

VAARNII SUPPLIER CODE OF CONDUCT

This Supplier Code of Conduct and our company values represent the standards by which we require our suppliers to operate.

1. INTRODUCTION

Vaarnii emphasizes sustainability as a core value and expects responsible practices from its suppliers, meanwhile striving to be a fair and trustworthy partner. We promote continuous improvement and cooperation with suppliers for mutual benefit, emphasising the importance of protecting the environment, improving working conditions, and ensuring responsible behaviour throughout the supply chain. Suppliers are encouraged to actively collaborate with us to continuously work towards shared sustainability goals.

Vaarnii Supplier Code of Conduct applies to all Vaarnii's suppliers, their subcontractors, and any third parties associated with the production of Vaarnii's products or Vaarnii's business activities otherwise. Vaarnii expects that the supplier commits to ensuring that the content of this Code of Conduct, hereinafter referred to as "the Code", is communicated with all associated companies and the respective employees in the supplier's supply chain, and that these companies comply with the Code. The supplier is responsible for monitoring and addressing any non-compliance within their supply chain. The supplier also commits to translating the Code into the national language of the associated company when necessary and reasonable.

The purpose of the Code is to ensure a certain level of compliance in terms of the social and environmental sustainability of practices in the supply chain. Thus, the Code is based on the Conventions by the International Labor Organization (ILO), the International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights, the 10 principles of the UN Global Compact, the UN Convention on the Rights of the Child, the amfori BSCI Code of Conduct and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

At Vaarnii, we strive for continuous cooperation with our suppliers, and therefore any breaches of the Code should be reported to us (info@vaarnii.com). We reserve the right to evaluate and terminate business relationships with suppliers that do not comply with the Code.

2. PRINCIPLES

2.1 Compliance with Laws and Regulations

The supplier must comply with all applicable national and international laws, regulations, minimum standards of the industry in which it operates, conventions of the ILO and the UN and all other relevant statutory requirements.

The laws and regulations with more stringent requirements take priority in all cases. However, we expect our partners to aim for a higher standard than mere legal compliance. Suppliers are expected to explore means to adhere to the principles that offer the greatest level of protection to workers and the environment in cases where local laws and regulations contradict or set a different level of standards compared to the Code.

2.2 Human Rights

We do not accept any actions or conditions that violate internationally declared human rights. Thus, suppliers are required to actively promote and respect the protection of these rights while ensuring they do not participate in or support any human rights abuses.

2.3 Fair Labor Practises

(a) Occupational Health and Safety

The supplier must comply with applicable national occupational health and safety legislation. In cases where national legislation is weak or poorly enforced, international standards, including the ILO Convention 155 (Occupational Safety and Health), should be followed to ensure compliance. In all cases, the supplier should establish and uphold well-defined rules and procedures which guarantee healthy and safe working conditions for their employees while enabling them to evaluate, identify, prevent, mitigate and report both potential and existing risks to the health and safety of employees. Special attention should be paid to protect vulnerable employees from exposure to dangerous or unsafe situations that could jeopardize their health. Vulnerable employees include but are not limited to, young workers, individuals with disabilities, and new or expecting mothers.

The supplier must identify and ensure the safe handling, utilization, and disposal of hazardous materials and substances in all operations and provide employees with personal protective equipment (PPE) and access to appropriate medical aid. Additionally, the supplier shall provide employees with appropriate tools and ergonomic equipment, clean and sanitary restroom facilities with an adequate level of privacy for all genders, access to safe drinking water, and eating and resting areas without any additional charges. In cases in which applicable, the supplier should also provide access to sanitary cooking and food storage areas and maintain clean and safe residential facilities that meet the basic needs of the employees.

It is the supplier's responsibility to regularly train each employee on occupational health and safety rules, including property-specific safety instructions such as fire and rescue instructions, throughout the entire duration of employment. Employees should also be able to suggest any developments regarding the rules without any punitive actions or retaliation. Workers who remove themselves from a hazardous work situation due to reasonable concerns for their safety should be protected from negative consequences by following national conditions and practices.

(b) Remuneration

At a minimum, the supplier must adhere to the wages set by national minimum wage laws or industry standards established through collective bargaining, whichever is the higher. All wages should apply to regular working hours, and all legally mandated or contractually required fringe benefits should be provided. Overtime remuneration must be paid in accordance with national law. All wages must be paid in a consistent, timely and stable manner in compliance with all valid laws.

We encourage our suppliers to provide wages above the minimum requirement to attract the most skilled and reliable labour force. In all cases, it is crucial that a fair living wage is provided to cover the essential requirements of employees and their families while also allowing for some additional discretionary income.

The suppliers cannot make wage deductions for disciplinary reasons unless they are allowed by law or stated in a collective labour agreement. All employees must be provided with an overview of the wage calculation for the respective period during paydays and written and easily accessible information about their wage conditions for the specified pay period prior to their employment.

(c) Working Hours

The weekly working hours and overtime must follow national laws or collective agreements, whichever offers greater protection to employees.

(d) Freedom of Association and Right to Collective Bargaining

The supplier must respect the right of all employees to have the freedom of association, meaning that they are able to establish and join trade unions (groups for the promotion and defence of their occupational interests) freely and voluntarily. Employees should not be discriminated against in any way due to their trade union membership.

The supplier must also respect the right to effective collective bargaining. This includes providing employees' representatives with appropriate facilities to assist in the development of effective collective agreement and neither discriminating against the representatives nor interfering with the activities of these representatives while they perform their duties in a manner that does not disrupt regular company operations.

(e) Non-Discrimination, Violence and Harassment

The supplier must ensure equal treatment and opportunities for all individuals, regardless of their race, gender, social background, nationality, ethnicity, age, religion, disability, sexual orientation, marital status, political affiliation or opinion, pregnancy, or any other protected characteristic. Discrimination in any form, including but not limited to recruitment, remuneration, training, promotion, termination of an employment contract and retirement, shall not be tolerated. We expect our suppliers to promote a diverse and inclusive work environment in which everyone is treated with fairness and respect.

The supplier ensures that employees are not subject to any form of violence, harassment, and inhumane or degrading treatment in the workplace, as well as threats of violence and abuse, including corporal punishment, verbal, physical, sexual, economic or psychological abuse, mental or physical coercion, or other forms of harassment or intimidation.

2.4 Child Labour and Protection of Children and Young Workers

Direct or indirect employment of children below the minimum age of completing compulsory schooling, as defined by law, which should not be lower than 15 years, is strictly prohibited unless the exceptions recognised by the ILO apply. The minimum age for engaging in hazardous work is uniformly set at 18 years across all countries. The supplier is responsible for protecting children from any form of exploitation. Robust age-verification mechanisms, conducted with utmost respect and dignity, should be established as part of the recruitment process. The supplier has a responsibility to handle the dismissal and removal of children from employment with special care and proactively implement measures to ensure the continued protection of these vulnerable individuals.

The supplier must also provide special protection for young workers (15-17 years). Young workers must not be employed during night hours, and their working conditions do not harm their health, safety, morals, or development. Young workers should be promptly removed from hazardous work and assigned non-hazardous tasks without income loss. Their work should not impede their education or training, and measures should be in place to prevent and address harm. Additionally, access to grievance mechanisms and tailored occupational health and safety training should be provided.

2.5 Bonded Labour, Forced Labour & Human Trafficking

The supplier and its business partners shall not participate in or be complicit in any form of servitude, forced labour, bonded labour, prison labour, indentured labour, human trafficking, or any other non-voluntary labour, including labour imposed by the state. The supplier must provide all employees with employment contracts that clearly outline the terms and conditions of their employment, emphasising the voluntary nature of the employment, the right to terminate the employment (including the relevant procedures), and any consequences or penalties that may arise from leaving or ending the employment.

2.6 Protection of the Environment

We expect our suppliers to strive to minimize their environmental impact and promote environmentally friendly practices. The environmental impacts of operations, especially respect to water, energy, hazardous chemicals, air and soil emissions, and waste and wastewater, must be identified, and adequate measures should be implemented to prevent, mitigate, and remediate adverse impacts on the surrounding communities, climate, natural resources, and the overall environment. The measures include but are not limited to the following:

- increasing the use of renewable energy,
- decreasing water and energy consumption,
- managing all waste properly, including proper treatment and disposal of chemicals and other hazardous materials as well as handling of wastewater and emissions, to ensure compliance with or surpass legal regulations, thereby preventing pollution and uncontrolled environmental leaks,
- minimizing waste generation and emissions to the atmosphere, water and soil,
- increasing recycling rate,
- and optimizing the efficiency of raw materials and packaging, and other relevant measures that contribute to the preservation of the environment and the conservation of limited natural resources.

The supplier must comply with national environmental laws, or in cases where national legislation is inadequate or inadequately enforced, comply with international standards, such as ISO 14001. All valid environmental permits and licenses relevant to the supplier's operations must be maintained. **In case the supplier does not have international or national environmental management system certification (ISO 14001, EMAS or Ekokompassi), the supplier shall maintain a written company statement document on their approach to the consistent monitoring, management, improvement and reduction of their negative environmental impact. The supplier must ensure that all its employees are aware of this statement and operate according to the practises stated in the document. This document must be submitted to Vaarnii every 12 months, starting from the receipt of this Code. The first document must be submitted to Vaarnii in August 2023.** In cases applicable in terms of the supplier's size and circumstances, we expect the supplier to examine implementing a process-

and risk-based environmental due diligence management system in their business practices, adjusted to the business model of the company, which can also be integrated into the overall due diligence management system. In all cases, we encourage our suppliers to develop sustainability targets and indicators in terms of environmental but also social sustainability.

In all of its operations, the supplier and its subcontractors are required to prioritize the use of environmentally friendly goods, raw materials, methods, and/or technology that are suitable for the desired quality. The supplier is prohibited from transferring any adverse environmental impacts to subcontractors. As a result, the supplier holds accountability for the environmental impact within the production line where it has direct or indirect involvement. We encourage our suppliers to establish sustainable production and consumption programmes with clear performance objectives to take the organisation beyond legal compliance in the long term.

2.7 Ethical Business Behaviour

The supplier must comply with all applicable competition and anti-trust laws. In more detail, the supplier cannot participate in any discussions or agreements with competitors related to price fixing, price discrimination, collusive bidding, market share, or other similar activities.

We do not accept any forms of corruption, including extortion, bribery and embezzlement, neither in our own business nor in our supply chain. Thus, the supplier's employees shall not interfere with the promising, offering, soliciting, giving or accepting of any improper monetary or other incentive. This implies that the supplier is prohibited from providing gifts or similar items to any Vaarnii employees in exchange for favours. We maintain a zero-tolerance approach towards any form of corruption and are committed to acting in a professional, fair, and ethical manner in all our business transactions and relationships.

When it comes to the transparency of the supplier's business, we demand all our suppliers to disclose the production facilities we are linked to, from material source to final manufacturing. The supplier must maintain accurate business records pertaining to their activities, structure, and performance, and disclose this information in a way that is compliant with relevant regulations and industry benchmark practices to promote transparency in the operations. The supplier must never falsify or participate in falsifying any information or in any act of misrepresentation in the supply chain.

We require the supplier to adhere to privacy and information security laws and regulatory requirements while collecting, using or otherwise processing any kind of data. A particular emphasis should be paid to personal data that can only be processed for authorized purposes in a transparent manner. The supplier must also respect our intellectual property rights (IPRs) while also respecting the IPRs of any business partner.

2.8 Reporting and Compliance

The supplier is required to promptly notify us if it becomes aware of any violations or concerns regarding this Code of Conduct. The supplier should proactively and promptly investigate and address reported issues and take appropriate corrective actions when necessary.

[signature page follows]

3. SIGNATURE

By signing this document, we hereby commit to having read the Vaarnii Code of Conduct, accept the terms required of us as a supplier and of our subcontractors, and commit to taking appropriate measures to comply with the principles of the Code.

Signature of the company representative _____
Name of the company representative _____
Title _____
Name of the company _____
Date of the signature _____