cost of Ownership (TCO)</li> </ul>	<ul style="list-style-type: none"> <li>products need to comply to environmental legislation</li> <li>follow-up on changes in environmental legislation</li> <li>early problem solving with suppliers → avoid scrap, less material consumption</li> </ul>	<ul style="list-style-type: none"> <li>monitor and assess suppliers' performance in Occupational Health and Safety -matters (OHS) based on identified risk</li> </ul>	<ul style="list-style-type: none"> <li>collecting and assessing Code of Conduct (CoC) statements from suppliers based on spend and risk</li> <li>fair and open communication and co-operation with suppliers</li> <li>monitoring Conflict Minerals –status on manufacturers and components</li> </ul>

Beamex recognises the [Global Reporting Initiative \(GRI\)](#) as a commonly accepted reporting platform, but being a medium-size company, we have started our reporting by following industry best practises and guidelines from [EcoVadis](#) and various other sources.

Beamex Sustainable Sourcing Policy concentrates on three major aspects: *suppliers' environmental performance, suppliers' ethical and social practises and training, tools and assessment.*

## **SUPPLIERS' ENVIRONMENTAL PERFORMANCE**

### **CERTIFICATIONS**

The environmental performance is monitored by existence of ISO 14001 -certified environmental system. If such system does not exist, questions covering these areas are asked and documented in supplier audits and/or supplier meetings. We prefer suppliers with an ISO 14001 -certified environmental management system and promote acquiring one.

### **COMPLIANCE**

Beamex products put to market are RoHS II –compliant (Directive 2011/65/EU) since July 2017.

### **EARLY SUPPLIER INVOLVEMENT**

Beamex suppliers are experts of their own technologies. We benefit most from this expertise when we involve suppliers in product development and design early on. Manufacturability, quality and performance can be improved through Early Supplier Involvement (ESI).

Applying ESI in new product projects is a learning process and can become a key contributor in mitigating risks and speeding up the product development. It benefits both Beamex and the supplier, as re-engineering costs can be kept down and manufacturing times are faster. In Beamex, we value reliability and continuous improvement highly, and we believe, that ESI is an efficient method to implement them.

## **SUPPLIERS' ETHICAL AND SOCIAL PRACTISES**

Concerning the ethical and social practises, Beamex global Code of Conduct defines our internal set of ethics, social and business rules. In sourcing, we strive to extend these rules to our suppliers and strategic partners by collecting available information, raising awareness, planning, performing and documenting self-assessments and audits, reviewing and ranking the results in supplier evaluation meetings and making action plans based on the data.

### **CERTIFICATIONS**

The social performance is monitored by existence of ISO 45001 –certified occupational health and safety assessment system (OHSAS 18001 valid until March 2021). If such system does not exist, questions covering these areas are asked and documented in supplier audits and/or supplier meetings. We prefer suppliers with an ISO 45001-certified occupational health and safety assessment system and promote acquiring one.

## CONFLICT MINERALS

Beamex has established a Conflict Minerals Policy, which is available on Beamex website. Here is some further clarification on our **Conflict Minerals Compliance Program**:

According to our analysis, Conflict Minerals issues are possible in electronic components and printed circuit boards. We are collecting and recording Conflict Minerals statements of component manufacturers, mostly in the CMRT-template format of [Responsible Business Alliance \(RBA\)](#) (former EICC) and the Global eSustainability Initiative (GeSI). The data is collected from commercial databases like SiliconExpert (including judgement, whether or not the statement is sufficient) and the Internet. We update the compliance for each electronic component in our ERP-system, allowing us to evaluate the Conflict Minerals status of each product.

Beamex also gets Conflict Minerals data from our subcontractors' portals about components they supply to the products.

Beamex will closely monitor our customers' requirements on Conflict Minerals and act accordingly.

## CODE OF CONDUCT

Beamex Supplier Management Model classifies suppliers into four categories: potential, approved, preferred, and strategic suppliers. The classification defines the relationship between Beamex and the supplier and outlines the management model for each category. All suppliers are required to meet a set of criteria before they can become our supplier. Supplier requirements are based on the classification, country risk analysis, and spend.

Code of Conduct documentation is assessed against a wide set of CSR-criteria. If a supplier conforms to a standard (like ISO 14001, ISO 45001, SA8000 or GRI) or refers to an initiative or standard CoC (like UNGC, EICC, ZVEI, OECD GME), they get base points from this. The base points are complemented with evidence found from the CoC. If significant gaps remain, additional questions / documents are asked from the Supplier to give enough evidence for approval.

For all suppliers, if a CoC is available, it will be recorded. To evaluate ethical and social risks in the supply chain, the [amfori BSCI Risk Country Classification](#) is used as a basis. A Code of Conduct (company own or approval of Beamex CoC) is required if the supplier originates from a high-risk country. Also, a minimum 80% of spend should have an assessed and approved CoC by Beamex or have approved Beamex Global CoC. Currently, we are concentrating on getting the 'Tier 1' supplier Code of Conduct documentation.

## TRAINING, TOOLS AND ASSESSMENT

Internally, training on CSR will be given regularly to Sourcing and Quality personnel. The tools for supplier assessment are continuously improved and quality department is involved in supplier auditing. With external courses, good common practises can be introduced and user experience on assessment, reporting practises etc. can be shared.

Beamex participates in EcoVadis as supplier since 2017 and has been awarded EcoVadis Silver medal. Beamex has ISO 9001 -certification since 1992, current standard version is 2015. Our target is to get ISO 14001 -certification during 2020.

## THE KPI'S, RESULTS 2020 AND TARGETS FOR 2020-2022

The consolidation of the supply chain was started in 2017 with the aim of increased collaboration with existing suppliers. At the end of 2019, over 99% of Beamex manufacturing-related purchases were covered by direct approved suppliers.

Collected information from Supplier database 17.08.2020:

Activity theme	Target actions	Supply chain KPI	KPI 2017	KPI 2019	KPI 2020	KPI target 2020-2022	Target actions for 2020-2022
<b>CERTIFICATIONS</b>	Collect ISO 9001 certification info available	Suppliers having ISO 9001 (based on spend)	76%	88%	90%	92%	Update and collect more. Suggest a certification and ask for supplier's plans
	Collect ISO 14001 certification info available	Suppliers having ISO 14001 (based on spend)	28%	40%	47%	50%	Update and collect more. Suggest a certification and ask for supplier's plans
	Collect ISO 45001 info available	Suppliers having ISO 45001 (phase-out OHSAS 18001) (based on spend)	5%	13%	14%	15%	Update and collect more. Suggest a certification and ask for supplier's plans
<b>COMPLIANCE</b>	RoHS II –compliance		100%	100%	100%	100%	Follow-up on changes / new requirements
<b>EARLY SUPPLIER INVOLVEMENT</b>	Apply ESI in new projects and collaborate with suppliers	Count of common (Sourcing + R&D) visits	Several cases	15	6 (H1/2020 only)	10-15	Continue
<b>CONFLICT MINERALS</b>	Collect Conflict Minerals statements readily available	Conflict Minerals free (active electronic component count)	63%	84%	86%	88%	Update and collect more (review smelter status %, if supplier is not 100%)
<b>CODE OF CONDUCT</b>	Collect and assess CoC documents (min. 80% of spend)	Suppliers having Code of Conduct approved by Beamex (based on spend)	59% (collected only)	69% (collected only)	81% (approved)	85%	Update, ask for, collect and assess more.
	Determine high-risk country suppliers, collect and assess CoC	High-risk country suppliers with CoC approved by Beamex (based on spend)	96% (collected only)	100% (collected only)	100% (approved)	100%	Keep the KPI in 100%
<b>TRAINING, TOOLS &amp; ASSESSMENT</b>	Fill-in EcoVadis questionnaire	Sustainable Procurement index	40	Under re-assessment	50	60	Improve CoC assessment and risk analysis. More detailed questions on CSR into audit templates.
					done		Basic CSR-training for Beamex Oy personnel
						done	Review supplier audit templates and meeting agendas

August 21<sup>th</sup>, 2020 in Pietarsaari, Finland

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