

## **PennEngineering® - Business Planning and Ethics Letter of Explanation**

April 2018

In the Sustainability focus area of Business Planning and Ethics, the PennEngineering family of companies has created nine areas of foundational focus and diligence. Each of our facilities, through the work done in compliance to ISO 9001: 2015 or IATF 16949: 2016, has met at minimum the basic criteria in each of the subcategories noted.

The compliance of these constructs is monitored at the location level to insure local laws and customs are infused into our corporate directed practices. A brief description of each location with applicable regulatory and certification synergy can be reviewed on our website. A brief explanation of each subcategory can be reviewed in the following sections:

### **Confidentiality:**

PennEngineering seeks to maintain all IP and NDA agreements in strictest confidence with measured diligence. Whether bidding on work through the RFQ process or working on application solutions with tier and OEM customers we hold the privacy and IP of our customers in high regard.

PennEngineering maintains its own NDA log and mandates that our locations communicate these to all customers and suppliers during the time of quoting or cross-company communications where solutions are being discussed and developed in concert.

### **Conflict of Interest:**

All employees of PennEngineering maintain a vigilance concerning conflict of interest. As such, no employee shall accept gifts exceeding corporate thresholds and local custom may not override corporate governance. In addition, employees sign a letter of understanding at the time of employment that they will not engage in business practices that can be deemed to conflict with the integrity of our corporate standards pertaining to quality, fairness, diversity, ethical behavior or community well-being for the purpose of personal gain.

### **Contingency Planning:**

All locations within PennEngineering that manufacture and distribute product work to insure uninterrupted flow of products to our customers. This includes oversight of our supply base through the requirements of ISO and IATF as well as the CQI-19 diligence put forth by AIAG.

The continuous work of our locations to meet the requirements of this area of focus requires at times that we manufacture or process product in alternative locations, both in the PennEngineering group, as a purchased part, or through an alternative approved supplier. Any work done in this manner will be communicated to the affected customer with additional controls placed on the product pre-shipment as required.

**Maintenance Program:**

All locations within PennEngineering adhere to a diligent process of maintaining key and support equipment through a rubric-based maintenance program. This program includes focus on preventive as well as reactive maintenance work to insure uninterrupted flow of product to our customer base. PennEngineering's plants are working to develop a method of autonomous maintenance to create a future state of benchmark maintenance practices, all for meeting increasing requirements for uptime and OEE improvements.

**Quality System Process (QMS) focus:**

Each location in the PennEngineering group is moving towards the installation of a cloud-based software solution for data gathering and analytics that focuses on quality issues, pare-to-principle driven solutions and accountability in the areas of APQP/PPAP, training, gauge control, and problem solving. In addition to this focus area, each location is bolstering its processes for having a robust QMS with the improved use of Layered Process Audits (LPAs), Fast Response communications, and the review of the tangent nature of costs associated with quality opportunities.

All locations are compliant to the latest requirements of IATF 16949:2016, ISO 9001:2015 or AS9100D as applicable to their business and customer structure for the purposes of maintaining a robust and customer focused quality system.

**Protection of Intellectual Property:**

As stated in the sub-category of Confidentiality, PennEngineering is diligent in the protection of its IP as well as that of its customers. To this end, PennEngineering pursues focused oversight of our product design and functionality. This includes the limited communication of our processes and areas of control. Where required, the company will use the process of a signed NDA in tandem with information submission if it is a customer requirement for the purposes of diligence in problem solving or auditing.

**Global Sourcing Diligence:**

PennEngineering maintains strict guidelines in the areas of conflict minerals and all tangent areas of IMDS submissions. Having a global manufacturing footprint requires that we focus on sourcing suppliers that mirror our corporate focus for ethical behavior as well as professional diligence and quality practices.

To work towards insuring our value stream functions in an uninterrupted and lean manner PennEngineering constantly works to develop and maintain a robust localized supplier support base as well as one which exhibits all required standards in a demonstrated manner.

As part of the foundations of IATF 16949: 2016, ISO 9001: 2015 and CQI-19 PennEngineering maintains supplier feedback records, performs auditing when deemed necessary, and works to maintain a supply system that is capable of insuring PennEngineering meets all customer requirements.

**Safe Use of Product:**

PennEngineering's manufacturing locations process all new product in an APQP environment with focus on the understanding of point of use. To this end, the development of robust PFMEAs with diligence on the RPN scoring via and understanding of use and severity is under constant review. Concerning product that is developed by PennEngineering locations, the New Product Development group (NPD) and engineering teams work to communicate through our catalogue process and commercial communications the design and subsequent use intent of our products. All products developed by PennEngineering have a stated hardness value and implied application preference as a result. It is encouraged that customers seeking to gain further understanding of the performance capabilities of our product inquire the commercial and NPD teams directly.

**Export Control:**

PennEngineering maintains the requirements for exporting at the local plant level as deemed needed by the country of origin, destination and any applicable international standards. These standards include the areas governed by ITAR as well as compliance to EAR and OFAC regulations. Again, these requirements are developed and maintained for compliance at the individual location level due to the global diversity of our company. Specific compliance inquiries should be directed to the local plant representatives.

Sincerely,

PennEngineering®  
[Compliance@pemnet.com](mailto:Compliance@pemnet.com)



Chris Marx  
Chief Commercial Officer