

## DEROME SUPPLIER CODE OF CONDUCT

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# INTRODUCTION

The choices we make today define the world we live in tomorrow. We are convinced that together with our Suppliers, we can contribute to more ethical business conduct, better working conditions and environmental responsibility,

The United Nations' Guiding Principles on Business and Human Rights lays the foundation for the corporate responsibility based on the framework protect, respect and remedy. Derome works according to these principles, which means that we should be aware of the potential risks of violating human rights, to protect the environment, corruption, and other risks of unethical business throughout our supply chains and have the responsibility for mitigating and responding to these risks by implementing suitable measures.

Derome's Supplier Code of Conduct (SCoC) is based on the United Nations' Universal Declaration of Human Rights, the International Labour Organisation's (ILO) conventions on human rights at work, the OECD's Guiding Principles for Multinational Companies, and other relevant, internationally recognised agreements, including international environmental regulations. The SCoC is also harmonized with well-known standards.

Derome's overall objective is to increase respect for human rights, employee rights, environmental protection, anti- corruption, and ethical business both within the corporate group and among our business partners. Derome's position, our requirements for, and undertakings to, both our Suppliers and cooperating partners is clarified in the SCoC.

The SCoC applies to all actors who deliver goods and/or services to any entity of the Derome group including direct producers and manufacturers. hereinafter the "Supplier" and their employees. The term "employee" when used in this SCoC covers everyone working for or on behalf of a supplier, including but not limited to full and part-time employees, consultants, contractors, trainees, seasonal or temporary workers, migrant workers, senior management and board of directors.

Derome expects that the Supplier ensure that all requirements of this Supplier Code of Conduct are complied with and implemented within its own operations including the requirement to cascade the same requirements on compliance and implementation to by its own direct Suppliers. The Supplier is expected to be able to show that it has done its utmost to comply with the Code of Conduct, and that its sub-suppliers, in turn, do the same. To do that the Supplier must be aware of where there may be risks in the supply chain which could entail deviations from the Code of Conduct and be able to state how the Supplier is working to mitigate and respond to these risks.

The supplier code of conduct is a part of the purchase agreement and a breach of the SCoC requirement is considered a breach of the purchase agreement.

A key to improved working conditions is dialogue between workers and employers, as well as effective management systems. Functioning collective bargaining and internal systems for maintaining good working conditions can never be replaced by controls in the form of social audits. Therefor, Derome encourage dialogue between workers and employers, and follows up to confirm that the Supplier has its own internal management systems for working systematically with environmental responsibility, working environment and working conditions.

We want to cooperate with our partners based on shared values, clear requirements for long term prosperity. Thus, we expect honesty, commitment and transparency from our Supplier.

The specific requirements that Derome imposes on the Supplier are set forth below.

One of Derome's fundamental rules is that the Supplier must comply with the national and international laws and regulations which apply to the business activities in the countries where the Supplier does business and at the same time respect and comply with Derome's Supplier code of conduct. Where the Code of Conduct has a more stringent or stricter requirement than what applies under such national legislation, the Code of Conduct takes precedence.

## A. Human rights & Labour practice

### 1. Forced labour

**Any form of forced labour, modern slavery, wage slavery, or involuntary labour is a zero-tolerance requirement and may not take place.**

Forced labor is any work or service that people are forced to do against their will, under threat of punishment and for which the person did not volunteer it involves that workers are obliged to work under any kind of physical, psychological, or financial compulsion. One form of forced labour is modern slavery. Modern slavery includes human trafficking and involves recruiting, harboring or transporting people into a situation of exploitation through the use of violence, deception or coercion and forcing them to work against their will. Companies can be regarded as jointly responsible if they benefit from a business partner's exploitation of forced labour. Migrant work or forms of employment through intermediaries imply greater risk of forced labour and therefore require special care.

Suppliers shall not withhold wages, Workers shall not be required to pay any deposit for their employment, including payment for such items as tools or work clothes, or required to surrender their identity papers to an employer. Workers shall have the right to leave the workplace at the end of the working day and be free to terminate their employment after a reasonable period of notice.

### 2. Child labour

**Child labour is a zero-tolerance requirement and Supplier shall prevent all forms of child labour and respect children's right to personal development and education.**

Children and young workers under the age of 18 shall not be exposed to work that is likely to harm their physical or mental health, safety or morals. This includes night work. The minimum working age is the age of completion of compulsory school, but never less than 15 years (14 or 16 in some countries).

The Supplier shall have procedures in place for age verification of workers to avoid recruitment opposing above. If, inadvertently, child labour is already taking place, measures shall be taken immediately. Child labor must be terminated immediately and an action plan, consistent with the recommendations of UNICEF and Save the Children, focusing on the best interests of the child, shall be prepared. The children in question shall be given the possibility to attend school for as long as they are subject to compulsory schooling. In situations where it is appropriate, the work shall be offered to an adult member of the child's family.

Young workers between the ages of 15 and 18 shall be entitled to special protection, for example they may not work during inconvenient working hours or be present in hazardous or harmful working environments. Work may not influence their possibilities for education, they shall be protected against financial exploitation, and their right to grievance mechanisms shall be especially attended to.

### 3. Working hours

**The Supplier shall ensure that workers do not work more than 48 during an ordinary work week.**

Applicable national laws, industry benchmark standards or collective agreements are to be interpreted within the international framework set out by the ILO. Exceptions to the above limit of working hours per week are only permissible in accordance with the exceptions specified by the ILO. In cases of exceptional workload, the maximum for working hours shall be determined after consultation with the employee organisation or the affected workers.

Overtime shall only be used on an exceptional basis, shall be voluntary, and may never entail that the workers will be exposed to greater work environment hazards than during ordinary working hours.

The recommended maximum working hours, including overtime, is 60 hours per week. The Supplier shall guarantee its workers the right to resting breaks during every working day and the right to at least one day off per week unless exceptions are provided for in collective agreements. National public holidays shall be respected in accordance with legislation or collective agreements.

#### **4. Fair compensation**

**All workers have the right to receive a fair and reasonable compensation.**

The compensation shall be sufficient to cover the expenses for a decent standard of living for them and their families, as well as a right to the social benefits required under the law. The workers' wages shall, at a minimum, comply with wages mandated by national minimum wage legislation or industry standards adopted based on collective bargaining, whichever is higher. The wages shall always cover costs of living and provide some latitude for savings. The level of wages shall reflect the experience and training of the employee and shall apply to regular working hours.

Overtime shall be compensated at a premium rate that meet or exceed national law. Wages shall be paid regularly, on time, and in legal currency. Wages, as well as procedures for how and when wages are to be paid, shall be agreed in writing before work begins. Suppliers shall not use wage deductions as a disciplinary measure. Deductions are acceptable only in accordance with the provisions of applicable law or collective agreements.

#### **5. Employment terms and conditions**

**Each employee is entitled to an employment contract.**

Obligations to workers in accordance with international conventions and/or national legislation and regulations concerning employment conditions may not be avoided by means of short-term employment. The employment contract shall, be written in a language and worded in a way that the employee understand, and at a minimum, state the following:

- » Working hours
- » Regular wages
- » Compensation for overtime
- » Method for calculation
- » Notice of termination period
- » Time for payment of wages

During apprenticeship, the length and content of the program must be clearly specified and correspond to the purposes and rights set out in national law. Apprenticeship programs and apprentices shall not replace work for regular personnel. The Supplier shall take into consideration workers who have children, especially seasonal and migrant workers with children located elsewhere, so that these workers have the possibility of combining work with parenthood.

#### **6. Non-Discrimination**

**Employees may not be discriminated.**

Employees have the right to equal treatment and should not be discriminated based on ethnic origin, nationality, religion, age, disability, gender, marital status, family responsibilities, sexual orientation, trade union membership, or political affiliation.

All workers with the same experience and qualifications shall receive equal pay for equal work. The same applies to employment practices such as promotions, rewards, training, assignments. Wages shall reflect an employee's training and skills. Termination of employment on unfair grounds, e.g. marriage, pregnancy, parenthood, etc is considered as discrimination.

Women are entitled to economic, social and political equality with men. All suitable measures should be taken to ensure fundamental freedom, development and progress of women,

## 7. Personal integrity

### Employees have the right to respect.

Measures shall be taken to protect workers from actual or threats of, physical assaults or punishments, sexual harassment, verbal harassment, being exploited or any form of humiliated. The workplace shall offer the possibility and space for personal privacy.

All disciplinary measures must be documented in writing and are to be explained orally to workers in clear and understandable terms.

Personal data shall always be processed with respect for personal integrity and in accordance with applicable legislation and regulatory frameworks. Data collected from sub-suppliers, customers and workers shall be processed using security procedures to prevent unauthorised disclosure and harm.

If the supplier use private or public security forces to protect the business, training and/or control need to ensure no of the security force's activities lead to violations of human rights.

## 8. Freedom of association and collective bargaining

### Employees shall, without exception, have the right to organise into trade unions and to bargain collectively.

Suppliers shall respect employees' right to associate freely and to communicate openly with management regarding working conditions without fear of reprisal, intimidation or harassment. The Supplier may not discriminate against trade union representatives or prevent them from doing their trade union work or prevent their access to workers at the workplace.

If the rights stated above for any reason are limited by national legislation, the Supplier shall facilitate the development of a parallel mechanisms for independent associations and bargaining and never hinder its cause.

## 9. Use of private or public security forces

The supplier shall take action, train and control security forces to avoid situations that may lead to violations of human rights.

## B. Safe and Healthy

## 10. Occupational health and safety

### Workplaces must be safe, hazards should be prevented and the working environment should be healthy.

The working environment shall be safe and beneficial to good health, considering general knowledge of the industry and specific risk factors. A clear set of regulations and procedures must be drafted and followed in respect of a safe working environment, protective equipment, fire protection, and emergency preparedness.

A management representative responsible for the health and safety of the workers shall be appointed.

The work environment management should take place in collaboration between management and the employee's representatives, in order to attain a workplace that is safe and healthful in the long term.

Systems shall be put in place and applied to detect, avoid, and respond to potential threats to health and safety including, but not limited to, risks associated with operational work and work with machinery, transportation and delivery of goods and/or services, and shall cover all workers.

Relevant and applicable laws and regulations relating to internal air quality, internal temperature levels, noise levels and lighting levels must be followed.

All workers shall receive regular and documented health and safety training. Such training must be repeated for new or rehired workers. Health and safety information shall be made available in a manner and language that can be understood by all workers.

Suppliers shall evaluate production and other machinery for safety hazards. Physical guards, interlocks and barriers must be provided and properly maintained where machinery presents an injury hazard to employees. If needed, suitable and effective personal protective equipment shall always be provided to all employees, free of charge.

Suppliers shall identify, evaluate and control employees' exposure to physically demanding tasks, including manual material handling and heavy lifting, prolonged standing and highly repetitive or forceful assembly tasks. Suppliers shall ensure the timely rotation of employees in order to lower the physical demand.

The Supplier shall maintain a register of accidents and injuries involving the workforce. The Supplier shall ensure that workers are covered under mandatory insurance schemes in accordance with applicable national legislation. In the event of accidents and injuries, the Supplier shall ensure the best possible protection for the workers. In the event of imminent danger, workers shall have the right to leave the workplace without asking for permission. The Supplier shall ensure that relevant medical assistance is available at the workplace, for example first aid and/or access to a nurse or doctor.

A particularly safe working environment and protection shall be in place for vulnerable individuals, such as young workers, pregnant workers and apprentices. Employees shall have access to clean sanitation facilities and clean drinking water. If necessary, the Supplier shall also ensure access to facilities for safe food storage.

If the Supplier provides lodging, the lodging shall be clean, safe, adequately ventilated, and have access to clean sanitation facilities and clean drinking water. Fire safety and emergency preparedness and response shall be of the same standard as in the workplace.

## C. ENVIRONMENTAL PROTECTION

**Suppliers must minimize adverse effects on the community, environment and natural resources while safeguarding the health and safety of the public.**

### 11. National and international environmental legislation

**Production and transport shall not conflict with national legislation or international provisions.**

No form of illegal environmental activity or ruthless exploitation of natural resources shall take place in the Supplier's business. For example special attention has to be taken to EU regulation on deforestation (EUDR), The timber regulation and CITES global conservation convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora).

All necessary environmental permits, approvals, and registrations for the business activities shall be obtained, maintained, and kept updated, and operational and reporting requirements stated therein shall be followed.

Measures shall be taken to reduce and avoid negative effects on health, natural resources, and the environment throughout the value chain through minimising emissions/effluents into the air, soil, and water, as well as to promote efficient and sustainable use of resources, including use of energy and water. Biological diversity, eco systems and environmentally vulnerable areas shall be protected.

Routines shall be established to minimise or eliminate emission of greenhouse gases as well as contamination and waste in production and transport. Local, regional, and global environmental issues shall be taken into account.

Use of chemicals, insecticides/pesticides, and other material that constitutes a hazard to humans or the environment shall be identified, evaluated, labelled, and handled with care in order to ensure safe handling, relocation, storage, use, recycling, or reuse and removal. The use of such material shall be minimised.

On request, Suppliers shall provide product information on environmental performance, climate footprint (EPD/LCA) as well as other legislated information requirements.

## **12. Use of resources and impact on the local community**

### **Resource efficiency & circularity is the standard.**

The supplier should have a commitment to limit the climate change and reduce GHG emissions by, to the extent possible, use fossil-free fuels and renewable energy. The energy use should be measured with the goal to reduce and use energy more efficiently.

The Supplier shall assess and evaluate its impact on the local population and local community and shall take necessary measures to avoid any negative impact. The immediate area surrounding the Supplier's production site may not be excessively exploited or degraded by pollution.

In cases of conflict with the local community concerning the use of land or other natural resources, the Supplier, through negotiation, shall ensure that respect is shown to the greatest extent possible for individual and collective rights to land and other resources based on traditions and customs, including cases where such rights have not been formally registered. In processes where there is a risk of compromising the rights of indigenous people, the Supplier is expected to observe the principle of the right to free, prior, and informed consent (FPIC) in accordance with the UN's Declaration on the Rights of Indigenous Peoples.

Production and extraction of raw materials for production shall never contribute to destruction of natural resources or risk income for marginalised population groups by for example, claiming large land areas or other natural resources upon which such population groups depend.

## **D. ETHICS**

### **15. Ethical requirements, etc.**

#### **The Supplier shall conduct business according to the highest applicable ethical standards.**

The Supplier shall comply with applicable competition and marketing legislation and shall apply good business practices and business relationships shall be characterized by independence and integrity.

If the Supplier supplies or handles tin, tantalum, tungsten, gold, and/or other minerals which can be regarded as so-called conflict minerals, the Supplier shall have clear guidelines in place for handling conflict minerals and be able to show the country of origin of the minerals. Such guidelines shall also include cobalt. A due diligence process shall be in place to monitor and trace the supply chain for the minerals for the purpose of verifying that the minerals do not directly or indirectly finance armed groups in the Democratic Republic of Congo or nearby countries. The Supplier shall be able to show such due diligence measures upon request.

The Supplier shall not engage in, assist, or facilitate any form of money laundering or other economic crimes. All reasonable steps shall be taken to ensure that financial transactions in which they are involved are not used to launder proceeds of illegal activity.

The Supplier shall comply with applicable economic sanctions and export/import control laws. Suppliers shall take all reasonable steps to ensure that they do not conduct business in or with a sanctioned country, territory, group, organization or individual.

If the Supplier becomes aware of any person or entity within their supply chain or wider business operations who is or may be subject to economic sanctions, the Supplier shall immediately notify the relevant Derome party to discuss the appropriate action.

The Supplier shall also assess whether government authorisation is required before engaging in activities involving restricted items and will obtain and comply with all required authorisations.

Suppliers shall uphold standards of fair business, advertising and competition. Suppliers must not engage in collusive bidding, price fixing, price discrimination, or other unfair trade practices.

Conflict of interest should be avoided by the supplier. Employees are individuals and have the right to a private life, however, suppliers and their employees must act responsibly and not exploit their own professional or official capacity. All decisions should be made without regard to personal gain to avoid conflicts of interest.

## **16. Anti-corruption**

**Derome has zero tolerance for corruption in any form.**

Corruption includes bribery, facilitation payments and trading in influence, and the prohibition applies regardless of whether such activity take place directly or through third parties.

The Supplier shall comply with all applicable anti-corruption laws and regulations and take active steps to ensure that corruption does not occur in relation to the business activities. The Supplier shall establish and follow an anti-bribery/anti-corruption policy in all business activities.

The Supplier and its management and employees shall not directly or indirectly be involved in any form of corruption and shall not directly or indirectly offer, promise, demand, require or accept improper advantages for example by giving or receiving bribes in the form of monetary gifts or other types of benefits. This also includes invitations, travel, or participation in events with suppliers or business connections without approval of the line manager. Derome also recognises that the definition of corruption covers improper advantages regardless of whether any commercial gain is returned in that regard.

## **17. Responsibility, Transparency and Accountability**

**The Supplier shall demonstrate honesty, transparency and accountability.**

Suppliers shall be transparent in their policies, processes and standards which govern their operations and are related to compliance with our Supplier Code of Conduct. It is crucial that the supplier always is able to provide an account of the supply chain to the extent possible. Derome does not tolerate misleading or false information.

Suppliers agree to give us or third-party representatives access, with reasonable notice to their facilities, employees and records in order to enable us to monitor the compliance with our Code of Conduct.

In case of any non-compliance with our Code of Conduct, Suppliers shall plan and implement corrective actions and actively progress towards compliance with our Code of Conduct. Failure to comply may result in termination of relationships with Suppliers.

## **18. Sensitive information**

### **Disclosure and Privacy of Information**

Suppliers shall accurately record and disclose information regarding their business activities, structure, financial situation and performance in accordance to applicable laws and regulations and prevailing industry practices. Falsification of records or misrepresentation of conditions or practices in the supply chain are unacceptable.

### **Intellectual Property Protection**

Suppliers shall respect intellectual property rights and safeguard information. Transfer of technology and know-how is to be done in a manner that protects intellectual property rights. Customer and supplier information shall be protected the same way.



## F. MANAGEMENT SYSTEMS

### 16. Management systems

The Supplier shall define and implement a policy for social accountability, including rules regarding child labour, forced labour, discrimination, harassment, corruption, grievances, and all of the other requirements of Derome's supplier Code of Conduct. The policy shall be communicated and accessible to all workers.

The Supplier's senior management shall define and implement a management system to ensure that the requirements of this Supplier Code of Conduct are met. Management shall be responsible for effective implementation and continual improvements through taking corrective measures and conducting periodic review of the requirements of the Code of Conduct. Management also has the responsibility to communicate and educate their employees and managers on their rights and responsibilities related to upholding Derome's Supplier Code of Conduct

The Supplier shall investigate and respond to workers' feedback regarding how the company complies with its policy and/or meeting the requirements of the Code of Conduct and shall rectify any shortcomings.

The Supplier shall establish or participate in the establishment of a grievance mechanism at the workplace. Such a grievance mechanism aims at ensuring that workers at the workplace or other affected individuals in the local community can have their grievances heard and rectified. These grievance mechanisms shall not supersede applicable legal systems but are a supplement to resolve conflicts at the workplace before they escalate.

Disciplining, dismissing, or discriminating against any employee who provides information concerning compliance with this Supplier Code of Conduct may not happen.

## G. COMPLIANCE

### 17. Trust and cooperation

Derome expects the Supplier to be transparent, respect the Supplier Code of Conduct, and actively do its utmost to meet the requirements and goals of the Supplier Code of Conduct. To do so the Supplier shall map out the supply chain and conduct a risk assessment regarding where there may be risks of violating the Supplier Code of Conduct and/or underlying principles and shall take measures to avoid these risks. This risk assessment shall be ongoing and continually updated.

We understand that some non-compliances take time to correct since the underlying causes may, in part, originate in the surrounding community. At Derome we believe in cooperation and is willing to collaborate with the Supplier, authorities, trade unions, and industry organisations to find solutions in each individual case.

### 18. Inspections & follow-up

Derome has an ongoing work to develop the due diligence process for suppliers. The Supplier may be asked to participate in a self-assessment process or an evaluation process including audit and follow-up measures, to verify that the Supplier and its sub-suppliers meet the requirements of the Code of Conduct. During both the self-assessment and evaluation process the Supplier undertakes to cooperate and provide full transparency.

In the event of any suspected inconsistency or noncompliance with the Code of Conduct,

Derome reserves the right to make visits to the Supplier and all factories which produce goods/services for Derome.

Derome also reserves the right to appoint an independent third party non-governmental organisations or consulting firms to conduct inspections to ensure compliance with the Code of Conduct.

## 19. Lack of compliance

Each and every case of breach or violation of the Code of Conduct will be evaluated and handled based on the severity of the violation. In the event of repeated violations of the Supplier Code of Conduct, Derome has the right to terminate the contract and cooperation with the Supplier either direct with Tier 1 suppliers or through the contracting company.

Examples of such violations include, but are not limited to:

- » Providing false information.
- » Offering or accepting bribes or being guilty of any other form of corruption.
- » Not implementing improvements in the event of deviations from the Code of Conduct within an agreed time frame without a reasonable explanation.
- » In other ways showing that they do not share Derome's view of sustainable business conduct, and thereby not respecting the Code of Conduct.

## 20. Whistleblower protection and Anonymous complaint

Suppliers shall create programs to ensure protection of whistleblower confidentiality and prohibit retaliation against employees who participate in such programs in good faith or refuse an order that is in violation of our Code of Conduct.

Suppliers shall provide an anonymous complaint mechanism for employees to report workplace grievances in accordance with local laws and regulations and shall inform their employees of the option to anonymously report a breach of our Code of Conduct to us directly at the Trumpet Whistleblowing System: <https://derome.trumpet-whistleblowing.eu/>