

Policy for Responsible Business Conduct

Introduction

Flokk strives towards responsible business conduct that respects people, society and the environment. This policy document, including our Code of Conduct, forms the foundation of our sustainability work.

Flokk considers responsible business conduct to be a prerequisite for sustainable development, meaning that today's generation get their needs covered without compromising the ability of future generations to meet their own needs¹. Flokk's strategic goals and targets for 2030 are defined to ensure we contribute to the achievement of the global targets as set e.g. by the EU European Green Deal, UN Sustainable Development Group and the UN Convention on Climate Change. The UN Sustainable Development Goals (SDGs) is the world's joint action plan for sustainable development.

As a member of Ethical Trade Norway, Flokk commits to working actively with due diligence for responsible business conduct². Due diligence is a risk-based approach to respect and safeguard people, society and the environment in our own business and throughout the supply chain. We expect our suppliers and partners to follow the same approach.

Requirements - own business

Flokk acknowledges that our business conduct can potentially have negative impact on people, society and the environment. At the same time, we see the potential to contribute to positive development in the supply chain. With this in mind, we have compiled the following principles and criteria guiding our own business:

Due diligence

Flokk shall conduct due diligence for responsible business conduct. This involves; conducting risk assessments to identify potential negative impact on people, society and the environment and to stop, prevent and reduce such impact. The measures put in place are monitored and their effect evaluated. The measures are communicated to those affected by our actions. If our activities are found to cause or contribute to negative impact on people, society or the environment, we will stop the activities and seek to provide remedy. If our supplier is responsible for the negative impact, the supplier is responsible for providing remedy

Responsible purchasing practices

Flokk considers responsible purchasing practices to be one of our most important tools for responsible business conduct. Flokk shall adapt our purchasing practices in order to strengthen, and not undermine, our suppliers' ability to deliver on our requirements related to people, society and the environment. We strive towards lasting supplier relationships with suppliers who show a particular willingness and ability to create positive developments in the supply chain.

Freedom of association and worker representation

Flokk supports the right to freedom of association and other forms of democratically elected worker representation. We shall involve worker representatives and other relevant stakeholders in our work with responsible business conduct.

Supplier development and partnership

In dialogue with suppliers we will consider, if needed, to contribute with capacity building or resources that enable our suppliers to comply with Flokk's requirements related to responsible business conduct. This way we lay the foundation for collaboration with suppliers that show the

¹ The Brundtland commission, «Our Common Future», 1987

² UN OHCHR, *Guiding Principles on Business and Human Rights (UNGPs)*, 2011; OECD, «Due Diligence Guidance for Responsible Business Conduct», 2018.

willingness and ability to work on positive development for people, society and the environment in the supply chain.

Anti-corruption

Flokk, including all employees, shall never offer or receive illegal or inappropriate monetary gifts or other remuneration to achieve private or business benefits in their own interest or in the interest of customers, agents or suppliers. See also Flokk's Anti-Bribery and Corruption Policy.

Countries affected by trade boycott

Flokk, including all our suppliers and partners, shall avoid trading with partners that have activities in countries where a trade boycott is imposed by the UN and/or Norwegian Government authorities.

Requirements - conditions in the supply chain

We expect our suppliers and partners to work focused and systematically to comply with our guidelines for suppliers, hereunder our code of conduct, that covers fundamental requirements on human rights, labour rights, anti-corruption, animal welfare and the environment. Our suppliers shall:

- Follow our guidelines for suppliers, hereunder the code of conduct.
- Conduct due diligence for responsible business conduct. This involves; conducting risk assessments to identify potential negative impact on people, society and the environment and to stop, prevent and reduce such impact. The measures put in place must be monitored and their effect evaluated. The measures taken must be communicated to those affected by your actions. If the supplier is responsible for the negative impact/damage, they are responsible for providing remedy.³
- Show willingness and ability to continuous improvement for people, society and the environment through collaboration.
- At the request of Flokk be able to document how they, and potential subcontractors, work to comply with the guidelines.

If the supplier, after several requests by Flokk, does not show the willingness or ability to comply with the guidelines for suppliers, the contract may be cancelled.

Principles for responsible business conduct

These principles for responsible business conduct are based on UN and ILO conventions and provide minimum, not maximum standards. The relevant legal framework at the place of production shall be respected. Where national laws and regulations address the same subjects as these guidelines, the most stringent shall apply.

- 1.1 **Human Rights (UN Universal Declaration of Human Rights (1948), the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights)**
- 1.2 Business partner must support and respect human rights and has a responsibility to respect and promote the human rights, both within its own operations and in the supplier chain.
- 1.3 Business partner must ensure that it does not participate, directly or indirectly, in violations of human rights. This also includes situations when the company fails to pose questions of human rights or benefits from violations that are carried out by a third party.
2. **Child Labour (UN Convention on the Rights of the Child Art. 32, ILO Conventions Nos. 138, 182 and 79, and ILO Recommendation No. 146)**
 - 2.1 The minimum age for workers shall not be less than 15 and comply with:
 - 1) the national minimum age for employment, or;
 - 2) the age of completion of compulsory education, whichever of these is higher. If local

³ OECD, «Due Diligence Guidance for Responsible Business Conduct», 2018.

minimum is set at 14 years in accordance with developing country exceptions under ILO Convention 138, this lower age may apply.

- 2.2 There shall be no recruitment of child labour defined as any work performed by a child younger than the age(s) specified above.
- 2.3 No person under the age of 18 shall be engaged in labour that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development, including night work.
- 2.4 Policies and procedures for remediation of child labour prohibited by ILO conventions no. 138 and 182, shall be established, documented, and communicated to personnel and other interested parties. Adequate support shall be provided to enable such children to attend and complete compulsory education.
- 2.5 If child labour is detected, the company must act based upon the best interest of the child and find suitable solutions in consultation with the child and the family of the child.

3. Forced and compulsory labour (ILO Conventions Nos. 29 and 105)

- 3.1 There shall be no forced, including slave, bonded or involuntary prison labour. All labour must be voluntary without threat of penalty or similar.
- 3.2 Workers shall not be required to lodge deposits or identity papers with their employer and shall be free to terminate their employment following a reasonable period of notice.

4. Discrimination and harassment (ILO Conventions Nos. 100 and 111 and the UN Convention on Discrimination Against Women, UN Covenant on Civil and Political Rights, Art. 7)

- 4.1 There shall be no discrimination at the workplace in hiring, compensation, access to training, promotion, termination or retirement based on ethnic affiliation, sex, civil status, pregnancy, religion, social or ethnic origin, nationality, physical ability, political opinions, union membership, gender-crossing identity or expression, age, health condition, or sexual orientation, or other character trait that is protected by applicable legislation. Discrimination refers to any distinction of employees that is not based on merits or qualities but involves differential treatment on biased grounds.
- 4.2 Business Partner must work to promote diversity and equal opportunities in the operation.
- 4.3 Measures shall be established to protect workers from sexually intrusive, threatening, insulting or exploitative behaviour, and from discrimination or termination of employment on unjustifiable grounds, e.g. marriage, pregnancy, parenthood or HIV status.
- 4.4 Harassment may not occur in the operation. Harassment refers to instances when employees are exposed of harsh or inhumane treatment. Any form of psychological or physical abuse or punishment, threats of physical abuse, sexual or other harassment and verbal abuse, as well as other forms of intimidation, is prohibited.

5. Freedom of Association and the Right to Collective Bargaining (ILO Conventions Nos. 87, 98, 135 and 154)

- 5.1 Workers, without distinction, shall have the right to join or form trade unions of their own choosing and to bargain collectively. The employer shall not interfere with, obstruct, the formation of unions or collective bargaining.
- 5.2 Workers' representatives shall not be discriminated and shall have access to carry out their representative functions in the workplace.
- 5.3 Where the right to freedom of association and/or collective bargaining is restricted under law, the employer shall facilitate, and not hinder, the development of alternative forms of independent and free workers representation and negotiations.

6. Regular Employment (ILO Convention No. 95, 158, 175, 177 and 181)

- 6.1 Obligations to employees under international conventions, national law and regulations concerning regular employment shall not be avoided using short-term contracting (such as contract labour, casual labour or day labour), sub-contractors or other labour relationships.
- 6.2 All workers are entitled to a contract of employment in a language they understand.
- 6.3 The duration and content of apprenticeship programmes shall be clearly defined.

7. Wages (ILO Convention No. 131)

- 8.1 Wages and benefits paid for a standard working week shall as minimum meet national legal standards or industry benchmark standards, whichever is higher. Wages should always be enough to meet basic needs, including some discretionary income. Salary must be paid directly to the employee at the agreed time and in full.
- 8.2 All workers shall be provided with a written and comprehensible contract outlining their wage conditions and method of payments before entering employment.
- 8.3 Deductions from wages as a disciplinary measure shall not be permitted.

8. Working Hours (ILO Convention No. 1 and 14)

- 8.1 Working hours shall comply with national laws and benchmark industry standards, and not more than prevailing international standards. Weekly working hours should not on a regular basis be more than 48 hours.
- 8.2 Workers shall be provided with at least one day off for every 7-day period and have breaks during the working day.
- 8.3 Overtime shall be limited and voluntary. Recommended maximum overtime is 12 hours per week, i.e. that the total working week including overtime shall not exceed 60 hours. Exceptions to this are accepted when regulated by a collective bargaining agreement.
- 8.4 Workers shall always receive overtime pay for all hours worked over and above the normal working hours (see 8.1 above), minimum in accordance with relevant legislation.
- 8.5 Leave, including holidays, public holidays, sick leave and parental leave must be approved and reimbursed in accordance with national law.
- 8.6 All workers must be covered by social insurance in accordance with national law.

9. Health and Safety, Chemicals (ILO Convention No. 155 and 170, ILO Recommendation No. 164)

- 9.1 The working environment shall be safe, healthy and hygienic, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Hazardous chemicals and other substances shall be carefully managed, handled safely and safety data sheets must be available. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in, the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.
- 9.2 Business Partner should have a written policy, signed by the management, regarding health and safety at the work.
- 9.3 Business Partner should have documented routines to ensure observance and achieve continuous improvement within work environment, e.g. goals, inspections and plans of action.
- 9.4 There must be a register of accidents and incidents. Incidents mean events that could have led to an accident.
- 9.5 Workers shall receive regular and documented health and safety training, and such training shall be repeated for new or reassigned workers. Workers must regularly receive relevant training and instructions to be able to manoeuvre machines and other equipment.
- 9.6 Workers must have access to all necessary protective equipment without having to pay for it.
- 9.7 Temperature, air quality and noise level must be regulated in accordance with local legislation. Where the working environment cannot be changed, it must be remedied with protective equipment.
- 9.8 Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided.
- 9.9 Accommodation, where provided, shall be clean, safe and adequately ventilated, and shall have access to clean toilet facilities and potable water.
- 9.10 Fire drills should be held regularly. Fire equipment, evacuation plans and emergency exits must be available and well visible in all space.

10. Environment

- 10.1 Measures to minimise adverse impacts on human health and the environment shall be taken throughout the value chain. This includes minimising harmful chemicals/chemicals, minimising pollution, promoting an efficient and sustainable choice and use of materials and resources, including energy and water, minimising greenhouse gas emissions in production and transport, protecting biodiversity, land & wood, The local environment at the production site shall not be exploited or degraded.
- 10.2 Business Partner must comply with local, national and international environmental protection legislation and regulations. A system for law enforcement control with law lists

must be in place, and relevant discharge permits obtained.

- 10.3 Business Partners that are NOT certified according to ISO 14001, must satisfy below requirements in general respects:
- The company shall identify the company's environmental impact and identify where its environmental impact is greatest.
 - A documented and communicated environment policy, which has been approved by the management, shall be available.
 - In order to ensure constant improvement, the company should have long-term and short-term environmental goals, along with an established action plan.
 - All employees should be provided with environmental training.
 - There should be documented routines for monitoring and follow up the company's environmental performance.

11. Marginalised Population (UN Covenant on Civil and Political Rights, art. 1 and 2)

- 11.1 Production and the use of natural resources shall not contribute to the destruction and/or degradation of the resources and income base for marginalised populations, such as in claiming large land areas, use of water or other natural resources on which these populations are dependent.

12. Anti-Corruption (UN Convention against Corruption and bribery legislation)

- 12.1 Corruption in any form is not accepted, including bribery, extortion, kickbacks and improper private or professional benefits to customers, agents, contractors, suppliers or employees of any such party or government officials. All forms of corruption must be countered.
- 12.2 Business Partner must comply with the UN Convention against Corruption as well as the bribery legislation that applies in the country where all or parts of the product are manufactured and such other country's law that otherwise covers the company's activities.

13. Sanctions

- 13.1 Financial sanctions are a significant part of the global fight against financial crime and are used by governments all over the world to restrict or prohibit trade with foreign targets which are involved, or suspected of being involved, in illegal activities.
- 13.2 All Flokk business partners must regularly check that they do not conduct business with any persons, groups, entities, or countries on the given sanction lists:
- the UN consolidated sanction list published on: <https://www.un.org/securitycouncil/content/un-sc-consolidated-list>
 - Office of Foreign Assets Control, Sanctions List (U.S): <https://sanctionssearch.ofac.treas.gov/>

Other Sanctions List are the consolidated list of persons, groups and entities subject to EU financial sanctions published on http://eeas.europa.eu/topics/sanctions-policy/8442/consolidated-list-of-sanctions_en or any similar sanction list issued or maintained or made public by any of the Sanctions Authorities.

14. Animal welfare

- 14.1 Animal welfare shall be respected. Measures should be taken to minimize any negative impact on the welfare of livestock and working animals.
- 14.2 National and international animal welfare legislation and regulations shall be respected.

References

Anti-Bribery and Corruption Policy (TQM 6358)
 Code of Conduct – Business Partners (TQM 3165)
 Flokk Code of Conduct (TQM 2309)
 Risk assessment Flokk Group (TQM 6411)
 Context & Stakeholders - Interest Parties Analysis (TQM 6280)
 Environmental and Energy Policy (TQM 3084)
 Environmental Philosophy (TQM 3315)