



Purchasing Management | Principles of Purchasing

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Contents

LOMGroup's Purchasing Management	2
How to become a supplier	2
Quality Management.....	3
Business Continuity	3
Supplier Management	4
Partnership with future.....	4
Supplier Evaluation.....	4
Principles of Purchasing	6
Subject and Scope	6
Human Rights	7
Labor Standards.....	7
Fair Business Practices.....	8
Business Gifts	8
Conflict of Interest	8
Occupational Safety and Health	8
Environmental Protection	9
Security.....	9
Business Continuity Planning	9
Management System Processes.....	10

LOMGroup's Purchasing Management

Please take this opportunity to learn more about becoming a supplier at one or more companies of LOMGroup. Information given here applies to all companies of the Group in general, although differences may be seen by the nature or locality of the relevant company or companies. At LOMGroup we actively seek suppliers whose objectives are compatible with ours. Specifically, we are looking for a commitment to deliver products and services with high quality at competitive prices worldwide.

More than half of LOMGroup's total costs occur with its suppliers. Only in close co-operation with our suppliers to optimize the whole value chain, we will achieve sustainable competitive advantages in the future. LOMGroup values those suppliers who can contribute new ideas through innovative technology or creative business solutions.

Therefore we implemented optimized processes for our purchasing activities and built enabling organizational structures, using leading technologies. Our suppliers must continuously improve their performance and thereby their costs as well as ours.

How to become a supplier

As first please note that the LOMGroup companies are independently operating entities and decide by own what to buy from whom.

Despite that fact, we all at LOMGroup are committed to the principles defined in our Business Conduct Guidelines in all countries where we do business, taking into account international and local laws and cultural practices. We expect from our suppliers to do the same.

These [Principles of Purchasing](#), which are aligned with LOMGroup Business Conduct Guidelines, shall help our suppliers to meet the ethical and legal requirements in their day-to-day work.

Security is becoming more and more important in the days of modern technologies. We at LOMGroup continuously strive to set our own security standards to state-of-the-art level.

Thus, we require a certain level of security measures to be taken by our suppliers.

In case you have reason to believe, that we are not living up to our own standards, feel free to contact either our Compliance Department or our Corporate Audit.

We look forward to engage with suppliers that are aligned with us on these important topics.

Quality Management

Our suppliers are fully responsible for the quality of their products. They must ensure that all products, supplied to LOMGroup, meet all applicable purchase specifications.

Each supplier must set up a quality management system that will achieve the requirements of the Purchase Specification. These requirements should be viewed as fundamental in any supplier's management system in order to support the Zero Defect approach of LOMGroup.

It is the responsibility of our suppliers to establish procedures and programs that document their quality practices.

The design and operation of the supplier's management systems to control and improve product quality are essential elements of continuing status as an acceptable LOMGroup supplier.

LOMGroup will review the supplier's management systems and their implementation and operation as appropriate.

Business Continuity

Should a disaster strike and remove a key component of the supply chain or affect it beyond its current capability to adjust, it will have severe repercussions on our ability to continue business. Because we rely heavily on our supply chain, it is therefore extremely important for us to understand our exposure to risk in this area.

Hence LOMGroup has embarked on implementing a comprehensive Business Continuity Management system, and part of that is to assess the business continuity capabilities of all key suppliers, subcontractors or supply partners who engage in business with LOMGroup or intend doing so.

All key suppliers are therefore required to provide us with sufficient proof of business continuity management systems or planning, control and mitigation. Proof can be provided in the form of plans, concepts or measures that are product specific, while strategic enough to encompass risk assessment measures, disaster prevention and business interruption avoidance.

Suppliers will also be assessed on their risk management policies and practices as part of our supplier evaluation system.

Supplier Management

Partnership with future.

A continuous partnership between LOMGroup and LOMGroup companies and our suppliers is vitally important for future business development. Our purchasing capability and the competitiveness of our suppliers are strategic core elements of our company.

Only by working together with our suppliers to optimize the entire value chain we will be able to secure a distinct competitive advantage in the future.

For the reasons mentioned above, we have adopted a holistic, company-wide supplier-management approach.

LOMGroup will concentrate on its most important suppliers and develop/maintain strategic alliances with key suppliers.

Goals of Supplier Management are:

- The management of our suppliers, based on the total cost of the relationship
- The concentration of purchasing volume on the best suppliers
- The decrease in purchasing costs and increase in supplier performance (e.g. quality, on time delivery)
- The improvement of co-operation
- The optimization of the entire value chain in collaboration with our suppliers

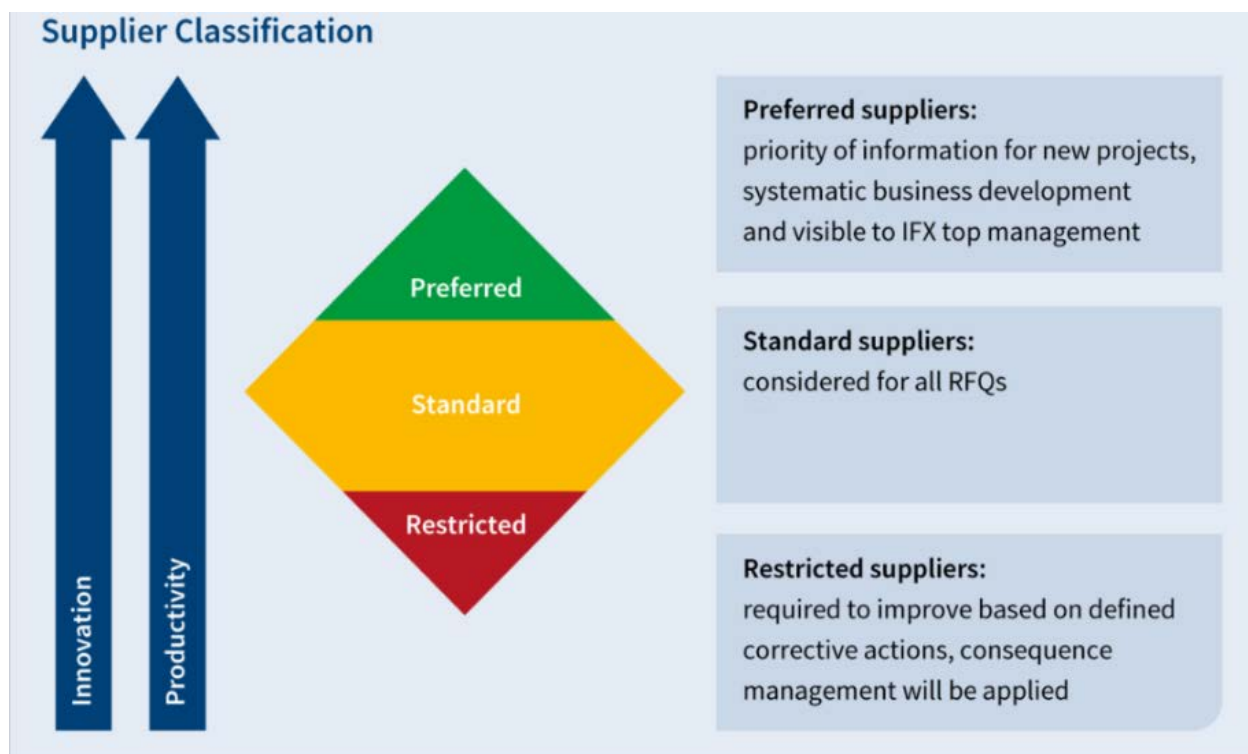
Supplier Evaluation

We at LOMGroup strongly believe that we can only succeed if our suppliers, who play a vital role in the whole development and manufacturing process, also give their best. For this purpose, Infineon's most important suppliers are carefully evaluated.

The Supplier Evaluation process measures the performance and efficiency of suppliers using standard LOMGroup-wide criteria.

Operational Performance	Roadmap Fit
Logistics <ul style="list-style-type: none"> ■ Supplier Delivery Performance ■ Supplier Delivery Reliability ■ Supplier meets IFX lead time requirements ... 	Technology <ul style="list-style-type: none"> ■ Current Technology Performance ■ Future Technology Position ■ R&D Spending ...
Quality <ul style="list-style-type: none"> ■ Incoming quality and reliability in process/field ■ Responsiveness & cooperation in case of quality problems ■ Quality program in place (e.g. TQM) ... 	Strategy <ul style="list-style-type: none"> ■ Current pricing & cost transparency ■ Future price development / roadmaps (competitiveness) ■ Senior Management Commitment ...
Cooperation <ul style="list-style-type: none"> ■ Cooperation of sales staff ■ Corrective action (CAP) fulfillment ... 	

Suppliers are evaluated world-wide. The individual results in each evaluation category are weighted and aggregated to provide an overall result for each supplier. On the basis of these results, the supplier is placed into one of the three standard performance classes that have been defined across LOMGroup:



Principles of Purchasing

Subject and Scope

The Principles of Purchasing reflect the essential business behavior requirements as outlined in our Business Conduct Guidelines, which can be accessed at our corporate website and under www.LOMGroup.net/compliance

All of our Suppliers shall comply with all requirements described herein. In addition, each of our Suppliers shall ensure that its affiliates, contractors and subcontractors also comply with all requirements described herein.

Each of our Suppliers shall comply with all laws and regulations applicable to the manufacture, sale and supply of services, products, materials, tools and equipment or to our finished semiconductor products.

Furthermore, each of our Suppliers shall adhere to the principles of the UN Global Compact.

Human Rights

We respect and observe internationally proclaimed human rights, including the rights of personal dignity and privacy. We ensure that we are not complicit in human rights abuses, whether directly or by way of beneficial or silent complicity.

Our Suppliers shall comply with these principles.

Labor Standards

We are against all forms of child labor. Our Suppliers shall not permit work to be carried out by persons under the age of 15. Exceptions apply to employment relationships in developing countries operating under the International Labor Organization (ILO) Convention 138 or to governmental authorized job trainings or apprenticeship programs that clearly benefit the persons participating.

We are against any form of forced labor. Hence, we demand that Suppliers reject forced labor as well.

While we recognize and respect cultural differences, we believe that workers should be employed on the basis of their ability to do the job, rather than on the basis of personal characteristics or beliefs. We recruit, select, train, promote and compensate employees solely on the basis of work-related criteria. Furthermore, we compensate our employees fairly for their work with wages that meet at least minimum legal standards and adhere to the applicable laws, regulations and agreements on working hours and general working conditions.

Our Suppliers shall comply with these principles.

Furthermore, our Suppliers shall treat their employees with respect and dignity. Our Suppliers shall not tolerate any discrimination, harassment or offense based on race, color, national origin, gender, religion, age, disability, union or political affiliation, sexual orientation, marital or family status. Any forms of sexual harassment, corporal punishment, physical coercion and verbal abuse shall be prohibited, as well as any intimidating, hostile or offensive conduct that interferes with an employee's work performance.

In addition, our Suppliers shall ensure that their employees are able to communicate and share grievances openly with management regarding working conditions and management practices without any fear of reprisal, intimidation or harassment.

Fair Business Practices

Our reputation depends on how we treat people we deal with every day in the conduct of our business. Therefore, we uphold our reputation by:

- abiding by the rules of fair competition and anti-trust laws
- working against corruption in all its forms
- not taking advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts and any unfair dealing practices
- complying with applicable laws
- respecting contractual obligations
- avoiding any business behavior which might be considered improper
- protecting all confidential information
- respecting other parties' intellectual property

Our Suppliers shall comply with these principles.

Business Gifts

Our employees are not allowed to accept any gifts. This includes the acceptance of any favors that might give rise to the appearance of improper influence.

Our Suppliers shall comply with this business practice.

Conflict of Interest

Our employees are required to act in a way to promote our best interests. Our employees shall never use their employment with us for any unjust enrichment.

Our Suppliers shall ensure that their employees adhere to the aforementioned principles. In addition, the employees of our Suppliers shall refrain from offers that could give rise to the appearance of a conflict of interest for our employee.

Occupational Safety and Health

We are committed to protect our employees' health and safety.

Consequently, our Suppliers shall provide a safe and healthy working environment for all their employees and minimize all risks and hazards at all workplaces in order to protect the health and well-being of their employees, contractors and third parties visiting the premises.

Our Suppliers shall train their employees regularly in health and occupational safety issues. Furthermore, our Suppliers should implement and administer an occupational health and safety system according to OHSAS 18001 or equivalent.

Environmental Protection

The protection of the environment is an integral part of our business decisions and we are committed to conduct our business in an environmentally responsible way.

Consequently, our Suppliers shall assume global and local environmental responsibilities and take the necessary steps to protect the environment in the various regions of the world in which they are operating. Our Suppliers shall minimize the environmental impact of their services, products, materials, tools and equipment at the earliest possible stage.

Our Suppliers shall train their staff regularly in environmental protection issues. Furthermore, our Suppliers should implement and administer an environmental management system according to EN ISO 14001 or equivalent.

Security

Our Suppliers shall strongly support our efforts regarding security in the supply chain and the protection of our assets, in particular our intellectual property and products. Our Suppliers shall ensure that their security policies are effectively implemented, regularly checked and continuously improved.

Furthermore, our Suppliers shall participate in relevant government security initiatives that are designed to strengthen the security of their supply chains and national borders and comply with security regulations defined by these initiatives. Examples of such initiatives include, but are not limited to, the secure trade partner programs according to “WCO SAFE Framework”¹.

In addition, our Suppliers shall ensure that their employees, affiliates, contractors and subcontractors and other business partners comply with the applicable foreign trade laws.

Business Continuity Planning

¹ Governmental programs according to the “World Customs Organization Framework of Standards to Secure and Facilitate Global Trade (WCO SAFE Framework)” include “Customs-Trade Partnership Against Terrorism (C-TPAT)”, “Authorized Economic Operator (AEO)” and “Secure Trade Partnership (STP-Plus)”.

Our Suppliers shall establish a robust and resilient supply chain and adequate processes to ensure uninterrupted product delivery and provision of services. We recommend that our Suppliers implement and administer appropriate plans to ensure business continuity.

Management System Processes

Our Suppliers shall adopt or establish documented and adequate management system processes designed to ensure compliance with these Principles of Purchasing and with all applicable laws, regulations and standards to identify and mitigate related risks and to facilitate continuous improvement. Our Suppliers shall provide us with information thereof upon request.