

LAPUAN KANKURIT

from the weavers of good life

SUPPLIER CODE OF CONDUCT

This document has been approved by the Board of Lapuan Kankurit 20.09.2019

LAPUAN KANKURIT

Supplier Code of Conduct

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1. PURPOSE

At Lapuan Kankurit, ensuring high level of ethical, environmental and quality operations is our top priority. We want to ensure that human rights are respected, and all operations are environmentally sustainable

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throughout our supply chain. To ensure business success it is of utmost importance that Lapuan Kankurit will continue to be a trusted partner to its customers and work with respected and responsible business partners.

Lapuan Kankurit Suppliers Code of Conduct (“the SCOC”) outlines the minimum standards it requires its suppliers (“the Supplier”) to comply when doing business with Lapuan Kankurit. Lapuan Kankurit supposes its Suppliers to share the same values and high ethical standard. The SCOC also describes Lapuan Kankurit’s commitment to international conventions such as Universal declaration of Human Rights, UN Guiding Principles on Business and Human Rights, the fundamental conventions of the International Labour Organisation (ILO), OECD Guidelines for Multinational Enterprises and the 10 principles of the UN Global Compact.

Lapuan Kankurit expects the Supplier to continuously improve operations and strive for best practices especially regarding responsibility and sustainability. Lapuan Kankurit recognizes the value of cooperation and is keen to support the Supplier’s performance through systematic development programs. Lapuan Kankurit strives to empower change to develop the ethical and environmental standards in the supply chain together with the Supplier.

2. SCOPE

The Supplier shall respect and adhere to the standards defined in the SCOC. It is the Supplier’s responsibility to verify the compliance of the SCOC throughout the Supplier’s operations, including all their entities, third parties, employees and others with whom they do business.

The Supplier must set similar requirements on their own suppliers and monitor their supply chain for adherence to the requirements set forth in Lapuan Kankurit’s Supplier Code of Conduct

3. IMPLEMENTATION

All suppliers to Lapuan Kankurit shall review and sign this document. It is a prerequisite for the Supplier to commit in all their activities to operate in a full compliance with the laws, rules and regulations of the countries in which they operate. The Supplier shall also adopt or establish relevant management systems to ensure this. The Supplier is also committed to the requirements set out in this document. The Supplier should note that these may go beyond the requirements set out in national law.

In order to assess compliance with the SCOC, Lapuan Kankurit may visit, or let external monitors visit, the Supplier’s facilities, with or without notice. For monitoring compliance Lapuan Kankurit uses a comprehensive audit check-list, against which the corporate responsibility performance is verified and benchmarked. Unwillingness to cooperate or repeated violations of the SCOC may result in termination of collaboration

The Supplier shall be able to disclose all sources of primary countries of origin associated with Lapuan Kankurit products. Lapuan Kankurit reserves the right to ask the supplier a full supply chain mapping back to origin to facilitate assessments of upstream supply chain compliance.

4. THE CODE OF CONDUCT STANDARDS

4.1. LABOUR AND HUMAN RIGHTS

The Supplier shall commit to uphold the human rights of employees. This SCOC applies to all supplier employees including temporary, migrant, student and contract employees as well as direct employees. Employees shall be treated with dignity and respect.

4.1.1. Freedom of association

The Supplier should grant its employees the rights to associate freely, form and join employee organizations, seek representation, and bargain collectively in accordance with applicable laws and regulations. Employees who choose to belong to trade unions - subject to laws and regulations - shall be free of pressure or influence from the Supplier. Where the right to freedom of association and collective bargaining is restricted under law, the employer shall allow workers to freely elect their own representatives with whom the company can enter dialogue about workplace issues.

4.1.2. Child labor and protection for young employees

The Supplier is strictly prohibited to use child labor, in line with ILO conventions 138 on minimum age for employment, the Supplier must not employ workers below the age of 15 years or the minimum age of employment in accordance with applicable national laws and regulations or the age for completing compulsory education in that country in accordance with applicable national laws and regulations, whichever is higher.

The Supplier must follow the legal limitations on the employment of persons below the age. The Supplier shall not employ workers, especially young above the minimum age but under the age of 18 to perform any work that is likely to jeopardize their education, health, safety or morals.

4.1.3. Prevention of forced labor

Any form of forced, bonded, indentured, or involuntary prison labor must not be used in any circumstances. Workers are not required to lodge "deposits" or their identity papers with their employer. All work shall be voluntary, and employees shall be free to leave work or terminate their employment upon reasonable notice.

Employees shall not be threatened in any way or subject to any sort of harsh or inhumane treatment, which includes, but is not restricted to, mental or physical coercion, sexual harassment or abuse, corporal punishment, verbal abuse, or unreasonable restrictions regarding entering or exiting company provided facilities.

4.1.4. Non-discrimination

The Supplier must not discriminate, exclude or have a certain preference for employees on the basis of race, gender, age, religion, caste, birth, social background, disability, ethnic and national origin, nationality, membership in unions or any other legitimated organizations, political affiliation or opinions, sexual orientation, family responsibilities, marital status, diseases or any other condition that could give rise to discrimination. Workplace shall be free of harassment and discipline on any of the ground listed above.

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The Supplier is committed to respect privacy rights of the employees whenever collecting or retaining personal information about employees. The Supplier is required to maintain full compliance with national privacy legislation.

4.2. COMPANY POLICY

4.2.1. Work contracts and terms of employment

All workers shall be provided with written and understandable contract that shall state the terms of employment before they enter employment. Employment contracts shall specify all pivotal information, such as information related to occupational hazards if applicable. Contracts shall be in a language understood by the employees. The Supplier ensures that the employees have understood the contract, signed the contract, and been given a copy of the contract.

The policy of terminating the employment contract shall be fair relative to the nature and duration of the employment and in compliance with applicable legislation. The Supplier must not tolerate any sort of discrimination or unfair punishment regarding to employment practices. Only employees with a legal right to work shall be employed. Employees' legal status to work shall be validated by reviewing original documentation before commencement of work.

4.2.2. Working hours and rest days

Working hours comply with national laws and benchmark industry standards, or collective agreements whichever affords greater protection. In any event, regular working hours shall not exceed 48 regular hours per week, subject to the exceptions specified by the ILO. Overtime shall always be voluntary, exceptional and employees shall be given reasonable notice for overtime. Furthermore, the supplier shall grant their workers the right to resting breaks in every working day and the right to at least one day off in every seven days.

Employees shall be entitled to vacation, leave time, statutory holidays and maternity and paternity leaves according to applicable local laws and regulations.

4.2.3. Wages and other benefits at a

Wages shall comply with the national laws, or industrial standards, or binding collective agreements, whichever is higher. The Supplier shall entitle its employees the wage and all legally mandated benefits so that the wage is enough to provide basic needs for employees, and their entitled official dependents and to provide some discretionary income. As mandated by applicable laws and regulations, all social security and insurance benefits shall be paid, and overtime shall be compensated.

Deductions from wages will be permitted only subject to conditions prescribed by law or fixed by collective agreement. The Supplier must not make deductions for disciplinary purposes. In case of allowance deductions, for example food and accommodation, the Supplier shall clearly communicate principles to employees, and the amount of deductions shall be reasonable when compared to the total wage.

The Supplier shall pay employees regularly, at least monthly and on time, clearly conveying the basis for which employees are being paid. Employees shall receive pay slips clearly stating at least hours worked, wage, and all deductions taken

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4.2.4. Human rights impact on neighboring communities

The Supplier must respect the rights to property and land of the individual, indigenous people and neighboring communities. The Supplier shall also recognize and respect the social, cultural, traditional and social heritage of the indigenous people, in line with ILO conventions 169 on indigenous people.

4.2.5. Security personnel

If the Supplier safeguards its personnel or property with direct or contracted security personnel, the Supplier must ensure that the security personnel apply the same standards on fair and equal treatment.

4.3. HEALTH AND SAFETY

The Supplier shall commit to ensure safe working conditions and a healthy working environment for its employees. This prevents work-related injuries and illnesses, improves the well-being of employees, increases productivity, and promotes the quality of products, among other things. The Supplier shall assign a senior management representative responsible for health and safety.

4.3.1. Workplace safety

The Supplier shall provide a safe working environment for the employees and comply with all the applicable health and safety related laws and regulations. The Supplier shall provide their employees with appropriate personal protective equipment, first aid equipment, and drinking water. Work area shall be clean and hygienic with adequate lightning, suitable ventilation, temperature, clean toilet and washing facilities near the worksites, considering different gender needs.

There shall also be a comfortable rest area, separate from the general working environment, to allow employees to take a break. Also, food consuming areas and sanitary facilities for food storage shall be provided. The Supplier shall provide employees with clear safety instructions and ensure the use of personal protective equipment. The health of employees shall be monitored regularly.

4.3.2. Emergency preparedness and prevention

The Supplier ensures the safety of all its facilities and buildings. The Supplier shall be prepared for emergency situations. This includes employee notification and evacuation procedures, emergency training and drills, appropriate first-aid supplies, appropriate fire detection and suppression equipment, and adequate exit facilities. The employees shall receive regularly training on emergency planning and medical care.

4.3.3. Physically demanding tasks and ergonomics

Suppliers shall ensure that employees are not subject to unnecessarily poor work ergonomics, and this applies especially to physically demanding tasks. Vulnerable individuals such as - but not limited to - young employees, new and expecting mothers and persons with disabilities, shall receive special protection.

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4.3.4. Health and safety communication and management

The Supplier shall provide its employees with appropriate and regular workplace health and safety related information and training, including production safety, and correct use of protective equipment. There should be a material safety data sheet (MSDS) available on site where the chemicals are used. Employees shall never be disciplined for raising safety concerns and for refusing working in an unsafe environment.

Clear procedures shall be in place to identify, manage, record and report occupational injuries and illnesses appropriately. The Supplier shall implement corrective actions to eliminate the root causes of injuries and illnesses. Where hazardous substances are used, relevant supervision, controls and emergency plans shall be provided. The Supplier shall ensure washing facilities near acids and other corrosive substances. Electrical equipment and wires shall be safely insulated, equipped with safety fuses and regularly inspected and repaired.

4.4. PRODUCT QUALITY AND SAFETY

The Supplier must meet the quality and safety standards required by the EU law and comply with the additional Lapuan Kankurit' s RSL list requirements in the products.

4.4.1. Requirements to Raw materials

We exclusively accept natural and regenerated cellulose fibers in our textiles. And all yarns supplied to Lapuan Kankurit must be certified according to Oeko-tex 100 standard system. All linen supplied to Lapuan Kankurit must be Masters of Linen- certified and all cotton supplied to Lapuan Kankurit is aimed for GOTS-certification within next five years. GOTS transaction certificates (TCs) must be applied for and deposited for all GOTS-certified goods.

4.4.2. Animal Welfare

Lapuan Kankurit does not accept any harm or cruelty to animals during production. All wool delivered to Lapuan Kankurit must be mulesing free. Suppliers shall ensure that materials derived from animals are from animals that are treated according to the animal welfare laws and international recommendations, respecting animal welfare and dignity. The origin of the animal hair fibers must be traceable and verifiable. Lapuan Kankurit is continuously looking to improve the use of recycled wool. For the time being all wool delivered to Lapuan Kankurit must be pure new wool.

4.5. ENVIRONMENT

Lapuan Kankurit is always willing to adopt the latest environmental standards and expects the Supplier to share the same considerations of mitigating harmful impacts on the environment and climate.

4.5.1. Required environmental permits and registrations.

The Supplier shall document and implement or aim to develop a relevant environmental management system (EMS) such as international standard ISO 14001. The EMS shall be used to identify, control and mitigate adverse environmental impacts. The Supplier shall set ambitious targets to mitigate their adverse environmental impacts and create a clear program to implement the actions.

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4.5.2. Hazardous substances

The Supplier shall identify hazardous materials, chemicals and substances, and ensure their safe handling, movement, storage, recycling, reuse and disposal. All the applicable laws and regulations related to hazardous materials, chemicals and substances shall be strictly followed. The Supplier shall comply with material restrictions and product safety requirements set by applicable laws and regulations (e.g. REACH) and comply with the RSL list of Lapuan Kankurit. The Supplier shall continuously maintain records of full raw material content data and related certifications and guarantees of origin. The Supplier shall ensure that key employees are aware of and trained in product safety practices.

4.5.3. Environmental laws

Supplier must respect the environment and comply with all environmental laws in the countries in which they operate. The Supplier must have the relevant environmental permits for their operations.

Water is a scarce resource in many parts of the world and should be used as efficiently as possible. The Supplier shall minimize and optimize its consumption of natural resources, including raw-materials, energy and water. Prior to discharge or disposal, the Supplier shall characterize and treat wastewater, solid waste and air emissions appropriately and according to applicable laws and regulations.

4.6. BUSINESS ETHICS AND INTEGRITY

Lapuan Kankurit requires the Supplier to comply with all applicable ethical trade laws and regulations in the countries where fibers and materials are sourced, produced.

4.6.1. Anti-corruption and anti-bribery

The Supplier is strictly prohibited from offering, paying, promising, or authorizing, directly or through intermediaries, any improper advantage for the purpose of securing an improper advantage, contract or concession, or causing the person to act in violation of a legal duty. The Supplier must always uphold standards to safeguard fair conduct of business, competition, and not to obtain any undue advantages. The Supplier will not pay or accept bribes and shall not take any actions to violate, or cause its partners to violate, any applicable antibribery laws and regulations.

4.6.2. Reputation and brand equity

The Supplier shall safeguard Lapuan Kankurit assets, and protect Lapuan Kankurit reputation and brand equity. The Supplier shall have a responsible person in charge of asset safety. The Supplier shall ensure that the information technology software employed, and any supporting applications are well protected, causing no risk to Lapuan Kankurit.

4.6.3. Intellectual property rights

The Supplier shall understand and respect the importance of Lapuan Kankurit IPRs. The Supplier shall respect Lapuan Kankurit ownership of the IPRs and shall not use any Lapuan Kankurit' IPR assets for any other purposes than for fulfilling the contractual obligations with Lapuan Kankurit. The Supplier shall not attempt to obtain ownership of Lapuan Kankurit' IPRs, either via registration or otherwise.

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4.7. MANAGEMENT COMMITMENT

The Supplier's management shall understand and respect the importance of social and environmental responsibility and business ethics and commit to improving these areas together with Lapuan Kankurit.

The Supplier shall have an identified manager in charge of corporate responsibility. The Supplier shall arrange programs for training managers and employees about corporate responsibility. In addition to training, there shall be a process for clear communications to employees about supplier's responsibility policies, practices and performance.

The Supplier shall identify, monitor and understand applicable laws, regulations and customer requirements regarding product and workplace safety, environment, human rights and other relevant topics related to corporate responsibility. Adequate documentation and records to evidence regulatory compliance and license to operate shall be in place. The supplier is also responsible for screening and tracking local and global export and import controls, economic sanctions and foreign anti-corruption, in addition of those stated in this SCOC.

The Supplier is expected to share accurate and complete information with the auditors. Falsification of data or withholding information about working conditions, labor practices, production process, environmental management, products or materials or such is a serious violation to the SCOC.

5. MAIN REFERENCES

UN Guiding Principles on Business and Human Rights
Universal Declaration of Human Rights
ILO International Labor Standards
ISO 14001, OHSAS 18001, SA 8000

OECD Guidelines for Multinational Enterprises
United Nations Convention against Corruption, United Nations Global Compact

Lapuan Kankurit owners and Board of Directors has approved the SCOC in June 2019.

6. SIGNING

We hereby understand, accept and will comply with this Lapuan Kankurit Supplier Code of Conduct. We also commit ourselves to act in accordance with the Audit Process towards continuous improvement.

Date and place of signing

Executive Management Representative

Company / Supplier Legal Entity