



Supplier Risk Assessment Methodology/Procedure

1. Introduction

This methodology outlines the approach for assessing supplier risk based on environmental, human rights, corruption, and ESG (Environmental, Social, and Governance) factors. The assessment leverages country-level risk classifications and supplier-specific ESG information from public sources, followed by direct engagement and third-party audits.

We use the next sources for classification of the country's risk:

ESG Index - Risk Watch Initiative
World Report 2023 Human Rights Watch
United Nations Human Rights Reports
Human Rights Report - Our world in Data
Environmental Performance Index (EPI) - Global Report
2022 Environmental Performance Index (EPI) Results
Global Corruption Index - Risk Watch Initiative
ESG Index - Risk Watch Initiative

Glossary of Definitions for Transparency Act Guideline

1. **Transparency Act** – A Norwegian legal framework requiring businesses to carry out human rights diligence and disclose information on human rights, and ethical business practices within their own operations and supply chains.
2. **Modern Slavery Act** – A United Kingdom legislation aimed at preventing forced labor, human trafficking, and exploitation in business operations and supply chains by requiring companies to report on their efforts to combat modern slavery.
3. **Due Diligence** – The process of investigating and assessing potential risks related to human rights, environmental impact, and corporate governance within business operations and supply chains.
4. **Supply Chain Transparency** – The disclosure of information about the origin, production, and ethical sourcing of goods and services to ensure responsible business practices.
5. **Human Rights Violations** – Any act that infringes upon fundamental human rights, including forced labor, child labor, discrimination, and unsafe working conditions.



6. **Environmental, Social, and Governance (ESG)** – A set of criteria used to evaluate a company's commitment to sustainable and ethical business practices.
7. **Stakeholders** – Individuals, groups, or organizations affected by a company's business practices, including employees, suppliers, consumers, investors, and regulators.
8. **Risk Assessment** – The systematic evaluation of potential human rights, environmental, and governance risks within business operations and supply chains.
9. **Corrective Action Plan (CAP)** – A structured approach to resolving identified risks or violations by implementing improvements and ensuring compliance.
10. **Third-Party Audit** – An independent assessment conducted by an external organization to evaluate compliance with transparency, human rights, and ESG standards.
11. **Suppliers Code of Conduct** – A set of principles and ethical guidelines that suppliers and business partners must adhere to in order to ensure compliance with transparency and sustainability standards.
12. **Forced Labor** – Work that is performed involuntarily under coercion, threat, or deception, violating fundamental human rights.
13. **Child Labor** – The employment of individuals under the age of 16, depriving them of education and a safe childhood.
14. **Corruption** – Any form of dishonest or unethical conduct by individuals or organizations for personal or corporate gain, including bribery and fraud.
15. **Sustainable Sourcing** – The procurement of goods and services in a way that minimizes environmental impact and ensures ethical labor practices.
16. **End-of-Life (EOL) Products** – Products that have reached the end of their usable life cycle and must be responsibly disposed of or recycled.
17. **Materiality Assessment** – The process of identifying and prioritizing ESG issues that are most relevant to a business and its stakeholders.
18. **Grievance Mechanism** – A formal process through which employees, suppliers, or other stakeholders can raise concerns about human rights violations, ethical misconduct, or other compliance issues within a company or supply chain anonymously or not.
19. **Whistleblower Protection** – Safeguards for individuals who report unethical or illegal practices within an organization, ensuring they are not subjected to retaliation.
20. **Impact Assessment** – The evaluation of a company's social, environmental, and economic influence to determine its effects on stakeholders and communities.

For Neat assessments we will define the next as supplier categories:

Term	Definition
1st Tiers	Development and manufacturing partners, along with key global operations and important business partners, who play a direct and integral role in the creation, production, and distribution of Neat's products.
2nd Tiers	Suppliers of components and modules, including important suppliers, who provide essential parts like speakers, cameras, Touch Display Modules (TDM),



	and PCBs. These elements are critical and they are procured by the development partners.
3rd tiers	Suppliers of raw materials and basic electronic components, such as Integrated circuits and components, that are used in the production of the major part for the final product.
Scope for 1st due diligence	Includes key commodities from first and second-tier suppliers for major projects already in the market, even those approaching the end of their lifecycle.
Development and manufacturing partners	Companies that collaborate with Neat on project and product development. Acts as a joint development partner and primary manufacturing partner. (1st Tiers)
Important Suppliers	Provide critical components and essential elements for Neat's products, typically second-tier suppliers. These include key items like speakers, cameras, Touch Display Modules (TDM), and PCBs that are crucial to the final product. (1st Tiers)
Suppliers	Companies that provide components, materials, or items that Neat does not develop with the development and manufacturing partner, such as office supplies and other essential products. (1st and 2nd Tiers)
Important Business Partner	Is a subset of business partners whose roles are critical to Neat's core business activities, product compliance, or operational infrastructure. This includes logistics and warehousing providers (such as UPS), key service providers involved in global operations, and specialized consultants who directly impact product development or compliance (e.g., testing labs or regulatory consultants) (1st tier)
Business Partners (Consultants and other marketing and software services)	A Business Partner refers to any external party that provides goods or services to Neat in support of its general operations. This includes consultants, marketing agencies, software providers, and other service vendors. These partners may not be directly involved in the core production process but contribute to the overall functioning and success of the business through strategic, administrative, or operational support. (1st and 2nd tiers)

2. Risk Assessment Process

Step 1: Initial Classification Using Country and Public Supplier ESG Data

- Review any supplier with substantial likelihood of adverse impact. .
- Evaluate the supplier's country risk level based on publicly available indexes related to environmental impact, human rights, corruption, industry and ESG ratings.
- Classify into suppliers: development partners, important suppliers, business partners and important business partners.



- Collect supplier ESG data from their website, including policies, reports, and sustainability initiatives.
- Compare supplier ESG practices against country-specific risk classifications to establish an initial risk rating (low, medium, or high).

Step 2: Risk Rating and Classification

Neat calculates supplier risk levels using a point-based system that combines country risk, supplier role, ESG transparency and certifications, human rights and environmental policies in place, 3rd party audits and suppliers code of conduct compliance. Suppliers are first selected based on procurement thresholds and categorized (e.g., important supplier, business partner). Publicly available ESG data and country-specific risk indices, covering human rights, environmental impact, and corruption, are reviewed to assign initial scores. Additional points are added based on the availability of ESG disclosures and whether the supplier has signed Neat's suppliers code of conduct.

Suppliers are then assigned a risk score (x) based on the compiled information, categorized as follows:

Note: Regardless of risk level, if supplier/business partner is a main manufacturer business partner then 3rd party and Neat visit is mandatory in 1 year time period if its an important component supplier it shall be done maximum in 2 years.

Risk Score	Risk Level	Actions Required
$0 \leq x \leq 0.19$	Intolerable Risk	<ul style="list-style-type: none"> • Place event on hold; • Do not proceed with agreements. • It is mandatory to fill the Neat Suppliers Questionnaire and sign the Suppliers Code of Conduct • Extreme risk suppliers and business partners shall not proceed at all until they have sufficient documentation showing a trustable level of risk. They should then update the questionnaire. Contractual agreement can not be placed with this company until they reach a medium level of risk.
$0.2 \leq x \leq 0.39$	High Risk	<ul style="list-style-type: none"> • Generally unacceptable; • No agreements until corrective actions are implemented. • Suppliers must complete the Neat Suppliers Questionnaire and sign the Supplier Code of Conduct. • A corrective action plan must be created and verified by Neat or a third-party audit (e.g: SMETA).



		<ul style="list-style-type: none"> Neat or a third-party auditor must visit before any agreement is placed.
$0.4 \leq x \leq 0.54$	Medium High Risk	<ul style="list-style-type: none"> As low as reasonably practicable. Initial email sent to request Human Rights, Environmental, and Data Privacy policies. If no policies are available, the Supplier Code of Conduct is mandatory. Follow-up corrective action plans required. Quarterly monitoring of progress; third-party audit recommended. In-site visit required within 365 days if the supplier is a main manufacturer or key component supplier.
$0.55 \leq x \leq 0.69$	Medium Low Risk	<ul style="list-style-type: none"> Practicable risk level. Signing the Supplier Code of Conduct is highly recommended but not mandatory. Proceed with agreements cautiously. Follow-up corrective action plans are recommended. Annual monitoring of progress; third-party audit recommended. Mandatory Neat or third-party visit for key manufacturers or component suppliers.
$0.7 \leq x \leq 1$	Low Risk	<ul style="list-style-type: none"> Acceptable risk level. No Supplier Questionnaire needed. No visit or third-party audit required unless the supplier is a key manufacturer or component supplier.

Step 3: Direct Supplier Engagement

- For medium-high risk and above, direct contact is made to request additional ESG-related documentation.
- Suppliers failing to provide adequate ESG policies must sign the Supplier Code of Conduct and provide corrective actions.



- All main development partners must sign the Suppliers Code of Conduct

Step 4: Third-Party Screening and Audits

- High-risk suppliers require third-party audits (e.g., SMETA) before agreements can proceed.
- Medium-high and medium-low risk suppliers are recommended to undergo third-party audits or site visits by Neat within a year.
- Low-risk suppliers do not require audits unless they are key manufacturing or component suppliers.

3. Conclusion

This methodology ensures that Neat engages with responsible suppliers while mitigating risks associated with ESG, human rights, and corruption. By implementing corrective actions and ongoing monitoring, Neat maintains ethical sourcing and sustainable supply chain practices.

Approved the 26 of June 2025 by:

Signed by:

4AD29F57901B4EE...

Tormod Ree
Chief Product Officer
Chief Transparency Officer