

# **SCOTCH & SODA ETHICAL SUPPLIER CODE OF CONDUCT**

**Version: 2022**

## INTRODUCTION

Our business activities involve numerous supply chain workers across the world. At Scotch & Soda, we are committed to operating with respect for human rights across our entire supply chain.

The Scotch & Soda Ethical Supplier Code of Conduct – referred to as the “Ethical Code of Conduct” – sets out requirements to ensure that the rights, health, and safety of the workers in our supply chain are ensured, respected and protected throughout the production process of our collections.

Every Scotch & Soda business partner – also referred to as the “employer”, which includes but is not limited to all its suppliers, factories, subcontractors as well as any other party that is handling goods or performing services related to Scotch & Soda branded products – must comply with this Ethical Code of Conduct and all applicable laws and regulations in the countries and territories in which these business partners operate.

Our range of policies describes the ethics, behaviour, and requirements we expect from ourselves and the employer.

This Ethical Code of Conduct and the corresponding policies are based on and aligned with:

- The UN Guiding Principles on Business and Human Rights ([UDHR](#))
- The International Labour Organizations ([ILO](#)) Declaration on Fundamental Principles and Rights at Work, and the relevant ILO Conventions and Recommendations the relevant ILO Conventions and Recommendations
- The Ethical Trading Initiative’s ([ETI](#)) Base Code Base Code

The provisions of this Ethical Code of Conduct and the corresponding policies contain minimum and not maximum standards. Whenever any applicable law and this Ethical Code of Conduct address the same subject, the employer is expected to apply the provision that safeguards the greater protection of supply chain workers and to work in compliance with applicable local laws and regulations on human rights and the environment. International standards are always leading if they are more stringent.

To protect those who are most vulnerable to unjust situations, we extended our social policies with detailed principles to guide employers that underpin this Ethical Code of Conduct:

- Scotch & Soda Sourcing Policy on Human Rights
- Scotch & Soda Policy on Migrant Supply Chain Workers
- Scotch & Soda Policy on Home Workers
- Scotch & Soda Policy on Gender & Equality
- Scotch & Soda Policy on Child Labour
- Scotch & Soda Principle on Access to Remedy
- Scotch & Soda Principle on Transparency
- Scotch & Soda Principle on Supply Chain Worker Representation

At Scotch & Soda, we support our business partners to meet all aspects of this Ethical Code of Conduct in full. Together, we commit to continuous improvement in pursuit of ensuring safe and healthy working conditions to all workers in our supply chain, creating a situation where human rights are protected and respected.

## **LABOUR PRINCIPLES SHEET**

The employer shall ensure that all supply chain workers have access to the Scotch & Soda Labour Principles sheet. The Scotch & Soda Labour Principles sheet refers to all principles stated in this Ethical Code of Conduct. In case of violation or concerns on any of these principles, both the employer and the supply chain worker can contact Scotch & Soda HQ through email. All contact shall be strictly confidential, and all personal data shall be protected at all times.

## **ZERO TOLERANCE**

In case of violation of or non-compliance with this Ethical Code of Conduct, Scotch & Soda will not hesitate to terminate the legal relationship with its business partner in accordance with agreed terms and conditions.

## **CONTACT**

If you have any concerns or if you notice that any of the elements in this Ethical Code of Conduct or the Scotch & Soda Labour Principles are violated, please reach out to us via email. Feel free to write in your local language. All emails will be strictly confidential, and your identity will be protected.

[Letstalk@scotch-soda.com](mailto:Letstalk@scotch-soda.com)

This Ethical Code of Conduct is available in the following languages:

- English
- Chinese
- Turkish

## The Ethical Code of Conduct

### 1. EMPLOYMENT IS FREELY CHOSEN<sup>1</sup>

- 1.1 The employer shall not engage in any form of servitude, forced, bonded, indentured, trafficked, or non-voluntary labour. The employer will risk allegations of complicity if they benefit from the use of such forms of labour.
- 1.2 The employer shall act with special diligence when engaging and recruiting migrant supply chain workers both directly and indirectly. Read about the policy on migrant workers [here](#).
- 1.3 The employer shall allow their supply chain worker(s) the right to leave work and freely terminate their employment provided that workers give reasonable notice to the employer. Supply chain workers are not required to lodge "deposits" or their identity papers with their employer and are free to leave their employer after reasonable notice.
- 1.4 The employer shall ensure that supply chain workers are not subject to inhumane or degrading treatment, corporal punishment, mental or physical coercion and/or verbal abuse.
- 1.5 All disciplinary procedures must be established in writing and are to be explained verbally to supply chain workers in clear and understandable terms.

### 2. FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING<sup>2</sup>

- 2.1 All supply chain workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.
- 2.2 The employer shall not discriminate against supply chain workers because of trade union membership or organisational activities.
- 2.3 The employer shall respect supply chain workers' right to bargain collectively.
  - The employer shall not prevent supply chain workers' representatives from having access to workers in the workplace or from interacting with them.
- 2.5 The worker representative(s) shall be elected independently every 3 years depending on the workforce flow. Extension of this period to every 3 – 5 years is only possible after prior consultation and agreement with Scotch & Soda. Read about the principle on worker representation in the Ethical Policies and Principles, principle 8 on supply chain worker representation.

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<sup>1</sup> ILO Conventions 29 and 105

<sup>2</sup> ILO Conventions 11, 87, 98, 135 and 154

- 2.6 The number of worker representatives and gender composition should reflect the facilities workforce, both in terms of size and gender ratio, to ensure gender representation and equality.
- 2.7 Worker representatives shall not be discriminated against and have access to carry out their representative functions in the workplace.
- 2.8 The employer shall be open towards the activities of trade unions and their organisational activities. When operating in countries where trade union activity is unlawful or where free and democratic trade union activity is not allowed, business partners shall respect this principle by allowing supply chain workers to freely elect their own representatives with whom the company can enter into dialogue about workplace issues.

### **3. NO DISCRIMINATION IS PRACTICED & EQUAL RIGHTS ARE GIVEN TO ALL<sup>3</sup>**

- 3.1 The employer shall not discriminate, exclude or have a certain preference for persons in hiring, compensation, access to training, promotion, termination or retirement based on gender, age, religion, race, caste, birth, social background, disability, ethnic and national origin, nationality, membership in unions or any other legitimated organisations, political affiliation or opinions, sexual orientation, family responsibilities, marital status, diseases or any other condition that could give rise to discrimination.
- 3.2 Supply chain workers shall not be harassed or disciplined on any of the grounds listed above.
- 3.3 There shall be no sexual harassment and sexual and gender-based violence at the workplace.
- 3.4 The employer shall adopt a zero-tolerance policy on sexual and gender-based violence including strict measures against sexual harassment in its operations.

### **4. LIVING WAGES ARE PAID<sup>4</sup>**

- 4.1 Wages and benefits paid for a standard working week shall meet, at least a minimum, national legal standards or industry minimum or industry benchmark standards, whichever is higher. In any event, wages should always be enough to meet basic needs and to provide some discretionary income to meet basic needs of the supply chain worker(s) and their families.
- 4.2 The employer shall provide all supply chain workers with written and understandable information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid.
- 4.3 The employer shall pay the wages in a timely manner, regularly, and fully in legal tender. The level of wages is to reflect the skills and education of the supply chain worker and shall refer to regular working hours.

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<sup>3</sup> ILO Conventions 100, 111, 143, 158, 159, 169, 183 and 190

<sup>4</sup> ILO Conventions 26 and 131

- 4.4 Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the supply chain worker concerned. Deductions shall never constitute an amount that will lead the supply chain worker to receive less than the minimum wage. Supply chain workers shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period. All disciplinary measures should be recorded.
- 4.5 The employer shall be open and transparent about the product pricing and shall share open costing (including but not limited to wage costs) – also known as price build up – upon request with the Scotch & Soda Supporting production offices and Scotch & Soda HQ.
- 4.6 The employer shall share the wage gap between the calculated living wage and paid wage by the employer to Scotch & Soda upon request.

## **5. WORKING HOURS ARE NOT EXCESSIVE<sup>5</sup>**

- 5.1 Working hours shall not be excessive and must comply with national laws, collective agreements, and the provisions below, whichever affords the greater protection for the supply chain worker.
- 5.2 Working hours, excluding overtime, shall be defined by contract, and shall not exceed 48 hours per week.<sup>6</sup>
- 5.3 The total hours worked in any seven-day period shall not exceed 60 hours.
- 5.4 All overtime shall be voluntary. The use of overtime is meant to be exceptional, paid at a premium rate of no less than 125% the regular rate and shall not represent a significantly higher likelihood of occupational hazards.  
  
Overtime shall be used responsibly, considering the following: the extent, frequency and hours worked by the individual supply chain workers and the workforce as a whole. It shall not be used to replace regular employment.
- 5.5 The supply chain worker shall be provided with at least one day off in every seven-day period or, where allowed by national law, two days off in every 14-day period.

## **6. WORKING CONDITIONS ARE SAFE AND HEALTHY<sup>7</sup>**

- 6.1 The employer shall comply with occupational health and safety regulations, or with international standards where domestic legislation is weak or poorly enforced. A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and any specific hazards.

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<sup>5</sup> ILO Conventions 1 and 14 and ILO Recommendation 116

<sup>6</sup> International standards recommend the progressive reduction of normal hours of work, when appropriate, to 40 hours per week, without any reduction in workers' wages as hours are reduced.

<sup>7</sup> ILO Convention 155

- 6.2 The employer shall observe the principle to respect the right to healthy working and living conditions of supply chain workers and local communities, without prejudice to the specific expectations set out. Vulnerable individuals, such as – but not limited to – young supply chain workers', new and expecting mothers and persons with disabilities, shall receive special protection.
- 6.3 The active co-operation between management and supply chain workers, and/or their representatives is essential to develop and implement systems towards ensuring a safe and healthy work environment. The employer observing The Ethical Code of Conduct shall assign responsibility for health and safety to a senior management representative and through the establishment of Occupational Health and Safety Committees.
- 6.4 The employer shall ensure that there are systems in place to detect, assess, avoid and respond to potential threats to the health and safety of supply chain workers. The employer shall take effective measures to prevent supply chain workers from having accidents, injuries or illnesses, arising from, associated with, or occurring during work. These measures should aim at minimising so far as is reasonable the causes of hazards inherent within the workplace.
- 6.5 The employer will seek to improve the supply chain workers' protection in case of accident, including through compulsory insurance schemes.
- 6.6 The employer shall take all appropriate measures, within their sphere of influence, to see to the stability and safety of the equipment and buildings they use, including residential facilities to supply chain workers when these are provided by the employer as well as to protect against any foreseeable emergency. The employer shall respect the supply chain workers' right to exit the premises from imminent danger without seeking permission.
- 6.7 The employer shall ensure adequate occupational medical assistance and related facilities.
- 6.8 The employer shall ensure access to clean sanitary facilities, clean drinking water, safe and clean eating and resting areas as well as clean and safe cooking and food storage areas.
- 6.9 The supply chain worker shall receive regular and recorded health and safety training, and such training shall be repeated for new or reassigned supply chain workers.
- 6.10 Accommodation, where provided, shall be clean, safe and meet the basic needs of the supply chain workers'.
- 6.11 The employer shall provide effective Personal Protective Equipment (PPE) to all supply chain workers, free of charge. PPE needs to be suitable and appropriate to the type of work, the circumstances and the environment the supply chain worker is operating in, for instance protective clothing and protective gear, such as gloves and eye and face protection, for when working with chemicals or in hazardous areas.
- 6.12 No harsh or inhumane treatment shall be used. Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation are prohibited.
- 6.13 There shall be no use of sandblasting. The use of sandblasting in any form or type is banned.

## 7. NO CHILD LABOUR<sup>8</sup>

- 7.1 The age of admission to employment shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years.

This principle requires any business partner to eliminate the worst forms of child labour, including all forms of slavery or practices similar to slavery. The business partner shall provide the necessary and appropriate direct assistance for the removal of children from the worst forms of child labour and for their rehabilitation and social integration. It also requires any business partner to ensure access to free basic education and, wherever possible and appropriate, vocational training for children removed from the worst forms of child labour.

- 7.2 The employer must establish robust age-verification mechanisms as part of the recruitment process, which may not be in any way degrading or disrespectful to the supply chain worker. This principle aims to protect children from any form of exploitation. Special care is to be taken on the dismissal of children, as they can move into more hazardous employment. In removing children from the workplace, business partners should identify, in a proactive manner, measures to ensure the protection of affected children.
- 7.3 The employer shall develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable them to attend and remain in quality education until no longer a child, "child" and "child labour" as defined in 7.1.
- 7.4 The employer shall take part in the Scotch & Soda due diligence policy and confirms and promises to do the utmost to identify, prevent and if necessary, address the issue of child labour in the supply chain. The employer is required to cooperate and be transparent about subcontractors and sub-suppliers and any possible risks within the supply chain to cooperate in combating child labour.

### **Special protection for young supply chain workers**

- 7.5 The employer shall not employ children and young person's – under the age of 18 – at night or in hazardous conditions and shall not perform work that is, by nature or the circumstances in which it is carried out, likely to harm their health, safety or morals. Procedures shall conform to the provisions of the relevant ILO standards.
- 7.6 Where young supply chain workers are employed, the employer must ensure that:
- a) The kind of work is not likely to be harmful to their health or development.
  - b) Their working hours do not affect their attendance at school, their participation in vocational orientation approved by the competent authority or their capacity to benefit from training or instruction programs.
- 7.7 The employer shall set the necessary mechanisms to prevent, identify and mitigate harm to young supply chain workers; with special attention to the access young supply chain workers shall have to effective grievance mechanisms and to Occupational Health and Safety trainings schemes and program

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<sup>8</sup> ILO Conventions 10, 79, 138, 142 and 182 and ILO Recommendation 146



## **8. REGULAR EMPLOYMENT IS PROVIDED**

- 8.1 To every extent possible, work performed must be on the basis of a recognised employment relationship established through national law and practice. There shall be no precarious employment.
- 8.2 Obligations to supply chain workers under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, sub-contracting or home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.
- 8.3 The employer must ensure that their employment relationships do not cause insecurity and social or economic vulnerability for the supply chain workers.
- 8.4 Work is performed on the basis of a recognised and documented employment relationship, established in compliance with national legislation, custom or practice and international labour standards, whichever provides greater protection.
- 8.5 Before entering into employment, the employer shall provide supply chain worker(s) with understandable information about their rights, the ethical labour principles, responsibilities and employment conditions, including working hours, remuneration and terms of payment.
- 8.6 The employer should aim at providing decent working conditions that also support supply chain worker(s), both women and men, in their roles as parents or caregivers, especially with regards to migrant and seasonal supply chain workers whose children may be left in the migrants' hometowns.
- 8.7 The employer shall not use employment arrangements in a way that deliberately does not correspond to the genuine purpose of the law. This includes but is not limited to:
- a) Apprenticeship schemes where there is no intent to impart skills or provide regular employment
  - b) Seasonality or contingency work when used to undermine supply chain workers' protection
  - c) Labour-only contracting. Furthermore, the use of sub-contracting may not serve to undermine the rights of supply chain workers.

### **Special protection for home workers<sup>9</sup>**

- 8.8 The employer shall monitor home workers, if applicable, and aspire to achieve equal treatment of home workers in accordance with the ILO Conventions. The employer shall commit to ensure safe and healthy working conditions to all home workers in their supply chain to guarantee human rights are protected and respected by following the policy on home workers.

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<sup>9</sup> ILO Convention 177

8.9 The employer is required to be transparent about any use of home workers within the supply chain. The employer is required to share the following home worker information as stated in the Ethical Policies and Principles 4 on home workers, if applicable, with Scotch & Soda.

## **9. NO CORRUPTION**

9.1 The employer and supply chain workers shall not 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.

9.2 The employer is expected to keep accurate information regarding their activities, structure and performance, and should disclose these in accordance with applicable regulations and industry benchmark practices.

The employer should not participate in misrepresenting their activities, structure or performance within its supply chain.

9.3 The employer should collect, use and otherwise process personal information (including that from the supply chain workers(s), business partners, customers and consumers in their sphere of influence) with reasonable care. The collection, use and other processing of personal information is to comply with privacy and information security laws and regulatory requirements.

## **10. ACCES TO REMEDY**

10.1 The employer shall provide a functioning, accessible and effective grievance procedure in place that allows all supply chain workers to raise and address workplace grievances, without fear of reprisal, designed based on the principle on access to remedy. For further information, please read the principle on access to remedy [here](#).

10.2 All supply chain workers and their representatives shall have access to effective remedy, without any discrimination.

10.3 The employer shall include a number of forms of grievance mechanisms, through:

- a) Presence of committees constituted between supply chain workers and management, and/or
- b) Complaint boxes or hotlines, and
- c) Scotch & Soda's Let's Talk sheet

10.4 The employer is obliged to hang the Scotch & Soda Labour Principles sheet inside the workplace at an accessible position: at the entrance of every site, accessible to all supply chain workers entering the sites, but out of management's view.

10.5 The grievance procedure must be actively and clearly communicated to all supply chain workers at the time of recruitment.

10.6 The grievance procedure must involve the – if present – worker/employee representative(s), supervisor, committee, and an appropriate level of management.

- 10.7 The employer must address supply chain workers' concerns promptly, using an understandable and transparent process that provides timely feedback to those concerned.
- 10.8 The grievance procedure must not be used to undermine the role of trade unions and collective bargaining processes and must not impede access to other existing judicial, arbitration or administrative procedures.

## **11. TRANSPARENCY**

- 11.1 Subcontracting without prior written approval by Scotch & Soda shall never take place.
- 11.2 The employer shall not pass on any (part of) the production order to smaller factories that are not or barely inspected. The employer shall be transparent at all times about any outsourcing and/or subcontracting related to the Scotch & Soda product location information and share all required information stated in the Ethical Policies and Principles 7 on transparency.
- 11.3 Scotch & Soda reserves the right to make unannounced visits to all production locations at any time.

## DECLARATION

By signing this Ethical Code of Conduct, the undersigned hereby confirms that it:

- has read the Ethical Code of Conduct, including the additional principles and policies, and that it has full knowledge of all relevant laws in the countries in which it operates
- will inform the relevant Scotch & Soda Supporting production office(s) in a timely manner about any non-compliances and possible adverse impacts involved in its shared supply chain
- will print the Ethical Code of Conduct and the Scotch & Soda Labour Principles sheet and post it at the entrance of all of its sites – accessible to all supply chain workers entering the sites
- will duly complete the required information on this declaration and return a copy of the signed Ethical Code of Conduct to Scotch & Soda within 4 weeks after receipt.

Company legal name: .....

Registration number: .....

Place of registration: .....

Legal address: .....

Country: .....

Signature:

Signature date:

Name:

Title:

**ALL PRINCIPLES ARE SUBJECT TO AN ANNUAL REVIEW**