

Policy for responsible business conduct for KID ASA and its subsidiaries hereby referred to as KID Hemtex.

Passed by KID ASA board. Last modified 30.04.2020.

Introduction

KID Hemtex 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.

KID Hemtex 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. The UN Sustainable Development Goals (SDGs) is the world's joint action plan for sustainable development. KID Hemtex works actively with the Sustainable Development Goals.

As a member of Ethical Trade Norway KID Hemtex 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

KID Hemtex 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

KID Hemtex 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.³

Responsible purchasing practices

KID Hemtex considers responsible purchasing practices to be one of our most important tools for responsible business conduct. KID Hemtex 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

KID Hemtex 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.

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.*

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

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 KID Hemtex's requirements related to responsible business conduct. This way we lay the foundation for collaboration with suppliers that show the willingness and ability to work on positive development for people, society and the environment in the supply chain.

Anti-corruption

KID Hemtex, 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.

Countries affected by trade boycott

KID Hemtex, 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 or the European Union.

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.⁴
- Show willingness and ability to continuous improvement for people, society and the environment through collaboration.
- At the request of KID Hemtex be able to document how they, and potential subcontractors, work to comply with the guidelines.

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

Principles for responsible business conduct (Code of Conduct)

⁴ OECD, «Due Diligence Guidance for Responsible Business Conduct», 2018.

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.

Social and environmental standards

1. Forced and compulsory labour

ILO Conventions Nos. 29 and 105

- 1.1 There shall be no forced, bonded or involuntary prison labour.
- 1.2 Workers shall not be required to lodge deposits or identity papers with their employer and shall be free to leave their employer after reasonable notice.

2. Freedom of Association and the Right to Collective Bargaining

ILO Conventions Nos. 87, 98, 135 and 154

- 2.1 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.
- 2.2 Workers' representatives shall not be discriminated and shall have access to carry out their representative functions in the workplace.
- 2.3 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.

3. Child Labour

UN Convention on the Rights of the Child, ILO Conventions Nos. 138, 182 and 79, and ILO Recommendation No. 146

- 3.1 The minimum age for workers shall not be less than 15 and comply with
 - i) the national minimum age for employment, or;
 - ii) the age of completion of compulsory education,whichever of these is higher. If local minimum is set at 14 years in accordance with developing country exceptions under ILO Convention 138, this lower age may apply.
- 3.2 There shall be no recruitment of child labour defined as any work performed by a child younger than the age(s) specified above.
- 3.3 No person under the age of 18 shall be engaged in labour that is hazardous to their health, safety or morals, including night work.
- 3.4 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.

4. Discrimination

ILO Conventions Nos. 100 and 111 and the UN Convention on Discrimination Against Women

- 4.1 There shall be no discrimination at the workplace in hiring, compensation, access to training, promotion, termination or retirement based on ethnic background, caste, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.
- 4.2 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.

5. Harsh or Inhumane Treatment

- 5.1 Physical abuse or punishment, or threats of physical abuse, sexual or other harassment and verbal abuse, as well as other forms of intimidation, is prohibited.

6. Health and Safety

ILO Convention No. 155 and ILO Recommendation No. 164

- 6.1 The working environment shall be safe 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. 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.
- 6.2 Workers shall receive regular and documented health and safety training, and such training shall be repeated for new or reassigned workers.
- 6.3 Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided.
- 6.4 Accommodation, where provided, shall be clean, safe and adequately ventilated, and shall have access to clean toilet facilities and potable water.
- 6.5 The supplier shall provide and pay for all appropriate Personal Protective Equipment (PPE) to all workers in any harmful or potentially risky work area(s). The supplier must ensure that the PPE is maintained and worn when needed.
- 6.6 Machines shall have satisfactory and functional safety devices which shall be maintained on a regular basis.
- 6.7 Employees shall be given the necessary and adequate safety training before operating machines and other equipment.
- 6.8 First aid equipment are mandatory in all work areas, shall be adequately stocked and available to all co-workers.
- 6.9 The factory shall have a sufficient number of exits, and these shall remain unlocked and free from obstruction in case of fire or other emergency situations. The supplier shall have an independent and functioning evacuation alarm. Evacuation plans shall be easily visible at the entrance of the production area. Fire extinguishers are mandatory in all work areas and shall be easily visible and accessible to all workers. The supplier must ensure that the fire fighting equipment is maintained regularly. All employees shall be informed and drilled about the evacuation plan. The supplier shall have an adequate number of employees trained to use fire fighting equipment in each work area, covering all production shifts.
- 6.10 The lighting must be sufficient so as to ensure safe working.
- 6.11 The factory shall be ventilated according to legal requirements.

7. Wages

ILO Convention No. 131

- 7.1 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.
- 7.2 All workers shall be provided with a written and comprehensible contract outlining their wage conditions and method of payments before entering employment.
- 7.3 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
- 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.

9. Regular Employment

ILO Convention No. 95, 158, 175, 177 and 181

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

10. Marginalized Populations

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

11. Environment

- 11.1 Negative impact on the environment shall be reduced throughout the value chain. In line with the precautionary principle, measures shall be taken to continuously minimize greenhouse gas emissions and local pollution, the use of harmful chemicals, pesticides, and to ensure sustainable resource extraction and management of water, oceans, forest and land, and the conservation of biodiversity.
- 11.2 National and international environmental legislation and regulations shall be respected and relevant discharge permits obtained.
- 11.3 Hazardous chemicals and other substances shall be carefully managed and disposed of without polluting the environment.

12. Corruption

- 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.

13. Animal welfare

- 13.1 Animal welfare shall be respected. Measures should be taken to minimize any negative impact on the welfare of livestock and working animals.
- 13.2 National and international animal welfare legislation and regulations shall be respected.
- 13.3 KID Hemtex encourage all suppliers to follow the European Convention for the Protection of Animals kept for Farming Purposes.
- 13.4 There shall under no circumstances occur any inhumane treatment of animals.
 - i. **Mulesing**; this shall not occur in KID Hemtex's supply chain with regards to the production of wool products.
 - ii. **Fur**; KID Hemtex only accepts synthetic fur in its products.

- iii. **Leather;** leather products are only to be made from utility animals as pigs, sheep and cattle, where the animal has been slaughtered for the purpose of meat production.
- iv. **Down and feather;** down and feather used in KID Hemtex products shall only come from birds killed for food production. No live plucking is allowed. All down and feather shall as a minimum be traceable to the farm it comes from.
- v. **Animal testing;** KID Hemtex is against animal testing and under no circumstances should animal testing be done for any product delivered to KID Hemtex, this includes all components used for our product.

Other requirements

I. Housing

Factories providing housing for their workers must ensure reasonable cleanliness, privacy, quietness, personal hygiene and access to clean drinking water.

Dormitories shall comply with local laws pertaining to health and safety (including fire safety, sanitary equipment, general security, as well as electrical, mechanical and structural equipment).

No restrictions shall be applied which interfere with the employee's right to leave the housing facility during his / her free time.

The living space provided per individual shall be according to the legal requirements, and if there are no such requirements, the area shall be a minimum two square meters per person. There shall be provided an individual bed / mattress or sleeping mat for each person.

Separate accommodations, toilets and washing facilities shall be available for men and women respectively.

All workers are to have their own lockable storage space for clothes and personal belongings.

II. Safe handling and use of chemicals

The supplier shall ensure compliance with all applicable laws and regulations pertaining to procurement, storage, handling and use of chemicals.

List of all chemical used in the production

All suppliers shall maintain a list of chemicals used in the production process and for maintenance. This list shall be available to KID Hemtex upon request, and/or to auditors performing audits on behalf of KID Hemtex. The chemicals listed should include name of the chemical product, purpose/area of use and a reference to a SDS (Safety Data Sheet).

Storage and labelling

All chemicals must be properly labelled, with appropriate danger symbols and chemical names. The chemicals must be handled and stored securely. The storage facilities must be built in such a way that leakage into air, water and ground is prevented.

Chemicals located at the production line shall be stored and handled in such a way that they cannot easily be spilled or cause accidents for workers. The volume stored shall not exceed the volume normally used regular production cycle.

Written policy

Suppliers shall have a written policy in place for the procurement, storage, handling and use of chemicals including guidelines on safe handling and use of the chemicals used for production and maintenance. There shall be a responsible person in charge of implementing and follow up measures in accordance with these regulations.

Training and risk assessment

Suppliers must ensure that all employees handling chemicals have received the appropriate training for storing, handling and using the chemicals, and that that there has been conducted a risk assessment regarding the use of the chemicals. Records of training and risk assessment shall be kept.

Use of chemicals in accordance to Restricted Substance List (RSL)

All use of chemicals in products for KID Hemtex shall comply with KID Hemtex RSL list sent to the supplier. This list is updated twice a year.

III. Wood, bamboo and rattan

KID encourage suppliers to use certified wood, bamboo and rattan, i.e Forest Stewardship Council. All timber used must meet the requirements in the EU Timber regulations.

The supplier shall only use wood, bamboo and rattan that have been produced in compliance with existing laws and legislations and accepted forest practices within the country and/or region where the wood originates.

The supplier shall maintain records of the origin of all wood, bamboo and rattan sources used in the production, and this must show what type of wood is used as well as country, and region of origin within the country

The supplier shall not utilize wood, bamboo and rattan from protected areas.

High value tropical tree species, like teak, meranti, rosewood and mahogany shall not be used.

IV. Cotton

KID Hemtex is aware of the risk and environmental impacts cotton production has, both with regards to working conditions, risk of child labor as well water usage and use of chemicals. KID Hemtex require the suppliers to use a more sustainable cotton in the production for products for KID Hemtex.

We require our suppliers to use BCI cotton, Cotton Made in Africa, GOTS cotton, Fairtrade or other types of certified cotton that have a better impact on labour, cotton producing communities and the environment.

Ban on cotton from Uzbekistan

Due to the current situation in Uzbekistan with the systematic use of forced child or adult labour in the harvest of cotton, it is prohibited to use cotton from this region in any product for KID Hemtex.

This policy will remain in place until the International Labour Organization can verify that the Government of Uzbekistan ends this practice.

V. Management systems of suppliers

The management system is key to the implementation of the code of conduct. KID Hemtex emphasises the importance of suppliers having systems that support such implementation. KID Hemtex's expectations in this regard are summed up in the following measures:

- i. The supplier should make a centrally placed employee responsible for the implementation of the code of conduct in the supplier's business.
- ii. The supplier must make the code of conduct known in all relevant parts of its organisation, in a language understood by the organisation.
- iii. The supplier must refrain from disciplining, dismissing or otherwise discriminating against any employee for providing information concerning observance of this code
- iv. The supplier must obtain KID Hemtex's consent prior to outsourcing production or parts of production to a sub-supplier/contractor, if this has not been agreed in advance.
- v. The supplier must be able to give an account of where goods ordered by KID Hemtex are produced.
- vi. The supplier shall maintain appropriate records to demonstrate conformance to the requirements of this code, and shall be able to provide reasonable information and access to parties approved by KID seeking to verify conformance.
- vii. The supplier will make observance of this Code of Conduct a condition of all agreements that it enters into with subcontractors. These agreements shall oblige these subcontractors to conform to all requirements of this code and participate in the supplier's monitoring activities as requested.
- viii. Regarding the use of agents, or several factories or suppliers that have sub-contractors, all links shall be traceable concerning manufacturing location with respect to the manufactured goods delivered to KID Hemtex.

VI. Auditing and monitoring

To evaluate the compliance of this Code of Conduct KID will make use of audits either by own personnel or by approved third parties. We reserve the right to monitor the compliance of this Code of Conduct by systematic, unannounced or announced inspections, conducted by KID Hemtex personnel or independent auditors.

VII. Corrective actions and non-compliance

KID Hemtex's Code of Conduct sets the standard expected to be met by all our suppliers and partners during operation and manufacturing. We are fully aware that all expectations can't be met immediately, but these as well as non-compliances are to be settled by corrective actions by the supplier. If repeated violations are established without any effort by the supplier to take appropriate actions, it is our duty to terminate the cooperation with such suppliers.

If you need more information regarding the above, please do not hesitate to contact us. It is important to us that you follow all above requirements, we therefore kindly ask you to sign this statement and return all pages to us.