



Supplier Code of Conduct

Overview – Hydra-Electric is committed to the highest standards of ethics, responsible business conduct and legal compliance in all operations in the scope of our international business. We require suppliers, and permitted subcontractors, doing business with Hydra-Electric to share these commitments, and in general to act in good faith to uphold these values. Our suppliers are a part of Hydra-Electric’s success as we continue to provide excellent products and services. This Supplier Code of Conduct outlines our expectations for each of our product and service suppliers and aligns with the expectations we maintain for our own directors, officers, employees and representatives. Suppliers are responsible for ensuring that directors, officers, employees, representatives, sub-contractors and business partners understand and comply with the expectations set forth below. We will evaluate a supplier’s compliance with these standards in determining whether to grant or continue approved status.

Compliance with Applicable Laws – Supplier must comply with all laws and regulations applicable to their business, as well as the standards of its industry, including those pertaining to the manufacture, pricing, sale, distribution, labeling, import and export of merchandise. Supplier will not violate, misappropriate or infringe upon the intellectual property rights of Hydra-Electric Company and its subsidiaries or any third party. Supplier will not bribe in any way any officer, director, manager, employee, representative or agent of Hydra-Electric Company, or any other entity, including without limitation, by offering or giving gifts of more than normal value.

Employment Practices – Supplier will comply with all applicable wage and hour laws and regulations, including those relating to minimum wages, overtime and other elements of compensation and will provide all legally mandated benefits. Hydra-Electric expectations of suppliers for Employment Practices include:

Coercion and Harassment – Supplier will treat each employee with dignity and respect and will not engage in or permit corporal punishment, threats of violence or other forms of harassment whether based on race, color, gender, sexual orientation, natural origin, religion, disability, age or any other legally protected characteristic.

Discrimination – Supplier will not discriminate in hiring practices or any other condition of work on the basis of race, sex, sexual orientation, color, age, gender, national origin, physical or mental disability, religion, status as a disabled veteran or other legally protected characteristics.

Workplace Safety & Emergency Planning – Supplier will provide a safe and healthy workplace for employees by endeavoring to meet or exceed international safety standards. Supplier must have procedures in place for handling emergencies such as fire, spills and natural disasters.

Policy Against Forced Labor and Human Trafficking - Hydra-Electric Corp. (“HYDRA-ELECTRIC” or the “Company”) is committed to ensuring that its suppliers do not use Forced Labor or engage in Human Trafficking. HYDRA-ELECTRIC’s Code of Ethics and Business Conduct establishes that working conditions are safe, workers are treated with respect and dignity as understood by the international community, and business operations are environmentally responsible and conducted ethically. Both HYDRA-ELECTRIC and its suppliers are expected to honor this commitment. This Policy forms a part of HYDRA-ELECTRIC’s purchase order, unless otherwise specified.

“Forced Labor” means coerced labor, involuntary servitude, peonage or indentured labor, involuntary prison labor, slavery, human trafficking or sex trafficking, including but not limited to transporting, harboring, recruiting, or transferring persons by means of threat (including but not limited to threat of harm or physical restraints, or threat of abuse of legal process), force, coercion, abduction or fraud.

HYDRA-ELECTRIC expressly prohibits suppliers from using, engaging in or facilitating Forced Labor of any kind. This applies to all workers including temporary, migrant, student, contract, direct employees, and any other type of worker. Suppliers unwilling to meet these requirements may be ineligible for HYDRA-ELECTRIC approved supplier status.

Supply Chain management and other HYDRA-ELECTRIC executives and employees receive training on HYDRA-ELECTRIC's Code of Ethics and Business Conduct and this Policy.

HYDRA-ELECTRIC's approved suppliers, both public and private, are required to conduct due diligence on the presence of Forced Labor in their supply chain and to comply with this Policy.

Suppliers shall:

- Comply with applicable US and international laws prohibiting Forced Labor.
- Uphold the human rights of workers and treat them with dignity and respect.
- Ensure that all work is voluntary and workers are free to terminate their employment.
- Disclose to workers all terms and conditions of employment, and any hazardous nature of work, location of work, living conditions, housing and costs (if employer or agent provided or arranged), time off, round-trip transportation arrangements, grievance process, and provide information about applicable laws and regulations prohibiting Forced Labor.
- Employ workers on the basis of their ability to do the job.
- Ensure all workers meet the applicable minimum legal age requirement.
- Set work hours, wages and over-time pay in compliance with all applicable laws, including legally mandated benefits.
- Pay workers at least the minimum legal wage.
- Respect employees' right to join or not join any trade unions and works councils and comply with all applicable freedom of association and collective bargaining laws.
- Discipline workers and suppliers who use or facilitate Forced Labor.
- Provide workers an opportunity to report suspected violations without a fear of retaliation.

Suppliers shall not:

- Unreasonably restrict workers' freedom of movement in the company facilities.
- Hold or otherwise destroy, conceal, confiscate or deny access by workers to their identity or immigration documents, such as government-issued identification, passports or work permits, unless such holdings are required by law.
- Use recruiters or staffing agencies that do not comply with applicable labor laws, or charge workers any recruitment fees.
- Engage in or permit corporal punishment, threats of violence, mental or physical coercion, verbal abuse of workers or other forms of harassment whether based on gender, race, color, religion, ethnicity, age, sexual orientation, national origin, disability, or any other legally protected characteristic.
- Use of child labor. A "child" means any person under the age of 15, or under the age for completing compulsory education, or under the minimum age for employment in the country or locations, whichever is greatest.
- Discriminate on the basis of race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or national origin, disability, pregnancy or maternity, religion, political affiliation, union membership, covered veteran status, protected genetic information or marital status.

Due Diligence -

HYDRA-ELECTRIC has developed an approach driven by laws and regulations that prohibit Forced Labor and by HYDRA-ELECTRIC customers' expectations. In addition, HYDRA-ELECTRIC vets suppliers and sub-contractors that are part of the US government supply chain.

Compliance Monitoring -

HYDRA-ELECTRIC reserves the right to audit supplier's compliance with this Policy. The supplier will allow HYDRA-ELECTRIC or any of its representatives or agents access to its facilities and all relevant records. The supplier will accommodate HYDRA-ELECTRIC's requests to access the supplier's records and facilities when HYDRA-ELECTRIC's business requires immediate access to the same. Supplier also agrees to cooperate with HYDRA-ELECTRIC to investigate any Forced Labor allegations against HYDRA-ELECTRIC or any of HYDRA-ELECTRIC's customers.

Application to Sub-Contractors -

HYDRA-ELECTRIC extends this Policy reach to suppliers and their contractors to mitigate Forced Labor issues. Hence, this Policy also applies to the supplier's sub-contractor(s). This Policy shall be flowed down to all sub-tier subcontractors, including staffing agencies and other providers of contract labor. The supplier is fully responsible for ensuring compliance by any such sub-contractor(s) as if they were the supplier itself.

Violations and Investigations -

HYDRA-ELECTRIC will investigate claims or indications that a supplier is engaging in Forced Labor or is otherwise not complying with this Policy. HYDRA-ELECTRIC may hold suppliers responsible for reasonable costs of investigating noncompliance. HYDRA-ELECTRIC will not continue to purchase goods or services from any supplier that is found to be engaging in Forced Labor.

Annual Certification -

HYDRA-ELECTRIC may mandate suppliers' adherence to this Policy in writing.

Environmental Protection – Supplier will comply fully with all applicable environmental laws and seek ways to conserve natural resources and energy, reduce waste and the use of hazardous substances and minimize any adverse impacts on the environment. Hydra-Electric expectations of suppliers for Environmental Protection Policies include:

REACH -

All Hydra-Electric designs and manufactured pressure sensor products comply with requirements of the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) directive.

Based on information obtained from our component suppliers, this document certifies that, to the best of our knowledge, no Hydra-Electric Corporation part numbers, unless otherwise specified, contain Substances of Very High Concern (SVHC) as listed by the European Chemicals Agency (ECHA) under the provisions of Regulation (EC) No. 1907/2006 of the European Parliament and of the council concerning REACH per the ECHA 19/12/2011 and previous updates.

Restriction of Hazardous Substances -

All Hydra-Electric designs and manufactured pressure sensor products comply with requirements of the Restriction of Hazardous Substances (RoHS) directive.

Based on information obtained from our component suppliers, this document certifies that, to the best of our knowledge, no Hydra-Electric Corporation part numbers, unless otherwise specified, contain substances exceeding Maximum Concentration Values per the requirements of the European Parliament and the Council of the European Union's "Restriction of Hazardous Substances" Directive citation 2011/65/EU:

EU Directive 2011/65/EU of the European Parliament and of the Council of 08 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment ("Recast RoHS Directive"; also known as "RoHS II" or "RoHS 2"), as described in the Official Journal of the EU on 01 July 2011.

Accounting Records – Supplier's accounting records must be kept and presented according to the laws of each applicable jurisdiction, in reasonable detail, accurately and fairly reflect transactions, assets, liabilities, revenues and expenses and not contain any false or misleading entries.

Subcontracting – Supplier's will make reasonable efforts to communicate this expected Code of Conduct to any subcontractors in connection with any Hydra-Electric Company business. Hydra-Electric expectations of Subcontracting with Supplier's Policies include:

Prohibit Bribes / Improper Gifts - Supplier will not bribe in any way any officer, director, manager, employee, representative or agent of Hydra-Electric Company, or any other entity, including without limitation, by offering or giving gifts of more than normal value.

Conflicts of Interest - All directors, officers and employees should avoid conflicts of interest.

A conflict of interest exists when there is a conflict between an individual's personal interests and his/her fiduciary obligations to the Company. Some examples of conflicts of interest are:

- When a director, officer or employee, or a member of his/her family, receives improper personal benefits as a result of his/her position in the Company.
- Loans by the Company to its directors and officers.
- If an employee works simultaneously for both Hydra Electric and a customer or supplier or operates a business on the side that competes with the Company.
- If a director, officer or employee works for a competitor as a consultant or board member.

Conflicts of interest are prohibited unless approved in advance by the Board or the CEO. Where there is an actual or potential conflict of interest or even the perception of a conflict of interest, the director, officer or employee must fully disclose the conflict and must not participate in the conflicting activity, unless and until an exception is granted. He/she must refrain from participating and/or making decisions concerning any business that is related to the matter in which there is an actual or potential conflict of interest.

Any director, officer or employee who becomes aware of a conflict of interest or potential conflict of interest should bring it to the attention of the CEO. Failing to disclose known conflicts of interest is also a violation of this Code.

Information Technology - We rely on our suppliers to deliver technologically advanced products and services to our customers. Hydra-Electric expectations of Supplier's Information Technology Policies include:

Cyber Security –

Many of the products and services we purchase from our suppliers use technologies or processes that have intellectual value which makes Hydra-Electric, and our suppliers, potential targets for sophisticated cyber threats. Together, we play a shared role in securing our global supply chain.

On October 21, 2016, the DOD published the Final Rule for DFARS 252.204-7012, Safeguarding Covered Defense Information and Cyber Reporting. This follows the interim rules that were published in August 2015 and December 2015. It represents DoD's efforts to prevent improper access of important unclassified information in the supply base. The DFARS clause contains the following main requirements:

ADEQUATE SECURITY

Contractors must provide adequate security for "covered contractor information systems", to include implementing the security controls of National Institute of Standards and Technology (NIST) SP 800-171, as soon as practical but no later than Dec 31, 2017. A "covered contractor information system" is defined as an unclassified system that is owned, or operated by or for, a contractor and that processes, stores, or transmits covered defense information.

For all contracts awarded prior to October 1, 2017, the contractor must notify the U.S. Department of Defense's Chief Information Officer, via email at osd.dibcsia@mail.mil, within 30 days of contract award, of any NIST SP 800-171 requirements not yet implemented. The DoD CIO can also approve, in writing, requests to vary from NIST SP 800-171 requirements

CYBER INCIDENT REPORTING

Contractors must report cyber incidents to the DoD at <https://dibnet.dod.mil> within 72 hours of discovery, and subcontractors must provide the incident report number, automatically assigned by DoD, to the prime Contractor (or next higher-tier subcontractor) as soon as practicable. Contractors must also conduct a review for evidence of compromise, isolate and submit malicious software in accordance with instructions provided by the Contracting Officer, preserve and protect images of all known affected information systems and relevant monitoring/packet capture data for at least 90 days for potential DoD review, and provide DoD with access to additional information or equipment that is necessary to conduct a forensic analysis.

SUBCONTRACTOR FLOWDOWN

This DFARS clause must be flowed down in any subcontracts or similar contractual instruments in which subcontract performance will involve covered defense information or operationally critical support. The clause must be flowed down without alteration, except to identify the parties, to all sub-tiers handling covered defense information. The full DFARS clause can be found in its entirety under Related Links.

Together, the threats we face necessitate that we work together to minimize risk, protect our sensitive information, and safeguard our global security.

Quality - All Suppliers providing raw materials, subcontracting or processing services used in the manufacture of the finished product provided to Hydra-Electric Corporation customers, are required to maintain compliance with, at a minimum AS9100 and/or ISO 9001 or equivalent. OEM granted approvals and qualification may also be required. All Suppliers are evaluated by Hydra-Electric Company for inclusion into the Approved Suppliers List. "Approved Supplier List", are subjected to continuous monitoring for quality performance and must maintain minimum quality performance standards to retain approval status.

Management System and Communication – Supplier must establish and maintain processes that are reasonably designed to ensure compliance with, mitigate the risks identified in, and facilitate continuous improvement with respect to, this Code of Conduct. Supplier must ensure that this Code of Conduct is adequately communicated to all employees.