



GROUP SUPPLY CHAIN POLICY

This Policy on the management of our supply chain is to ensure that our Key Suppliers have a sustainable financial future, and the appropriate behavioural standards that underpin the Group's values.

The Group sources components, materials and services for its manufacturing processes from a number of countries. We appreciate that there are local and national differences in standards in relation to many aspects of the manufacturing and wider business environment. However, we also recognise that there are several minimum standards that must be achieved by all.

Basis

Ahead of doing business with a Key Supplier, relevant checks must be undertaken to assess the strength, longevity and ethical standing of the prospective key supplier and that once the Key Supplier has been appointed that these checks continue via formal meetings conducted on an annual basis, with records kept of these meetings.

Principles

It is our Policy that the Group will only trade with suppliers that:

- Are resilient and have passed the appropriate credit checks;
- Carry adequate insurance;
- Comply with local laws and regulations; and
- Are prepared to sign up to the Group's relevant behavioural standards or can evidence their own ethical policies.

Adoption

This Policy has been adopted by the Group and will be updated or modified as appropriate.

Implementation

The Policy will be implemented across all Group Operating Units. The boards of each Operating Unit are responsible for the detailed oversight of the operation of the Policy and reporting to the Group's Board as and when appropriate matters arise.

Key Suppliers

The Group Supply Chain Policy & Guidance Applies to "Key Suppliers".

A Key Supplier is someone who:

- Performs an essential function;
- Supplies an essential service;
- Supplies essential components, products or services which are central to a project or for the Operating Unit;
- Has the potential to bring material risk to the project or Operating Unit; and
- Cannot be easily replaced on similar terms, price, quality & ability on short notice.

It is expected that operating companies will have between 5 to 15 Key Suppliers.

Customer Specified Key Suppliers

Where a customer specifies a requirement for the Operating Unit to engage a particular Key Supplier, the Operating Unit should seek customer confirmation that the Operating Unit will bear no liability for the actions of the Key Supplier and that the customer's selection be at the customer's risk via customer contracts or tender response if appropriate.



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Delegation of Authority Matrix

All purchases must be approved in line with the Group's Delegated of Authority ('DOA') Matrix. Any commitments (either through a Purchase Order or bespoke contract) greater than £1 million (or local currency equivalent) require Group President and Group CFO approval. Any commitments greater than £1 million (or local currency equivalent) and greater than 18 months in length also require review from the Group Head of Legal. The Material Contracts Request Approval Form – Purchases needs to be completed to evidence approval. See the Group's DOA for further details on purchase approvals.

Dual Source

Operating Units are required to dual source all key supplies. Where it is not possible to dual source, a **Key Supplier Single Source Justification** form should be formally documented and signed by the Managing Director or Finance Director of the Operating Unit. This process should be repeated annually as part of the Annual Review Process (see below).

Pre-Engagement Tasks

When first dealing with a supplier who has been or is likely to be identified as a Key Supplier, completion of the **Key Supplier Questionnaire** is required, and you should consider the need for the following:

1. Non-Disclosure Agreement

Applicable Key Suppliers should be presented with a Non-Disclosure Agreement and asked to review and sign.

2. Credit Checks

A credit check should be undertaken for every new Key Supplier who is appointed by an Operating Unit and each year for existing Key Suppliers. The Financial Director of the Operating Unit (or his/her nominee) is required to underwrite any decision to continue using the Key Supplier with such a decision to be formally recorded.

3. Resilience Checks

A capacity appraisal should be undertaken by the purchasing team to verify the ability of the Key Supplier to meet demand. Such appraisal is required to be underwritten by the Financial Director and/or Managing Director of the Operating Unit, if the Key Supplier is to be permitted to continue to supply or be appointed to supply 'critical supplies.'

4. Code of Business Conduct, Anti-Bribery & Corruption Policy, and Anti-Slavery & Human Trafficking Policy

The **Key Supplier Annual Compliance Certificate** should be signed by the Key Supplier. If the Key Supplier does not sign this, justification should be provided as to why the Key Supplier can still be used (an acceptable reason being that the Key Supplier has their own Business Code of Conduct or ethical policies. In this case the Operating Unit should request copies).



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5. Insurance

Copies of General and Public/Products liability insurance certificates, and if appropriate Professional Indemnity/E&O insurance certificates or letters from the insurer or the Key Supplier's insurance broker should be obtained. Such documents must confirm the value, scope and type cover of the insurance policy, together with any exceptions. The level of cover for the specific activity concerned should (as a minimum) equate to the value of the business being awarded to the Key Supplier.

6. Terms and Conditions

Key Suppliers should be contracted wherever possible on the Operating Unit's standard terms and conditions of purchase.

Key Supplier Annual Reviews

Annual Reviews of each Key Supplier MUST be completed to cover performance, compliance, and resilience. This must include a formal Annual Review meeting, either face to face or via Teams, with each Key Supplier. The meeting must be minuted.

The Annual Review must cover:

- Key Supplier Annual Review Checklist completed and retained for each Key Supplier;
- Key Supplier Annual Compliance Certificate signed by each Supplier;
- Key Supplier Single Source Justification forms completed as necessary;
- Up to date copies of the Key Suppliers' Business Code of Conduct or ethical policies should be requested; and
- Explanations for non-compliance with this policy should be minuted.

Helpful Documents

- Key Supplier Questionnaire;
- Key Supplier Single Source Justification;
- Key Supplier Annual Review Checklist;
- Key Supplier Annual Compliance Certificate; and
- Material Contracts Request Approval Form – Purchases.

Other Contacts

- Your Managing Director/local Finance Director
- Group Head of Legal Tel: +44 (0)121 704 7430
- Email: compliance@hsgroup.com

Supplier Process

