CIRCULAR ECONOMY POLICY

ETL Systems Ltd

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Circular Economy Policy

Commitment and scope

ETL is committed to minimising the energy and resource consumption of the products that we design and manufacture.

This **Circular Economy Policy** outlines our framework to achieve this commitment against each aspect of the product's life cycle. This is in line with our ISO 14001-acredited Environmental Management System that ETL operates.

This Policy helps us to assess which suppliers to use during procurement, reducing the downstream impacts associated with their products and services. It outlines the methods that we use to engage with our suppliers to promote sustainable business growth.

Objective

The objective of this framework is to instil processes that achieve the following:

- reduce waste and pollution
- circulate products and materials
- regenerate nature

As a result we aim to minimise our impact on climate change, biodiversity loss, waste, and pollution.

Associated documents

This Circular Economy Policy should be read in conjunction with other relevant company policies including:

ETL Systems Circular Economy Framework (diagram)
Sustainable Procurement Policy (sets out how we embed our sustainability goals into our procurement activities and our interaction with suppliers).
ETL's Supplier Code of Conduct
ESG Policy and Framework
Quality & Environmental Policy
Management of End-of-life Waste Electronic Equipment Policy

These are found on the Corporate Responsibility section of the ETL website:

https://www.etlsystems.com/corporate-responsibility

Product life-cycle

PRODUCT DESIGN

It is required by ISO 14001 that, when considering any new design, to retain a perspective on the full Life Cycle of the product. The following product design initiatives support this.

- Product design to minimise energy consumption by selecting parts with low energy consumption and ensuring that parts not in use can be turned off where it does not affect performance. Less energy is used, and less heat dissipated as a result.

- The GENUS modular range has standardised and reduced parts in the supply-chain and will ultimately succeed many of the older product families. Environmental impact is integral to the Genus design with the following key features:

    - **Maintainability** – All active parts within the design are field replaceable (by the end user). This means that the chassis life can be prolonged far beyond that of a conventional product design.
    - **Upgradeability** – The system is modular and thus small elements can be changed to provide low environmental impact upgrades allowing the customer to keep pace with changes in technology and requirements.
    - **Modularity** – Modular designs such as GENUS have standardised and reduced the number of parts in the supply chain.

- Digital-IF products (new technology in development) bring incredible environmental benefits by shifting from a hardware to a software focussed solution – an inherently lower carbon-footprint/ environmental impact solution (less hardware infrastructure, on-site management and travelling). It can reduce the number of sites and energy consumption of our customers.

- Re-use of product (e.g. reconditioning of PCB boards)

- Re-use of packaging

PROCUREMENT

Sustainable Procurement Policy

ETL's **Sustainable Procurement Policy** sets out how we embed our sustainability goals into our procurement activities and our interaction with suppliers. It outlines ETL's approach to managing the environmental impact of what we buy by retaining perspective on the full Life Cycle of the product to minimise carbon footprint.

ETL's requirements or expectations are as follows:

- *ETL's New Part Request and Approvals Procedure states the importance of:*
  - considering the carbon footprint impact when making decisions on the selection of parts
  - considering existing stock (to reduce ordering diverse parts in small quantities)
  - considering sourcing components locally

- Suppliers are expected to comply to all applicable environmental laws in their respective countries/ jurisdiction.

- Suppliers who provide or use timber packaging must display due diligence in the use of sustainable timber in their supply chain.

- Responsible sourcing of minerals; suppliers must conform to all local legislation regarding the origin of conflict minerals, and must perform country-of-origin enquiries regarding 3TG (tantalum, tungsten, tin or gold) minerals as requested by ETL.

- ETL encourages all suppliers to monitor, evaluate and – where possible – reduce waste streams in the packaging and transportation of goods.

- ETL will support schemes to reduce packaging material, provided these are shown by standardised testing to have no adverse effect on the delivered product.

- All suppliers are expected to be accountable for monitoring and measuring their waste streams and emissions and verifying that these comply to local legislation.

- Suppliers and sub-suppliers who are carrying out special processes, such as plating or painting, must demonstrate awareness and control of the environmental impact of these processes, preferably by demonstrating their own ISO 14001 compliance.

- Chemical and substance supply chain:

RoHS and WEEE

- Goods supplied to ETL must be compliant to RoHS Directive 2011/65/EU and the Waste Electronic Equipment Directive 2012/19/EU.

REACh

- ETL operates a supply chain that requires compliance to EC1907/2006 Registration, Evaluation, Authorisation and Restriction of Chemicals. To do this, suppliers are required to communicate safe usage information to ETL (Article 33) if any substance classified by Annex XIV or the associated Candidate List as an SVHC (Article 57) is subsequently included in delivered articles above the threshold of 1 tonne/year and 0.1w/w%.

- It is expected that suppliers keep themselves abreast of changing legislation associated with REACh and particularly Annex XIV.

Supplier Code of Conduct

ETL's Supplier Code of Conduct applies the principles of our Sustainable Procurement Policy to our Suppliers. It addresses environmental performance, worker rights and good governments and the requirements stated in the Code represent a minimum standard of best practice.

Suppliers are also expected to share these requirements through their own supply chain to propagate socially and environmentally responsible business ethics.

ETL's intention is that suppliers will acknowledge and sign up to the Code by completing and returning the Supplier Commitment Form.

Suppliers are sent the Code as part of the on-boarding process along with an environmental questionnaire. They are requested to return the Supplier Commitment Form.

In the event that the requirements of the Code are not met, the business relationship may be reviewed and corrective action pursued subject to the terms of the related procurement contract(s).

Supplier on-boarding and monitoring

ETL's Supplier on-boarding and monitoring processes are designed to identify and mitigate risks associated with our procurement process and within our extended supplier network.

Supplier On-boarding Process:

The **Supplier On-boarding Process** must assess suppliers against the sustainability credentials set out in the **Sustainable Procurement Policy** and **Supplier Code of Conduct**.

The supplier selection and approval process factors a supplier ESG score and should consider sustainability initiatives such as carbon footprint reduction, reduced resource consumption and emissions, waste minimisation and recyclable packaging materials.

The **Supplier On-boarding Process** includes the following **environmental evaluation methods:**

- Procurement must check the sustainability credentials of the new supplier against ETL's Sustainable Procurement Policy and Supplier Code of Conduct.
- Supplier is sent the Supplier Code of Conduct (with request to sign the Commitment Form), the Sustainable Procurement Policy and a Carbon Footprint Survey.
- Supplier Visit to be decided upon (if required).
- Supplier is added to the **Supplier Risk Register** which includes an ESG score and an initial Risk Assessment is carried out against the supplier.

Supplier Monitoring Process

- Quality monitoring and a **Supplier Scorecard Assessment** (by Purchasing Team) every 6 months (top 50 suppliers based on spend) to analyse the supplier's performance. The report uses data in SAP in addition to a qualitative assessment. This involves scoring the supplier on RFQ response, technical innovation, support and communication, pricing, lead times and quality.

- **Monthly Supplier Risk Register Reviews** (2025 introduction) to ensure Suppliers are monitored regularly and by a broader team across the key areas.

- Data analysis (monitoring) on the response to the Supplier Code of Conduct - including receipt of signed Supplier Commitment Forms, and the Carbon Footprint Surveys to feed into the Supplier Risk Register.

- Visiting key suppliers to assess quality, performance, and ability to provide a timely service.

- Identifying key suppliers based on spend and highest contributor to scope 3 CO2e emissions.

- Supplier Carbon Footprint Survey to feed into our annual Carbon Footprint Report.

Capital purchases

CAPEX form requirements

Capital purchases require application by submission of a CAPEX form, stating the purpose and cost justification of the purchase, along with answering the following environmental questions:

- *Have you considered the environmental impact of the goods/ services being purchased?*
- *Can the goods be recycled at the end of their life?*
- *Have you considered the energy use/cost of operating the equipment?*

The CAPEX form states that "*ETL's preference is to use suppliers who take back, buy back and recycle the products that they use.*"

Production equipment:

ETL fosters strong relationships with equipment suppliers, enabling equipment exchange to prolong the life of the equipment or parts that can be reused, either by ETL or new end users. When production equipment (such as the SMT line) is upgraded the following process is followed wherever possible:

- The old equipment is returned to the supplier (traded in).
    - The machine may be first stripped by ETL for common/ usable parts (for reuse) and the remaining bodywork/parts returned to the supplier for reuse wherever possible (e.g. spares, refurbishments).
    - The machine may be returned to the supplier intact for passing-on as a second hand/ refurbished machine to another customer. ETL informs suppliers of equipment available for passing on, enabling the supplier to seek a customer whose need could be met by a second hand/ refurbished model (e.g. ETL's AOI machine)

- ETL also considers purchasing refurbished/ second hand equipment

PRODUCTION

SIOP Process

ETL's SIOP process aligns supply with demand by using sales and operations forecasting tools along with risk factors to determine production build levels, enabling:

- Production efficiency: More time to plan effectively; increasing SMT line operating efficiency (reduced change over times, hours of operation)
- Supply chain and transportation efficiency: forecast planning reduces the number of shipments required as opposed to manufacturing to order.
- Energy reduction: machines operating more efficiently and reduced requirement for machines to be operating over weekends.

The aim of this is that as ETL grows, the increased resource efficiency and reduced energy consumption will result in carbon intensity reduction over time (emissions per £M turnover).

Energy monitoring of equipment

ETL's Visible-Energy Monitoring System (installed in January 2024) is used to monitor the main production distribution board and key items of equipment, resulting in energy savings by making adjustments to equipment settings and ensuring that equipment is turned off when not in use.

Renewable energy

The solar PV at ETL's headquarters in Hereford supplies approximately 41% of these buildings' electricity over the Summer *(45% of main production building's energy demands were met by solar PV in June 2024).*

DISTRIBUTION

- ETL engage with transport freight companies re emission reduction plans by means of an annual *Transport Supplier Environmental Questionnaire*.

- ETL review initiatives of transport companies to reduce the carbon emissions from shipping and take decisions on contributing to reduction schemes such as DHL's **Go Green Plus Scheme** which invests in sustainable aviation fuel (ETL have a silver level subscription; supporting a 30% reduction in emissions on their DHL shipments).

PRODUCT IN USE

- ETL products are designed to run efficiently. Features such as low energy consumption parts and designing so that parts not used are turned off where it does not affect performance, support energy reduction of the product operation.

- Digital-IF products shift from a hardware to a software focussed solution (less hardware infrastructure, on-site management and travelling) and can ultimately reduce the number of sites and energy consumption of our customers.

EQUIPMENT REPAIR, WARRANTY AND SERVICES

- ETL have a dedicated Customer Support Team and offer support and repair services for RF equipment, including warranty packages. Equipment can be returned or site visits carried out by Customer Support Engineers for repair or upgrade of equipment. As a result, equipment life is prolonged.

- The modularity of the GENUS design means that all active parts are field replaceable and can be changed to provide low environmental impact upgrades whilst prolonging the life of the chassis.

https://www.etlsystems.com/professional-services/

END OF LIFE

- ETL's *Management of End-of-life Waste Electronic Equipment Policy* offers customers the opportunity for ETL to manage end-of-life of ETL Systems-manufactured equipment. This is carried out in line with our *Waste Management – Waste Stream Guidance*

DISPOSAL AND WASTE

Waste and recycling management

- ETL's headquarters operates at zero-waste-to-landfill; waste is streamed into general (RFE) and dry mixed recycling alongside separate recycling of soft plastic, bubble-wrap and foam, metal scrap, WEEE, hazardous and batteries.

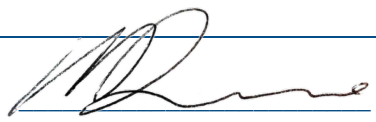
- Recycling management initiatives are reviewed and implemented on site to increase recycling, such as the installation of a baler in 2025 to support effective recycling management of plastic and foam.

- Fully recyclable card, sustainable timber and 30% recycled foam are used in packaging

Waste Electrical and Electronic Equipment Compliance

- ETL recognizes the need to comply with a number of local legislatures regarding the disposal of end-of-life Waste Electrical & Electronic Equipment (WEEE). The outcome of this legislation is a requirement for manufacturer responsibility in the return and/ or recycling of WEEE.

- As required by the UK's Waste Electrical & Electronic Equipment Regulations 2013, ETL Systems Ltd is registered as a producer with an accredited compliance scheme and, through the mechanisms of its ISO 14001-accredited management system, monitors UK-destined output and the overall weight of WEEE waste generated.

Signed:  (CEO)

Date: 17/1/25