



SMART MICROFIBER AB HUMAN RESOURCE & ENVIRONMENTAL DUE DILIGENCE POLICY v1.0 2024



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Foreword

Smart Microfiber creates and develops cleaning and auto care products. All our products are characterised by high quality, innovation and environmental friendliness. The products are marketed and sold in Sweden and some thirty other countries as Smart Microfiber or private label products.

We have grown continuously over the past 30 years, and with this growth comes responsibility. We value simplicity and efficiency in our operations and those of our subcontractors, and are strongly committed to environmental sustainability and the well-being of people. All individuals involved in our own and our suppliers' operations are entitled to fair treatment, safe working conditions and respect for fundamental human rights. This HREDD Policy outlines Smart Microfiber's approach and processes for managing human rights and environmental issues associated with our operations.

Peter Burman
 Managing Director

Daniel Broman
 Chairman of the Board

Introduction

This Human Rights and Environmental Due Diligence (HREDD) Policy outlines how we work to ensure that our subcontractors meet our quality standards while also respecting human rights and the environment.

The HREDD Policy serves as a framework to help us identify the challenges we face, define our sphere of influence and effectively prevent, mitigate and account for the potential and actual impacts of our operations on people and the environment. We will continuously develop and improve our approach as our understanding of these risks and impacts evolves.

Smart Microfiber’s HREDD Policy was developed in alignment with the following directives and internationally recognised standards:

- UN Guiding Principles on Business and Human Rights (UNGPR)
- OECD Guidelines for Multinational Enterprises (OECD Guidelines)
- Fundamental Conventions of the International Labour Organisation (ILO)
- EU Corporate Sustainability Due Diligence Directive (CSDDD)

Smart Microfiber’s HREDD Policy in operations

With this HREDD policy, we strengthen transparency, accountability and continuous improvement in our supply chains and our organisation. Through our due diligence process, we are able to assess the potential and actual impacts of our operations as well as identify any human rights violations, environmental harm or non-compliance with applicable laws and regulations.

We are committed to mitigating and remedying such issues in close collaboration and dialogue with our stakeholders and suppliers and can, where necessary, take corrective actions to ensure greater compliance.



1 Responsible business conduct (RBC) in Smart Microfiber’s operations

Our due diligence work is based on our commitment to respecting human rights and the environment and reflects our expectations of our business partners. Our most important governing document, the Code of Conduct for External Partners, together with revisions made by third parties, ensures that our subcontractors comply with the UN Guiding Principles on Business and Human Rights and with OECD and ILO guidelines.

Responsibility and governance

The executive management team, consisting of Peter Burman (Managing Director) and Daniel Broman, is ultimately responsible for HREDD. In fulfilling its duties, it is assisted by the purchasing and production managers. This team is also responsible for the implementation of our Due Diligence Policy. They meet regularly to address sustainability topics. These procedures include continuous evaluation of our due diligence governance relating to relevance and effectiveness.

Framework for governing documents, policies and certifications

The HREDD Policy builds on a number of governing documents, policies and certifications used in our organisation. It establishes a comprehensive approach to responsible business conduct. Product certifications such as the Nordic Swan Ecolabel and FSC impose requirements concerning human rights, working conditions and environmental impact.



External audits

In addition to our annual internal audits, we use two external audit services:

Amfori: amfori BSCI (Business Social Compliance Initiative) evaluates 13 performance areas relating to, among other things, human rights, working conditions and child labour.

Sedex: SMETA is an audit that evaluates working conditions, health and safety, ethics and environmental performance. SMETA clarifies, among other things, risk levels and compliance with current and future legislation.

2 Identify and assess adverse impacts from operations

We regard it as crucial to identify, assess and prioritise risks and violations in our supply chain. The risk assessment plays a central role in our due diligence activities by helping us identify the most important and urgent issues that need to be addressed.

Annual risk assessment

We use well-documented, certified materials in all our products. The certifications impose requirements regarding materials, working conditions and environmental performance.

Parts of our production take place in high-risk countries in Asia. We ensure that production is as socially and environmentally sustainable as possible by conducting annual audits and risk assessments. We have good relationships with our subcontractors that go back many years, which means that our audit and risk assessment procedures are well-accepted.

Our subcontractors are subject to annual visits and audits where we assess:

- Environmental impact
- Occupational health and safety
- Working hours, remuneration and trade union rights
- Forced labour
- Child labour
- Discrimination

3 Eliminate, prevent or mitigate adverse impacts

We are committed to ensuring good ethical practice throughout our supply chain and operations. We take our responsibility to eliminate, prevent and/or mitigate identified adverse impacts. We recognise that we cannot address complex global risks and challenges alone. For this reason, we aim to work closely with our suppliers and partners to manage and mitigate identified risks.

Supplier selection

Due diligence processes play an essential role in our supplier partnerships. We see it as our shared responsibility to ensure good ethical and environmental practices throughout our supply chain and in the communities where we operate. Therefore, we carefully select our suppliers and impose clear requirements for social and environmental performance at the outset of our relationship:

- All contractual suppliers accept and comply with our Code of Conduct and cascade its principles down the supply chain.
- All producers and subcontractors in risk countries are required to conduct a social audit that complies with our social responsibility guidance for suppliers. All subcontractors must be authorised by us before production commences.

Dialogue regarding improvements

Smart Microfiber maintains ongoing dialogue with our subcontractors. If non-conformities are detected in the form of inadequate compliance with our Code of Conduct (CoC) they are immediately addressed with the supplier concerned. If and when non-conformities are detected, our first priority is to swiftly take appropriate action.

If there is a need for information or training, we initiate this in collaboration with the subcontractor. We are always available to discuss improvement activities as we often have staff on site at our suppliers' facilities.

Supplier compliance requirements based on Smart's policies and governing documents

All our main suppliers must undergo annual BSCI or SMETA audits as well as our own frequent internal audit visits, which may be announced or unannounced.

If these audits or our internal audit visits identify non-conformities, for instance regarding working conditions, child labour, failure to pay due remuneration, bullying or serious environmental violations, we initiate discussions on corrective measures. If these measures do not have the desired results, we commence the process of responsibly terminating the collaboration.

Sourcing restrictions

Ninety percent of the materials we use are traceable and certified. We have processes for assuring the origin of non-certified raw materials and ascertaining that suppliers are not subject to sanctions or other trade restrictions.

4 Monitor implementation and results

Our CoC and our policies outline the minimum requirements that we impose on our subcontractors with regard to human rights, working conditions and environmental impact. We monitor compliance through BSCI and SMETA social audits, spot checks and self-assessments.

These audits and checks take place at least once annually.

By evaluating learnings and continuously improving our due diligence activities, we constantly strive to improve the quality of our sustainability efforts.

Social audits

Conducting social audits is a good method for identifying risks and monitoring the effectiveness of our risk mitigation activities. These audits give us insights into how our producers manage risks relating to occupational health and safety, child labour, forced labour and discrimination.

The majority of the audits performed in our supply chain are amfori BSCI audits, where we require the producer to achieve a C rating, which shows a basic understanding of social compliance. If a producer receives a D rating, we work with them to produce a corrective action plan (CAP) to ensure they restore their rating to a minimum of C.

5 Communicate impacts and how they are addressed

Due diligence is an ongoing learning process, and we understand the importance of communicating our challenges and achievements. Transparency is fundamental to achieving change. On this basis, we communicate the results of our due diligence process and the implementation of our policy.

Our HREDD Policy and overarching improvements will be published in 2024 on Smart Microfiber's website – smartmicrofiber.se – under the sustainability menu.

6 Provide for or cooperate in remediation where appropriate

While we take various measures to identify and address risks related to human rights, labour rights and the environment, we realise that violations can still occur. It is important to us that employees in our operations and supply chains have access to safe ways to report any misconduct.

Supply chain grievance mechanism

Openness and honesty are crucial in the workplace and we regard it as essential to identify and address grievances and issues raised by our co-workers in the supply chain. We want everyone to feel comfortable about speaking up if they believe that our CoC or any (local) laws or regulations may have been violated. This helps us address and remedy problems and minimise negative impact on our stakeholders and business.

When we conduct audit visits in high-risk countries, anonymous interviews are carried out on-site with employees, e.g. in accordance with amfori BSCI guidelines.

In our procedures and employee policy, we have established a procedure for handling grievances concerning working conditions, and we also address this matter annually during each documented employee appraisal.

Our quality system includes procedures to do with the grievance process, such as withdrawal, reason for withdrawing products and the protection of consumer rights regardless of country.

To conclude:

Smart Microfiber AB is not covered by the formal future requirement to have a Human Rights & Environmental Due Diligence Policy. Nevertheless, we find it important to encourage responsible business conduct and contribute to greater sustainability in the production chain. We believe the best way to address social and environmental supply chain challenges is through increased transparency and dialogue. It is for this reason that we have established this HREDD Policy.