

NN●7

NO NATIONALITY

CODE OF CONDUCT

CODE OF CONDUCT

April 2019 - PART 2

To whom it may concern

Our company is committed avoid and address adverse impacts on basic principles for social, environmental and economic development that we cause, contribute or are linked to via our business relationships.

Therefore, we have asked all our suppliers to operate in accordance with the requirements of a Code of Conduct that require our suppliers to work towards alignment with the internationally recognised principles for sustainable development; the international minimum standard for responsible business conduct.

We recognise that establishing the required processes outlined in this Code of Conduct requires both time and resources; especially in the initial phases. We are implementing and maintaining similar processes in our operations. The Code of Conduct should therefore be understood as the basis for our cooperation and dialogue about improving systems to manage adverse impacts on human rights, including labour rights, the environment, and anti-corruption.

We focus on our suppliers' ability and willingness to demonstrate continuous improvements in meeting the requirements of the Code of Conduct. We feel confident that cooperation and dialogue can result in a more efficient partnership, which both parties will benefit from.

The Guide below aims to provide you with more in-depth information in relation to the brief elements in the Code of Conduct. If you have any questions regarding this letter, our Code of Conduct, this Guide or our responsible supply chain management program in general, please do not hesitate to contact our offices.

Kind regards,

NN07

GUIDE TO NN07'S CODE OF CONDUCT

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I. INTRODUCTION

The purpose of this Guide is to provide for further information on how to ensure that our suppliers operate in accordance with our Code of Conduct (Code) that reflects the internationally recognised minimum standard in addressing adverse impacts on human rights including labour rights, the environment, and anti-corruption. In addition, information on meeting the standard in relation to adverse impacts on animal welfare is included, despite the lack of internationally endorsed principles on animal welfare.

In order for our suppliers to demonstrate that they operate in accordance with the internationally recognised minimum standard, we expect suppliers to establish necessary management processes that enable them to know their adverse impacts and show how they address such impacts. The purpose of the required management processes is to enable suppliers avoid and address adverse impacts on human rights including labour rights, the environment, and anti-corruption; and, when relevant, animal welfare.

NN07 is aware that our actions and procurement practices may cause or contribute to adverse impacts at our suppliers' operations; i.e. influence our suppliers' ability to comply with the requirements of the Code of Conduct. Therefore NN07 will routinely assess any adverse impacts that it may cause or contribute to through its purchasing, compliance and other supply chain practices. This includes ensuring that our purchasing practices, hereunder lead time, order volume versus production capacity, product development process, pricing, order size fluctuation and consistency of orders do not cause or contribute to adverse impacts at our suppliers' operations. In addition, NN07 shall periodically review the adequacy and continuing effectiveness of the Code of Conduct and this Guide. Ideas, comments and suggestions are welcomed.

INTERNATIONAL PRINCIPLES AND LEGAL COMPLIANCE

The provisions set forth in the Code establish minimum requirements to suppliers. The scope of minimum requirements is based on the ten general principles contained in the UN Global Compact. The scope is informed by the International Bill of Human Rights, including the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption.

The required management of potential and actual adverse impacts on the scope is aligned with the UN Guiding Principles on Business and Human Rights (the UNGPs).

In addition to meeting the minimum requirements of the Code, it is considered a basic condition that suppliers comply with all laws, regulations, administrative practices and other applicable standards (e.g. collective bargaining agreements or other Codes of Conduct) in the countries in which they operate.

All states in the UN are required to regulate businesses in their respective countries in accordance with the UNGPs. Where there are differences between the terms of the Code and national law, suppliers shall adhere to the higher requirements. Where compliance with national law or regulation that relate to the specific scope of the Code of Conduct lead to adverse impacts on the scope of the Code, NN07 shall be notified and, possibly in a collaboration between NN07, its supplier and relevant stakeholders, establish the most appropriate course of action to address such impacts.

NN07 reserves the right to put forward additional or more specific requirements and conditions related to sustainable development; e.g. on use of chemicals. From time to time and product to product such requirements are necessary under EU law, national law or due to specific requirements from the value chain.

II. PROCESS REQUIREMENTS

This Code of Conduct section outlines the required management processes. These processes are required to ensure that suppliers avoid and address their adverse impacts on human rights including labour rights, the environment, and anti-corruption. The processes are similarly applied to the area of animal welfare. NN07 expects all suppliers to develop and implement the following: 1) policy statement, 2) due diligence¹ and 3) remediation.

a. Policy Statement

NN07 expects suppliers to adopt a policy statement committed to the international principles that this Code is based on. The policy statement shall:

- Be approved by the most senior level of the supplier.
For most companies this will be the Board of Directors and the executive management.
- It is advised to have the Chairperson and the Chief Executive Officer sign the policy commitment to demonstrate externally that the requirement is met.
- Take into account relevant internal or external expertise on human rights including labour rights, environmental, and anti-corruption principles.
- It is advised to keep account of what expertise was consulted when developing the policy commitment. It is relatively simple for external experts to read your policy and determine if such expertise was consulted or not.
- Stipulate expectations on key international principles for human rights including labour rights, environment, and anti-corruption towards personnel, business partners and other parties directly linked to the suppliers' operations, products or services.
- It is advised that the policy commitment at a minimum declare what the company expects from its employees in terms of assisting the company meet its responsibilities and what the company expects from its business relationships; namely that they conduct their businesses responsibly.
- Be publicly available and communicated both internally and externally.
- It is advised to make sure that the policy commitment can be accessed easily by the public and that the company keep track of its direct communication of the policy; e.g. via e-mail, intranet, contracts, product information, codes of conduct, etc.
- Be reflected in other operational policies and procedures necessary to embed the policy statement throughout the supplier operations.
- It is advised that the various governance instruments (policies, procedures and guidelines) that the company uses are reviewed to ensure that they do not themselves lead to adverse impacts and that they are modified to ensure implementation of the management system outlined by the Code of Conduct. A review report or other documentation of the findings should be kept to enable the company to document this first step of embedding the policy commitment.

¹In this context, due diligence is an ongoing management process designed to avoid and address adverse impacts on internationally recognized sustainability principles. Due diligence should be carried out in light of a company's circumstances (including sector, operating context, size and similar factors).

b. Due Diligence

In the Code of Conduct NN07 expects suppliers to establish a process of continuous due diligence in relation to their adverse impacts on human rights including labour rights, environmental, and anti-corruption principles; in addition to impacts on animal welfare.

The due diligence process should cover both potential and actual adverse impacts that suppliers may cause or contribute to through their own activities as well as the more severe adverse impacts, which may be directly linked to the suppliers' operations, products or services by their business relationships.

Conducting due diligence should, as a minimum, include the following elements for managing potential and actual adverse impacts:

- **Identification:** Suppliers must assess their potential and actual adverse impacts on human rights including labour rights, environmental, and anti-corruption principles on a regular basis. In particular the identification of potential adverse impacts enables the suppliers to steer clear of risks that could otherwise – if left unattended – damage their business and their value chains.
- **Prevention and mitigation:** When potential or actual adverse impacts are identified, suppliers must effectively integrate their findings across relevant internal functions and processes, and take appropriate action. This includes ensuring that such adverse impacts are prevented or appropriate action for their mitigation is taken.
- **Accounting:** The process of addressing identified adverse impacts must be closely tracked. If the Code of Conduct is properly implemented suppliers will be able to account for how they address their potential and actual adverse impacts by communicating their findings and actions to the people impacted and other relevant stakeholders including NN07.

c. Remediation

NN07 recognises that all suppliers have actual adverse impacts, even when the best policies and processes as described by the Code of Conduct are in place.

When a supplier discovers that it causes or contributes to an actual adverse impact on human rights including labour rights, environmental, and anti-corruption principles the supplier shall enable access to remedy for those affected and/or inform relevant authorities. Remedy can range from a mere apology to financial compensation.

According to the internationally agreed minimum standard that the Code of Conduct references, companies have an explicit responsibility to provide remedy to victims of actual adverse human rights impacts that they cause or contribute to. Therefore, when such actual adverse human rights impacts are identified, NN07 expects suppliers to provide for or cooperate in their remediation through legitimate processes. Such processes, also referred to as grievance mechanisms, are expected to meet eight criteria:

1. **Legitimate:** enabling trust from the stakeholder groups for whose use they are intended, and being accountable for the fair conduct of grievance processes;
2. **Accessible:** being known to all stakeholder groups for whose use they are intended, and providing adequate assistance for those who may face particular barriers to access;
3. **Predictable:** providing a clear and known procedure with an indicative time frame for each stage, and clarity on the types of process and outcome available and means of monitoring implementation;

4. Equitable: seeking to ensure that aggrieved parties have reasonable access to sources of information, advice and expertise necessary to engage in a grievance process on fair, informed and respectful terms;
5. Transparent: keeping parties to a grievance informed about its progress, and providing sufficient information about the mechanism's performance to build confidence in its effectiveness and meet any public interest at stake;
6. Rights and Principles-compatible: ensuring that outcomes and remedies accord with internationally recognized human rights, including labour rights, principles for environmental and economic sustainability;
7. A source of continuous learning: drawing on relevant measures to identify lessons for improving the mechanism and preventing future grievances and harms;
8. Based on engagement and dialogue: consulting the stakeholder groups for whose use they are intended on their design and performance, and focusing on dialogue as the means to address and resolve grievances.

III. SUSTAINABILITY REQUIREMENTS

The Code of Conduct requirements to the suppliers' policy statement, due diligence and remediation processes shall cover internationally agreed principles necessary for sustainable development, i.e.

1) human rights including labour rights, 2) environmental principles and 3) anti-corruption principles.

In addition, 4) animal welfare is important for the fashion and textile industry, although international principles in this regard was not agreed on a global level.

The principles that NN07 through the Code of Conduct expects suppliers to manage adverse impacts upon through the establishment of the processes outlined above are described in the four following sub-sections.

In the annexes to this guide examples of adverse impacts are provided to demonstrate that the principles outlined below all are relevant for business; and not only to sustainable development.

The management processes outlined in the Code of Conduct seek to ensure that suppliers, similarly to NN07, continuously consider their possible and actual adverse impacts on all the subjects listed. Suppliers may find that they, in a specific context or with certain activities, do not have potential impacts in several areas; but they need to demonstrate and convince NN07 that they considered such impacts.

a. Human rights including labour rights

According to the Code of Conduct, and the globally agreed minimum standard for responsible business conduct, suppliers shall manage their adverse impacts on – at a minimum - internationally recognised human rights including labour rights as stated in the International Bill of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

Thus, potential and actual adverse impacts on the human rights, including labour rights, listed below should as a minimum be managed.

Manage potential and actual adverse impacts on:

1. Right to self-determination (indigenous peoples rights)
2. Right to non-discrimination
3. Right to work (training, contract and termination)
4. Right to enjoy just and favourable conditions of work (including equal pay for equal work, a living wage (minimum wage), safe and healthy working conditions, equal opportunity for everyone to be promoted and rest, leisure and paid holidays)
5. Right to form and join trade unions and the right to strike
6. Right to social security, including social insurance
7. Right to family life (including protection of mothers before and after childbirth and children's and young people's protection from exploitation (no child labour))
8. Right to adequate standard of living (including adequate food and its fair distribution, adequate clothing, adequate housing and water and sanitation)
9. Right to health
10. Right to education
11. Right to take part in cultural life, to benefit from scientific progress, to material gains from inventions and moral rights of authors (including protection of copyrights)
12. Right to life
13. Right not to be subjected to torture, cruel, inhuman and/or degrading treatment or punishment (including free consent to medical or scientific experimentation)
14. Right not to be subjected to slavery, servitude or forced labour
15. Right to liberty and security of person
16. Right of detained persons to humane treatment
17. Right not to be subjected to imprisonment for an inability to fulfil a contract
18. Right to freedom of movement
19. Right of aliens to due process when facing expulsion (seeking asylum)
20. Right to a fair trial
21. Right to be free from retroactive criminal law
22. Right to recognition as a person before the law
23. Right to privacy
24. Right to freedom of thought, conscience and religion
25. Right to freedom of opinion and expression (including freedom of information)
26. Right to freedom from war propaganda, and freedom from incitement of racial, religious or national hatred
27. Right to freedom of peaceful assembly
28. Right to freedom of association
29. Right to protection of the family and the right to marry
30. Right to protection of the child and right to nationality
31. Right to participate in public affairs
32. Right to equality before the law, equal protection of the law and rights of non-discrimination
33. Rights of minorities (culture, religious practice and language)

b. Environmental principles

According to the Code of Conduct suppliers shall manage all significant potential and actual impacts on the external environment; at a minimum the areas of impacts scoped by the principles in the Rio Declaration on Environment and Development.

Thus, adverse impacts on the environmental principles listed below should as a minimum be managed.

Manage potential and actual adverse impacts on:

1. Use of scarce natural resources, energy and water
2. Emissions to air and releases to water
3. Noise, odour, and dust emission
4. Potential and actual soil contamination
5. Waste management (hazardous and non-hazardous substances)
6. Product issues (design, packaging, transport, use and recycling/disposal)

c. Anti-corruption principles

According to the Code of Conduct suppliers shall establish adequate processes to counter corrupt practices. Such processes shall – at a minimum - address the scope outlined by the United Nations Convention against Corruption. Thus, adverse impacts on the anti-corruption principles listed below should as a minimum be managed.

Manage potential and actual adverse impacts on:

1. Documenting, recording and keeping income and expenditure data available for periods determined by law, and if not regulated for a minimum of three years;
2. Not permitting corruption of public officials or private-to-private corruption, including both 'active' and 'passive' corruption (also referred to at times as 'extortion' or 'solicitation');
3. Not permitting payment of bribes or trading in influence in relation to business partners, government officials or employees; including through the use of intermediaries;
4. Not permitting use of facilitation payments, unless you are subject to threats or other coercion;
5. Not hiring government employees to do work that conflicts in any manner with the former official obligations of that employee;
6. Not permitting political contributions, charitable donations and sponsorships in expectation of undue advantages;
7. Not offering or accepting excessive gifts, hospitality, entertainment, customer travel and expenses (e.g. above the cumulative value of the equivalent of USD 200 per person/relationship in any twelve month period, if approved by a senior officer and explicitly recorded in the books of the business, naming the recipient or giver);
8. Abstaining from nepotism and cronyism;
9. Not permitting or participating in money laundering.

d. Animal welfare

According to the Code of Conduct suppliers should – as a minimum - manage all significant potential and actual adverse impacts on animal welfare in accordance to The Five Freedoms recommendations on animal welfare set out by the World Organisation by Animal Health (OIE), which serves as the guiding principles on all farms used in the production of fibres for NN07 products.

In addition, only leathers and skins from animals bred for meat production is accepted. We stress the fact that we do not under any circumstance accept mulesing. All down and feathers must be – as a minimum – in accordance to the Responsible Down Standard (RSD), therefore live-plucking as a production method, as well as force-feeding – hereunder foiegras – is not accepted by NN07.

Adverse impacts on animal welfare issues, in accordance to the five freedoms, listed below should as a minimum be managed.

Manage potential and actual adverse impacts on:

Manage potential and actual adverse impacts on:

1. Freedom from hunger, malnutrition and thirst.
2. Freedom from fear and distress.
3. Freedom from physical and thermal discomfort.
4. Freedom from pain, injury and disease.
5. Freedom to express normal patterns of behaviour

IV. IMPLEMENTATION AND COLLABORATION

a. Scope of Application

The requirements of the Code of Conduct apply to NN07's first tier suppliers. It shall be the responsibility of the supplier to require from its business relationships that they have similar and adequate processes in place to manage their adverse impacts on human rights, including labour rights, environmental and anti-corruption principles. Such business relationships include, but are not limited to, parent entities and subsidiary or affiliate entities, as well as all others with whom such entities do business, including subcontractors and other third-parties.

As part of meeting this requirement, suppliers shall:

- Make their suppliers aware of the scope and processes outlined in the Code of Conduct and pose similar requirements to such suppliers as withheld in the Code of Conduct
- Use their leverage if adverse impacts are discovered with their suppliers in order to make such suppliers adequately address such impacts
- Undertake reasonable efforts to ensure that their suppliers operate in conformance with this Code.

b. Records and Documentation

In order to be able to account for their compliance to the Code of Conduct suppliers shall establish and maintain appropriate records to demonstrate compliance with the requirements of the Code of Conduct. Appropriate records include, but are not limited to:

- Policy Commitment(s);
- Documentation of due diligence processes, including impact assessments and records from the tracking process on specific actions;
- Information on grievance mechanisms.

c. Continuous Collaboration

The aim of the Code of Conduct is not to cease the business relationship between NN07 and suppliers if non-compliance were to be identified, but to assist suppliers in improving their management of adverse impacts continuously.

NN07 expects all suppliers at any time to be able to declare in writing the supplier's stage of implementation in relation to the requirements contained in the Code of Conduct. Suppliers are expected at any point to willingly cooperate in answering further questions, self-assessments and if deemed necessary cooperate with NN07 in improving systems to manage adverse impacts on human rights including labour rights, environmental, anti-corruption principles, and – if relevant – animal welfare.

According to the Code of Conduct suppliers shall willingly accommodate visits from NN07. This includes providing physical access to any representative from NN07 or any third party assigned by NN07. Thus, NN07 reserves the right to let an independent third party of NN07's choice make on-site visits to ensure compliance with the requirements of the Code of Conduct; checking that policies, processes and remediation are established and capable of enabling the supplier to manage potential and actually adverse impacts in an appropriate manner.

Wherever non-compliance is detected, suppliers will be given a fixed period of time to self-correct the deficiency. In the event of failure to self-correct a problem, NN07 is willing to engage in a constructive dialogue with suppliers to develop and implement action plans to meet the requirements in the Code of Conduct and establishing appropriate milestones. An agreement to establish and subsequently abide by such action plans may allow for a continuation of the business relationship. In the event that suppliers fail to demonstrate willingness to improve its management systems or the ability to mitigate identified adverse impacts, NN07 reserves the right to cease business relationships with such suppliers.