



CODE OF CONDUCT

Introduction

This Code of Conduct (hereinafter “the Code”) describes and sets out the ethical principles of the business carried out and conducted with Sätilla AB. We have adopted the Code to ensure that all employees and affiliates (e.g. suppliers, producers and partners) are aware of our position on Corporate Social Responsibility (hereinafter ‘CSR’) and what is expected from them in this regard.

We require all employees and affiliates to:

- Read and understand the Code, and
- Sign a written acknowledgement that they have done so, and
- Ensure that both the content and the spirit of the Code are acted upon.

This Code has the authority of the Board of Directors.

Scope of the Code of Conduct

This Code shall apply every employee at Sätilla, as well as to affiliates such as suppliers and producers, including their sub-producers and sub-suppliers. The Code should be upheld for both products and services.

The Code shall apply equally to all employees (permanently employed) and workers (temporarily contracted), whether they are directly employed or hired by a manpower (employment) agency.

Suppliers and producers must fully comply with all applicable local, national and international laws, rules and regulations including, but not limited to, those relating to basic rights and decent working conditions, health and safety regulations and immigration regulations.

This Code of Conduct is based on internationally agreed standards, primarily the ten principles provided in the United Nations Global Compact, with our additional principle 11 (attached in appendix 1).

Legal compliance and the Code of Conduct

Sätilla complies with local laws and regulations of each country in which we operate. This Code sets up a minimum requirement. If provisions in other laws, regulations or rules, be it local, national or international, have a more stringent position to CSR matters mentioned in this Code, those shall be observed and complied with.

In situations where neither the law nor the Code gives guidance, the UN Global Compact principles shall prevail.

In cases of conflict between this Code and a mandatory local regulation, the regulation shall prevail.

Human Rights

Referring to UN Global Compact's Principle 1 and 2

All employees and workers should be entitled to fundamental human rights, which shall be known, understood, respected and applied equally. Employees and workers must be informed of their fundamental rights in a language they understand.

Health and Safety

The working environment shall be safe and healthy. Adequate steps to prevent accidents and injury to health shall be taken by minimising the causes of hazards inherent in the working environment and by providing appropriate safety equipment.

Physical abuse

Nobody shall be subject to corporal punishment, physical, sexual, psychological or verbal harassment or abuse.

Discrimination and equal treatment

There shall be no discrimination, whether active or by means of passive support, whether based on ethnicity, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, maternity or age.

Fundamental human rights shall be known, understood and respected and be applied equally to all workers, whether employees (permanently hired) or workers (temporarily contracted or casual workers).

Labour rights

Referring to UN Global Compact principles 3, 4, 5 and 6

Forced Labour

Forced labour, exploited or bonded labour is strictly forbidden. Nor shall employees or workers be required to lodge deposits or original identity papers upon e.g. starting employment. Professional, cheerful and encouraging leadership is appreciated.

Child Labour

It is strictly forbidden to use children or minors under the minimum working age established by local law or fifteen (15) years, whichever is greater, as labour force.

Employees or workers under eighteen (18) years of age shall not be engaged in hazardous or heavy work or on night shifts.

Should child labour in conflict with the above be detected the supplier is requested to make sure that the proper measures in the child's best interest are taken. Sättila AB must be informed and in cooperation with the supplier a satisfactory solution, taking into consideration the child's age, social situation, education etc. must be found. Any measures taken should always aim to improve, not worsen, each individual child's situation.

Freedom of Association

The rights of employees and workers to freely associate and to bargain collectively, in accordance with the laws of the country in which they are employed, shall be recognised and respected.

Working Hours and contracts

Nobody shall be forced to work more than the limits on regular and overtime hours allowed by the law of the country in which they are employed. Employees and workers shall be compensated for overtime hours at the legally required rate.

All employees and workers shall have written contracts specifying the terms of employment.

Any deductions from wages for disciplinary measures shall not be permitted unless provided for by national law and only in severe and exceptional cases.

All workers must prior to employment be provided with written and easy understandable information about the conditions in respect of wages and afterwards at paydays an overview of the calculation of the wages for the respective pay period.

Hours of work shall comply with applicable national laws and business standards.

In any event – unless national laws allows otherwise - workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7 day period. Overtime shall be voluntary and shall - unless national laws allows otherwise - not exceed 12 hours per week and shall not be demanded on a regular basis and shall always be compensated at a premium rate of wages.

Wages and benefits

All employees and workers shall have the right to equal pay for equal work.

Employees and workers shall be paid at least the minimum total wage required by national applicable law, including allowances and benefits. In situations in which the legal minimum wage and/or industry standards do not cover living expenses and provide some additional disposable income, supplier companies are further encouraged to provide their employees with adequate compensation to meet these needs.

They should also have the right to a periodic holiday with pay.

The labour force must have easy access to food, sanitary food storage and fresh clean potable water, toilet/bath facilities and medical aid and access hereto shall not be unreasonable withheld.

When the labour force is living/ sleeping at the production sites or nearby facilities such housing facilities must live up to national standard living facilities.

Preferably toilet/bath facilities for men and women should be separated.

All working stations must at all working times be sufficient with regard of adequate body positioning, lightning, air/ventilation and temperature.

Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the supplier is strictly prohibited.

The supplier warrants abstaining from any discrimination with regard of race, skin colour, religion, political, sexual orientation, gender, national origin or social rank or status. Discrimination is not only cruel to individuals or minority groups or people in general. Discrimination is also a source for unstable social relations and affects not only businesses but also communities negatively.

All factories and/or housing facilities must have clearly marked exits, and preferably emergency exits on all floors. All exit doors should open outwards and must neither on the inside nor the outside be blocked (for example by goods, fabrics, cartons or the like).

If emergency exits for safety reasons or to prevent theft are locked, the keys should be placed behind breakable glass next to the exit doors or otherwise easy to get access to, and thus be available to all staff at all times.

All workers should be aware of the safety arrangements, such as emergency exits, fire extinguishers, first aid equipment etc. An evacuation plan should be clearly displayed in the factory, the fire alarm should be tested

regularly and regular evacuation drills are desirable.

Sufficient fire extinguishers must be available at all floors and an adequate number of workers must be trained in the proper use hereof.

All machinery shall be properly maintained and serviced and equipped with proper protection measures.

The supplier should pay any costs (not covered by the national social security) which a worker may incur for medical care, following an injury during working for the supplier.

Environment

Referring to UN Global Compact's Principle 7, 8 and 9

Best environmental solutions, precautionary approach

Practices minimising the impact on the environment shall be encouraged and care shall be taken with any environmentally sensitive substances or processes. The best environmental solutions when developing our business and products should be sought.

Energy and water consumption

Efforts should be made to reduce energy consumption. When procuring energy, priority could be given to energy from renewable sources.

Efforts should be made to recycle or reuse water and in any other way minimize water consumption.

Transports, travels and Green House Gas emissions

When choosing means of transportation of people and goods, the means with the least environmental impact should be used. Efforts should be made to constantly reduce emissions of green house gases, such as fossil carbon dioxide.

Waste management

The amount of waste should be minimised. Waste of all types, including water and energy, are to be reduced or eliminated at the source or by practices such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling and re-using materials. Wastewater and solid waste generated from operations, industrial processes and sanitation facilities are to be monitored, controlled and treated as required as per national law prior to discharge or disposal. Any discharge or disposal must take place with the highest national standard regarding preserving the environment.

Chemicals and hazardous substances

A minimum use of hazardous chemicals and substances (e g pesticides) should be ensured in the operations. However, when such chemicals or substances are used, a safe and correct handling and disposal to protect people and the environment is required.

Wool, feathers and down, leather and other products from animals

Animals shall never be subjected to harsh or cruel treatment. Taking the lives of animals must at all times be conducted using the quickest, least painful and non- traumatic method available. Animals shall be treated in accordance with the European Convention for the protection of animals kept for farming purposes. Animals that are transported shall be treated in accordance with the latest version of the European Convention for the protection of animals during international transport and the Council regulation on the protection of animals during transport.

Merino

Sätila of Sweden does not accept Mulesing. Merino wool is only tolerated when coming from sheep not treated with mulesing.

Angora

Sätila of Sweden does not accept Angora wool derived using methods hurting the rabbits. We require a certificate/audit from an acknowledged auditing company to ensure both traceability and proper respect for animal welfare.

Economy and finance

Referring to UN Global Compact's Principle 10

Corporate Governance

We believe that creation of sustainable financial value is made by managing business operations in a sound way. Therefore, it is of utmost importance to act in a financially ethical way when running the daily business. Therefore transparent and consistent corporate governance practices should be applied.

Anti-corruption, bribes and gifts

No employee may offer, ask, give or accept, directly or indirectly, any undue advantage for personal gain from any third party, unless it can be accepted within the boundaries of international and national legislations, accepted business practices.

Fair competition

Fair competition and open markets should be respected as this works in favour of conducting good and sound business.

Fraud, extortion, money laundering and other related crimes

Applicable national and international regulations aiming at preventing, detecting and remedying economic crime and, in particular, fraud, extortion, money laundering and other related crimes, shall be ensured to be followed.

Charity

Referring to principle 11

The supplier is encouraged to engage in local or global charity events. Such events serve a better community and better lives of people in poverty and can also serve as a positive experience from the surroundings and lead to better possibilities of recruitment.

Compliance

consequences and reporting violations

Sätila reserves the right to, at any chosen moment, visit producers, suppliers and other affiliates, in order to ensure compliance of this Code. Such visits can be made both with and without prior notice.

It is the responsibility of Sätila's managers to make sure that both the content and the spirit of this Code of Conduct are communicated, understood and acted upon within the organisation and to ensure that employees

reveal behaviour that may be non-compliant with the Code. Producers, suppliers or other affiliates to Sätila are encouraged to raise any matter of concern with regards to the Code of Conduct with us.

If and when an employee is informed of, or suspects, any activities that may be in violation of this Code, this person shall report it to any manager the reporting person finds appropriate.

When a violation of the Code of Conduct occurs, this must immediately be reported to the CSR-responsible at Sätila, Sara Nevander. This can be in the following ways:

- E-mail to sara.nevander@satila.com
- Telephone call at +46 301 22333
- Letter to Sätila of Sweden AB, adress: Grebbeshult 2, SE-511 99 Sätila, Sweden

Such reporting should also be undertaken if there is a suspicion that a violation might occur.

We do not automatically end a relationship with a violating partner. If an audit reveals less than full compliance with the Code of Sätila, the supplier expects take the prescribed corrective actions. But should there be lack of dialogue and compliance, we reserve the right to take further actions, including a termination of the contract. The period of time the supplier has to implement these corrective measures will be agreed upon with the auditors.

Appendix 1

The Ten Principles of the UN Global Compact

With our additional principle 11

The Global Compact's ten principles obligate all corporations to maintain, within their sphere of influence, a set of core values relating to human rights, labour standards, the environment and anti-corruption.

The Global Compact principles enjoy universal consensus and derive from

- (i) *the Universal Declaration of Human Rights*
- (ii) *the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work*
- (iii) *the Rio Declaration on Environment and Development*
- (iv) *the United Nations Convention Against Corruption*

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;

Principle 2: Make sure that they are not complicit in human rights abuses.

Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour;

Principle 6: The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility;

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Charity

Principle 11 (Additional): Businesses is encouraged to work and seek to be involved in local or global charity working to the improvement of better social and living conditions.