



Ethical Sourcing Policy (2022)

Introduction

Social responsibility at Action means doing business while respecting human rights, trading ethically and safeguarding the environment. As a rapidly expanding company with a global supply chain, our impact on society and the environment is increasing. We wish to ensure good ethical and environmental practices both in our direct operations, throughout our supply chain and the communities in which we operate.

This Ethical Sourcing Policy outlines the minimum standards we require our suppliers to comply with. It is based on core *International Labour Organisation (ILO)* conventions which present the backbone of international labour law. We further acknowledge our responsibility in line with the *UN Guiding Principles on Business and Human Rights* and the *OECD Guidelines for Multinational Enterprises* as globally recognized frameworks.

Scope

The Ethical Sourcing Policy is applicable to all Action suppliers and products. Our suppliers shall proactively share this policy with and commit their respective suppliers sourcing from one or more risk countries as defined by the *amfori BSCI Country Risk Classification*, with the aim of cascading the principles down the supply chain.

Requirements

BSCI Membership

As *amfori BSCI members* we seek close alignment with its principles, outlined in the *amfori BSCI Code of Conduct*. Our suppliers that source from one or more risk countries are members of amfori BSCI in order to demonstrate their commitment to social compliance and transparency in supply chains.

Valid Social Audit

All *producers* and *subcontractors* in risk countries are required to have a valid social audit that complies with our Social Compliance Guidance for Suppliers. All subcontractors need to be authorized by Action prior to production.

Supply Chain Transparency

To facilitate monitoring of social and environmental compliance Action requires full supply chain and product transparency. Upon request, suppliers shall inform Action of all relevant information concerning entities involved in the production and supply of goods, including their name, address, social audits and required certificates.

Restricted Sourcing

Suppliers do not – directly or indirectly – engage in sourcing or production of articles and/or raw materials from persons, entities and countries that are sanctioned through export trade restrictions by the European Union, United Nations or United States or including any specific regions or countries mentioned in our sustainable material policies.

Continuous Improvement

We recognise that integral adherence to the Ethical Sourcing Policy is a dynamic process and may not always be achievable instantly. We do however expect our suppliers to continually improve their operations and are committed to working collaboratively with them in the spirit of mutual benefit. Therefore, our suppliers shall build capacities in order to demonstrate their commitment and compliance with this Code. Specifically, this includes the implementation of management systems, a designated member of staff to ensure compliance and record keeping to document progress. Where necessary we will support our suppliers to monitor and improve their ethical sourcing performance and to implement this policy throughout their own supply chains, in line with the ultimate objective to achieve full compliance.

Where assessments or audits uncover issues of *non-compliance*, our suppliers shall actively support their producers in agreeing to and effectively implementing appropriate *corrective and improvement action plans*.

Any critical issues shall be followed-up on immediately. If needed, we will provide support to our suppliers to realise the needed improvement measures. We require all agents and suppliers to be open and honest about their performance and challenges where they may occur, so that we can make tangible improvements.

We consider terminating business relations with an agent or supplier to be a last resort, but in our commitment to ensure good ethical practice in all aspects of our supply chain, we will terminate business relations with those who demonstrate:

- serious issues of non-compliance;
- disregard for our Ethical Sourcing Policy;
- lack of motivation or dedication to comply with the Ethical Sourcing Policy or to continually improve compliance levels;
- any attempt to misinform Action or Action representatives (e.g. auditors) of ethical performance;
- withholding of information regarding any subcontracting taking place along their supply chain.

With Action's evolving process on Ethical Sourcing, this policy will be regularly reviewed and updated.

Principles

For all below principles, suppliers shall comply with applicable (inter)national legislation, industry standards and binding collective agreements. When provisions conflict suppliers shall adhere to the legislation, standard or agreement that provides the highest level of protection for workers and the environment.

Child Labour (Applicable ILO Conventions: 138 and 182)

The use of *child labour* is strictly prohibited. The fundamental Minimum Age Convention sets the general minimum age for admission to employment or work at 15 years (13 for light work) and the minimum age for hazardous work at 18. It provides for the possibility of initially setting the general minimum age at 14 (12 for light work) where the economy and educational facilities are insufficiently developed. Suppliers shall establish robust age-verification mechanisms as part of the recruitment process, which may not be in any way degrading or disrespectful to the worker. If child labour is identified this is considered a critical issue and the Action Child Labour Policy shall apply.

Young Workers

Suppliers shall ensure that *young workers* (defined as people under the age of 18) shall not work at night and they shall not be exposed to hazardous conditions and/or physical risk. Where young workers are employed, they should equally ensure that (a) the kind of work is not likely to be harmful to their health or development; and (b) their working hours do not prejudice their attendance at school, their participation in vocational orientation approved by the competent authority or their capacity to benefit from training or instruction programs. If young workers are found working in hazardous conditions, the Action Child Labour Policy shall apply.

Forced Labour (Applicable ILO Conventions: 29 and 105)

Suppliers shall under no circumstances use or benefit from *forced labour*, i.e. work that is performed involuntarily or under the menace of any penalty, such as physical punishment, bondage, violence as a method of discipline or control, threats, withholding personal documents (passports, work permits or deposits) and confinement. Prison labour may be used in EU countries, but only when performed voluntarily and in accordance with national legislation. Any engagement in forced labour, human trafficking, slave labour, prison labour in non-EU countries and/or withholding of personal documents is considered a critical issue.

Freedom of Association and Collective Bargaining (Applicable ILO Conventions: 87, 98, 135 and 154)

Suppliers shall respect workers' rights to join or form trade unions and to bargain collectively in a free and democratic way. In countries where trade union activity is unlawful or where free and democratic trade union activity is restricted, suppliers shall respect this principle by allowing workers to freely elect their own representatives with whom the company can enter into dialogue about workplace issues. Suppliers shall adopt an open attitude towards the (organisational) activities of trade unions and worker representatives.

Health & Safety (Applicable ILO Conventions: 155)

Suppliers shall provide their workers with a *safe and adequate working environment* which meets the basic needs for workers and with (access to) clean toilet facilities, potable drinking water, sanitary facilities for food storage, adequate lightning, ventilation and reasonable temperature. The same requirements apply to dormitory facilities, if provided, and should be equipped with reasonable personal space, clean showers and bathrooms. Dormitory facilities shall be separated from the factory and production area. Workers shall be permitted to leave

the dormitory facilities freely at any time. All form of *Personal Protective Equipment (PPE)* shall be provided to workers free of charge and adequate health and safety instructions shall be given. Facilities shall undergo an environmental and safety risk assessment and suppliers shall provide all required documentation and permits regarding structural, electrical and fire safety upon request. Severe electrical safety concerns, non-functioning fire extinguishers, hazardous chemical malpractice and blocked emergency exits are considered critical issues. Suppliers shall implement robust *Health & Safety management systems*. Further, they shall be well prepared for *emergency situations*, which includes workers notification, evacuation procedures, exit facilities, emergency training and drills, appropriate first-aid supplies, appropriate fire detection and suppression equipment. Workers shall be regularly trained in emergency planning, responsiveness and medical care. Suppliers shall keep records thereof for inspection. A senior management representative, responsible for health and safety issues, shall be assigned by the supplier.

Fair Remuneration (Applicable ILO Conventions: 95 and 131)

Suppliers shall ensure that workers are provided with *wages* and *benefits* that, at a minimum comply with applicable legal standards, industry benchmark standards and/or binding collective agreements, including those pertaining to overtime work. In any event wages should always enable workers to meet basic needs and to provide some discretionary income. All workers shall be provided with written and understandable information about their employment conditions in respect to wages before they enter employment, as well as wage slips. Wages shall be paid in a timely manner, regularly and in fully legal tender. Deductions from wages as a disciplinary measure is not permitted.

Working Hours (Applicable ILO Conventions: 1 and 14)

Suppliers shall respect workers' rights in relation to working hours, overtime work, maternity leave, holidays, breaks, rest periods and paternity leave and provide the associated information in writing and in clear and understandable terms to the workers before entering employment. The use of overtime is meant to be exceptional, voluntary, paid at a premium rate of not less than 125% of the regular rate and shall not represent a significantly higher likelihood of occupational hazards. Workers shall be allowed at least one day off in every 7-day period and reasonable annual leave at least as required by applicable law shall be afforded to every worker based on a clear, formal policy.

No Discrimination (Applicable ILO Conventions: 100 and 111)

Suppliers shall not engage in discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, birth, national or ethnic origin, nationality, religion, age, disability, gender, marital status, family responsibilities, sexual orientation, social background, diseases, union membership, political affiliation or any other condition that could give rise to discrimination.

Privacy

Suppliers shall respect the privacy of their workers. The collection, use and other processing of personal information shall at all times comply with privacy and information security laws and regulatory requirements.

Employment Practices (Applicable ILO Convention: 181)

Suppliers shall only employ workers who are legally authorised to work in their facilities and are responsible for validating workers' eligibility to work through appropriate documentation. To every extent possible, work performed shall be on the basis of a recognised employment relationship established through national law and practice. Obligations under labour or social security laws and regulations arising from the regular employment relationship shall not be deliberately avoided through the use of labour-only contracting, subcontracting, home-working arrangements, excessive use of fixed-term contracts of employment or through apprenticeship schemes, where there is no real intent to impart skills or provide regular employment.

No harsh or inhumane treatment

Suppliers shall operate with respect, integrity and dignity towards their workers. Any form of physical, sexual or verbal abuse and/or intimidation, threat and harassment is prohibited. All disciplinary procedures must be fully compliant with local laws, established in writing, and are to be explained to workers in clear and understandable terms. All disciplinary actions must be recorded. We encourage our suppliers to have a *whistle-blowing policy and process* for workers.

Ethical Business Behaviour

Suppliers shall not, without prejudice to the goals and expectations set out in this policy, directly or indirectly be involved in any act of *corruption*, *extortion* or *embezzlement*, nor in any form of *bribery* – including but not limited to – the promising, offering, giving or accepting of any improper monetary or other incentive or advantage.

Bribery and the forging or falsifying of social compliance audits and corrective action plans are considered critical issues. Suppliers shall not violate any applicable anti-bribery laws and regulations. Suppliers are obliged to maintain accurate information regarding their activities, structure, performance and to disclose these in accordance with applicable regulations and industry benchmark practices.

Protection of the Environment

Suppliers shall comply with all applicable environmental requirements and ensure that they obtain, keep, update, and follow the reporting guidelines of all the required environmental permits and registrations to be at any time legally compliant. Suppliers shall demonstrate continuous improvements of their *environmental performance* and be able to provide evidence upon request. Suppliers are required to conduct an environmental risk assessment at facility level to assess environmental impact of operations and establish effective policies and procedures that reflect environmental responsibility. Suppliers shall take all necessary measures to mitigate environmental risks and to optimise their consumption of natural resources, including energy and water. Suppliers shall, as appropriate to the size and complexity of their business, implement adequate measures to prevent pollution and minimize adverse effects on the community, natural resources, biodiversity, generation of solid waste, wastewater, air emissions and the overall environment. Suppliers shall comply with all applicable laws with regards to *hazardous materials*, chemicals and substances and shall ensure their safe handling, movement, storage, recycling, reuse and disposal.



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