KNOW YOUR VENDOR (KYV) POLICY FOR B2B RELATIONSHIPS

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Purpose

To establish procedures for evaluating and monitoring vendors and suppliers to ensure compliance with applicable laws, mitigate risks, and maintain the integrity of our supply chain.

Scope

This policy applies to all third-party vendors and suppliers including manufacturers, service providers, and contractors.

We are committed to conducting business with vendors and suppliers who adhere to ethical standards, comply with legal requirements, and demonstrate financial and operational stability. This policy outlines the due diligence processes to assess and manage risks associated with third-party relationships.

Company Structure

Headquartered in SILSDEN, UK, ADVANCED ENGINEERING GROUP operates internationally through various legal entities, including:

- **ADVANCED ACTUATORS LIMITED**
- **ADVANCED COMPONENTS LIMITED**
- **ADVANCED DRIVES**

Vendor Due Diligence Procedures

- **Identification and Verification**
  - Collect basic information: company name, registration number, address, and contact details.
  - Verify legal existence and good standing through official registries.
- **Risk Assessment**
  - Evaluate the vendor's financial stability, operational capacity, compliance history, and reputation.
  - Assess the potential impact and likelihood of risks associated with the vendor.
- **Compliance and Certification Checks**
  - Confirm possession of relevant insurances (e.g., public liability, professional indemnity).
  - Verify UK-accredited ISO 9001 certification for quality management systems.
- **Policy Adherence**
  - Ensure vendors sign and adhere to our policies on sustainability, conflict minerals, bribery & corruption and the prevention of discrimination and child exploitation.
- **Ongoing Monitoring**
  - Regularly review vendor performance and compliance.
  - Update risk assessments periodically or when significant changes occur.
- **Record Keeping**
  - Maintain records of due diligence activities, risk assessments, and monitoring efforts for a minimum of five years.

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Roles and Responsibilities

- **Procurement Department**
  - Conduct initial due diligence and risk assessments.
  - Maintain vendor records and documentation.
- **Operations Manager**
  - Oversee the KYV program and ensure adherence to this policy.
  - Provide training and support to relevant staff.
- **Directors**
  - Approve high-risk vendor engagements.
  - Review and endorse the KYV policy annually

Training and Awareness – Training Notes are attached to this policy

Communication

This policy will be communicated to all employees, suppliers, vendors, and business partners. It will also be available on the Company's website and internal communication platforms.

Review and Update

This policy will be reviewed annually and updated as necessary to ensure its continued relevance and effectiveness in preventing the introduction of counterfeit, fraudulent, and suspect items into our supply chain.

This policy has been endorsed and approved by:



Andrew Peace

Managing Director

Date: 1st June 2026

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VENDOR RISK ASSESSMENT MATRIX

RISK CATEGORY	RISK FACTOR	IMPACT	LIKELIHOOD	RISK LEVEL	MITIGATION MEASURES
Financial Stability	Unstable financial condition	High	Medium	High	Require audited financial statements; set credit limits; monitor financial health regularly.
Compliance	Lack of relevant insurances (e.g., public liability, professional indemnity)	High	Medium	High	Mandate proof of insurance; include insurance requirements in contracts.
	Absence of UK-accredited ISO 9001 certification	Medium	Medium	Medium	Encourage certification; provide support for compliance; consider alternative quality assurance measures.
Ethical Practices	Non-adherence to sustainability policies	High	Low	Medium	Require policy sign-off; conduct regular audits; provide training on sustainability standards.
	Involvement in conflict minerals sourcing	High	Low	Medium	Implement due diligence in line with OECD guidelines; require disclosure of mineral sourcing.
	Child labor or exploitation practices	High	Low	Medium	Enforce strict labor policies; conduct supplier audits; include clauses prohibiting such practices in contracts.
Operational Capability	Limited production capacity	Medium	Medium	Medium	Assess capacity during onboarding; establish contingency plans; diversify supplier base.
	Inadequate quality control processes	High	Medium	High	Conduct quality audits; require implementation of quality management systems; provide training.
Reputation	Negative media coverage	Medium	High	High	Perform reputational checks; monitor ongoing news; engage in dialogue to address concerns.
Security	Inadequate data protection measures	High	Medium	High	Evaluate security policies; enforce data protocols; require compliance with data protection regulations.
Legal	Pending litigation	Medium	Low	Low	Review legal documents; consult legal counsel; assess potential impact on operations.

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KYV Training Notes

Objective

To educate employees involved in vendor management on the importance of KYV procedures and how to implement them effectively.

Key Topics

- **Understanding KYV**
  - Importance of assessing vendor risks.
  - Legal and ethical considerations.
- **Due Diligence Process**
  - Steps for collecting and verifying vendor information.
  - Tools and resources available for risk assessment.
- **Risk Assessment**
  - Identifying risk factors.
  - Using the risk assessment matrix to categorize risks.
- **Compliance and Certification Checks**
  - Verifying insurances and ISO 9001 certification.
  - Ensuring adherence to company policies on sustainability and ethical practices.
- **Ongoing Monitoring**
  - Importance of continuous oversight.
  - Indicators of potential issues.
- **Documentation and Reporting**
  - Maintaining accurate records.
  - Reporting concerns to the Compliance Officer.

Training Methods

- Interactive workshops.
- Case studies and real-life scenarios.

Frequency

- Initial training upon employment.
- Annual refresher courses.
- Additional sessions when significant policy changes occur.

If you require further customization or assistance with implementation, feel free to ask.

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