



ADVA's position on slavery and human trafficking

Transparency statement 2020

Profile

ADVA Optical Networking SE, and its subsidiaries and affiliates (hereinafter: "ADVA" or "ADVA group"), is a company founded on innovation and driven to help our customers succeed. Our technology is the foundation of a digital future, empowers networks across the globe, and, connects mankind. We're continually developing breakthrough hardware and software innovations that lead the networking industry and create new business opportunities. Our open connectivity solutions enable our customers to deliver the cloud and mobile services that are vital to today's society and create a digital future that will support both a diverse and inclusive world.

Mission

Our mission is to be an innovation leader focused on its customers' experience by building better networking solutions.

Our commitment

Integrity is at the core of who we are. At ADVA, we are committed to running our business responsibly. We strive to live up to our ethical standards embodied in our values and documented in our Group Code of Conduct ("Code"). Our efforts are supported by periodic training sessions for all employees and a dedicated team with clearly allocated responsibilities within the areas of compliance, sustainability, and corporate social responsibility. In addition, we actively encourage all individuals to report any perceived deficiency either to our ombudsman or via our Ethics and Compliance Helpline.

Modern slavery and human trafficking

No human should be forced to undertake work against their will. For millions of people around the world, this statement, unfortunately, does not reflect reality as they are exploited and forced into modern slavery. As a result, they often suffer physical, psychological, and sexual abuse. ADVA tries to ensure that slavery is not taking place in any part of our business or supply chain. Our standards include a variety of different policies and practices to address slavery and human trafficking issues in the different areas where they could potentially occur. This aligns with the United Kingdom Modern Slavery Act of 2015 and other similar laws and regulations. As the focus of our activities is the development, selling, and servicing of networks, our business depends on hundreds of suppliers and service providers, and several contract manufacturers. It is hence in our supply chain where we see the highest risk for modern slavery and human trafficking. The deployment and production of ADVA equipment are mostly outsourced to manufacturers. ADVA uses mainly Tier 1 manufacturers that are US companies that, in turn, have a strong interest of their own in complying with strict U.S. regulations.

ADVA's supply chain and its evolution during 2020

We buy a wide range of different products, including hardware components for our solutions, and, expert services to help develop, produce, maintain or even dispose of our products.

The year 2020 was radically influenced by the Covid-19 pandemic. According to our internal assessment, Covid-19 had a limited impact on ADVA's suppliers. In general, the ICT branch did not suffer from a substantial loss of revenues during the pandemic but has rather experienced an uplift due to the digitization of society. For the upcoming years, it is expected that a comparatively good market situation remains for internet and telecommunication providers. Therefore, no negative impact is to be expected for the ADVA supply chain from Covid-19 but we are monitoring the Semiconductor supply crisis, due to the strong economic recovery, many countries are now experiencing.

Within this context and in the year 2020, ADVA continued to increase its focus on and investment in a highly flexible supply chain and manufacturing processes that are less dependent on specific countries and/or single-source suppliers. In addition to higher supply chain resilience, this also helped to strengthen our various anti-slavery and trafficking measures which include the following:

- **Our Code and Supplier Code of Conduct:** Our Code derives from our values and sets forth the ethical standards that every employee, manager, director, and officer of ADVA (collectively "Employees") needs to comply with. All Employees receive periodic training and need to acknowledge their adherence in writing. Process adherence is regularly audited including by the group's external financial auditors. Detailed proceedings and results are as published in ADVA's Sustainability Report which is updated annually and available on our website.

Finally, our commitment to ethical behavior and decision-making extends to our business partners and we strive to work with companies that operate under similar principles. In addition to our Code, our Supplier Code of Conduct addresses specific issues for our strategic suppliers and is modeled on the Responsible Business Alliance framework. We do not tolerate any form of forced or compulsory labor. Both the ADVA Code of Conduct and Supplier Code of Conduct were updated in 2020.

- **Risk assessment:** To ensure compliance with our Supplier CoC, ADVA has implemented a supplier assessment process for new suppliers. It intends to uncover risks and non-compliances and to address them. This process consists of a supplier survey, a risk assessment performed by us, and finally on-site supplier audits.

Throughout 2020, we continued with the implementation of a specialized IT-based solution with IntegrityNext, to further improve any such risk assessment as well as the subsequent screening and qualification. The tool has a high coverage rate by scanning over 2 Billion entries per day and automated risk management for standard CSR aspects through social media screenings. ADVA uses IntegrityNext, both for onboarding of new suppliers (e.g. with an onboarding questionnaire covering aspects of sustainability, modern slavery, compliance for environmental aspects, conflict minerals, etc.) and for the continuous re-assessment of existing suppliers.

- **Screening, qualification, and contracting:** ADVA implemented automated screening, qualification, and contracting processes for strategic suppliers and other selected business partners. Through 2020, ADVA conducted a massive ramping of the screening. In 2020, ADVA screened 96% of the total supply chain spend and 74% of all suppliers. The percentage of contract coverage is smaller due to some suppliers having contracts directly with our contract manufacturers. The screening is conducted via a self-assessment. The topics of the assessment are defined by IntegrityNext and contain assessments e.g. on RoHS, REACH and conflict minerals. Our measures include standardized questionnaires, technical and operational support, and contracting according to pre-defined master purchasing agreements that require compliance with our ethical values, applicable laws, or regulations. In addition, for the remaining 4%, screening takes place via social media screening.

To track the progress of contract negotiations and for agreeing on priorities, ADVA's global sourcing department is conducting regular calls with all relevant internal stakeholders. Priorities are agreed upon based on the prior risk assessment and subsequent due diligence.

- **Auditing and monitoring:** ADVA utilizes online assessment and auditing tools to evaluate strategic suppliers. In addition, clear and specific key performance indicators help us to continuously evaluate our strategic suppliers' performance and to drive improvements where required. Furthermore, on-site audits are conducted where needed. Due to Covid-19, no on-site audits were conducted in the APAC region, however, in general, the supplier situation in the ICT branch is in a better condition compared to other sectors, e.g., the textile industry.

Through 2020, a replacement of contract manufacturers from China to South East Asia took place. This was done as an intermediate step to reduce dependencies on China. ADVA expects that the relocation to South East Asia does not have negative effects regarding the anti-slavery conditions. As a final step, it is intended to move manufacturing into Germany and Eastern Europe.

In 2020 no findings nor massive violations of conformity with regards to supply chain events occurred. In addition, we invested significant resources in strengthening our supply chain including the identification and qualification of alternate suppliers and contract manufacturers.

Ethical conduct does not simply happen. It is the product of a corporate culture based on integrity and accountability which is modeled by the top and demonstrated by example. Constant reinforcement and improvement are required. This includes investments into supporting departments, independent audit functions, and ways to (anonymously) report concerns. This statement describes our key measures for preventing slavery and human trafficking as focusing on our supply chain. It is applicable for the period January 1 to December 31, 2020, and has been approved by the management board of ADVA Optical Networking SE.



TRANSPARENCY STATEMENT 2020

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We thank you for supporting ADVA in our quest for a diverse and inclusive world where people have a choice and are free to reach their potential.

A handwritten signature in black ink, appearing to read 'Brian Protiva'.

Brian Protiva
Chief Executive Officer
May 2021

