



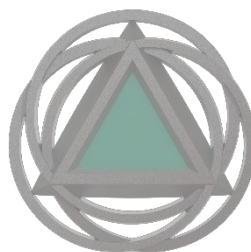
# COMPLIANCE PROCEDURE

The implementation and compliance with YES-EU's  
Code of Conduct

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# 1. INTRODUCTION: COMPLIANCE WITH THE CODE OF CONDUCT

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YES-EU AS (Ltd) (YES-EU) is aware of its corporate responsibility towards people, communities, and environment wherein we and our suppliers conduct our business. As reflected in our Code of Conduct, we support a sustainable development policy and the conduct of our people and suppliers is a crucial part of that policy.

YES-EU's Code of Conduct outlines a set of rules defining the tolerated processes and practices applied by our suppliers. The main goal of this document, the *Compliance Procedure*, is to ensure compliance with the Code of Conduct. To ensure such compliance, YES-EU deem it necessary to specify how we will implement and follow up the Code of Conduct in our supply chain.

The Compliance Procedure and the Code of Conduct will apply to all suppliers of YES-EU. This also includes subsidiaries and sub-suppliers. The Compliance Procedure will also apply to clients and contractors of YES-EU. This is because we believe that our clients should be granted the same degree of transparency as YES-EU when it comes to securing compliance with the Code of Conduct. The specific measures for ensuring compliance are listed in more detail in section 3 and 4 of this document.

We are convinced that clearer guidelines for compliance with the Code of Conduct will contribute to greater transparency in our supply chain. This will serve as a useful basis for building a cumulative positive effect that considers the respective responsibilities of all relevant stakeholders.

Since 2021, YES-EU has focused on identifying potential risk areas in our entire supply chain. We want to inform our suppliers that we in 2022, and onwards, will continue this process, with a specific focus on the suppliers of batteries. Identifying potential breaches of the *Code of Conduct* and the *OECD Guidance Due Dilligence Guidance for Responsible Business Conduct* will be at the centre of this process. We believe this will increase transparency and insight on how sourcing practices are carried out in our supply chain. It will also prevent potential breaches. Thus, we will engage a second-party auditor to review and audit the sourcing practices of our suppliers and sub-suppliers, and we will additionally partner up with a neutral agency specialized in supply chain analysis to audit compliance with our Code of Conduct.

## 2. SCOPE AND APPLICATION

- The Code of Conduct as prescribed in the Compliance Procedure pertains to all companies and individuals that is considered a supplier by this document. Suppliers are the companies and individuals that manufactures, trades, or delivers services to YES-EU or our clients by means of consulting outsourced services, or distribution of products. The Code of Conduct sets out the guidelines for these business partners so that all interactions can be monitored and reviewed for improvement.
- This document grants both YES-EU and its clients the right to perform measures such as due diligence, investigations, inspections, and/or audits of all parties in YES-EU's supply chain to ensure compliance with the Code of Conduct. This also includes the supply chain of YES-EU's suppliers. If the Supplier of YES-EU uses sub-suppliers or subcontractors, the sub-supplier/subcontractor is obliged to continue and contribute to compliance with the Code of Conduct. In short, the requirements in the Code of Conduct shall apply in the supplier's own business and supply chain.
- Products that are included in all types of deliveries to YES-EU must be manufactured under conditions that are compatible with the Code of Conduct. In addition to following the Code of Conduct, the Supplier must comply with applicable laws and regulations, including international conventions and legislation in production countries in its own business and supply chain. In the case, where the Code is in direct conflict with national legislation, national legislation shall prevail, however if the Code sets out stricter requirements than national legislation, the Code of Conduct shall prevail.
- The Compliance Procedure and the Code of Conduct are based on internationally recognized standards, including the UN's *Guiding Principles for Business and Human Rights*<sup>1</sup> and the *OECD Due Diligence Guidance for Responsible Business Conduct*<sup>2 3</sup>. This means that the Compliance Procedure will be carried out in accordance with these standards, as well as the OECD Five-Step Framework.

## 3. POLICIES AND ROUTINES FOR DUE DILLIGENCE ASSESSMENTS

- **Establish strong management systems:** Suppliers are expected to adopt due-diligence policies and build internal capacity to implement them, engage with suppliers and business partners and develop internal controls and transparency over the supply chain, collect data and set up grievance mechanisms.

To meet the requirements in the Code of Conduct, as well as to prevent any deviations from these requirements, suppliers shall at the start of the contract, and no later than 6

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<sup>1</sup> [GuidingPrinciplesBusinessHR\\_EN.pdf \(ohchr.org\)](#)

<sup>2</sup> [OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf](#)

<sup>3</sup> [OECD - Mineral Supply Chain \(duediligenceguidance.org\)](#)

months, implement policies and routines for due diligence assessments. The due diligence assessment shall include:

- One or more publicly available policies, adopted by the board. The policy shall, as a minimum include an obligation to comply with the Code of Conduct – both in one’s own business and supply chain. At least one employee at management level shall be responsible for compliance.
  - Routines for dissemination and regular follow-up of the Code of Conduct in one’s own business and in the supply chain.
  - Routines for performing regular risk analysis in one’s own business and in the supply chain. This includes identifying and prioritizing the risk of breach with the Code of Conduct.<sup>4</sup>
- **Communicate and report on due-diligence:** Suppliers are expected to publicly report on supply chain due-diligence policies and practices. This includes publishing the supply chain risk assessment and management plan/policy, with due regard to business confidentiality and other competitive concerns. It is also expected that suppliers respond to stakeholder questions, concerns, and suggestions.
  - **Identify, assess, and prioritise risks:** Suppliers are expected to consecutively review information on the supply chain to identify any red flags that would trigger enhanced due diligence, investigations, audits and/or inspections. This also includes to delve deep and map factual circumstances of red-flag operations, supply chains, and business partners. Suppliers must prioritise potential threats and risks to the requirements in the Code of Conduct.
  - **Manage risks:** Suppliers are expected to report risk assessment findings to senior management and improve internal systems of control and oversight. This also includes to disengage from suppliers associated with the most harmful impacts. In other cases, suppliers must take steps to increase leverage, either individually or collaboratively, to prevent or mitigate risks.
  - **Audit control points:** Suppliers are expected to carry out independent third-party audits to verify that due-diligence practices have been implemented at key “control points” (manufacturers, for example) in the supply chain. Auditors should gather findings and recommend specific improvements to existing processes.

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<sup>4</sup>The routine(s) must also describe what measures the Supplier will implement to prevent, stop and/or reduce the consequences of breaches of the requirements. In line with the method for due diligence assessments, the most serious risk, regardless of where in the supply chain the risk is, must be prioritized first.



## 4. PROCEDURES FOR COMPLIANCE: FOLLOW-UP AND CONTROL

### 4.1 General provisions

- The Supplier is obliged to comply with the Code of Conduct throughout the entire contract period with YES-EU.
- In order to ensure compliance with the Code of Conduct, and eventually to detect any breaches with the Code, relevant measures will include, but will not be limited to, investigations, due diligence, inspections and/or audits. YES-EU may partner up with a third-party agency to carry out these measures.
- It is the responsibility of the supplier and its company officers to ensure that all employees and its representatives comply with the Code of Conduct referred to in this document. Any transgression or violation of these policies must be reported to YES-EU to prevent damage to the business relationship with YES-EU's clients and supply chain. In the event of a violation, YES-EU reserves the right to request removal of persons that committed the transgression. In this regard, both YES-EU and its clients also reserves the right to conduct audits, inspections, investigations and/or due diligence to evaluate compliance with the Code of Conduct. The supplier shall, always, ensure that the requirements in the Code of Conduct is being complied with, both in its own business and supply chain.
- The Supplier is obliged to report on the fulfilment of the requirements at the request of YES-EU and/or YES-EU's clients.

### 4.2 Documentation of compliance

- YES-EU and its clients may demand that the Supplier's compliance is documented by *one or more* of the following measures:
  - The Supplier must document compliance with the policies and routines in section 3 of this document.
  - Provide an overview of production units in the supply chain for selected risk products, components and/or raw materials, determined by YES-EU or the clients of YES-EU.
  - Answer self-reports no later than 6 weeks after request from YES-EU. YES-EU and has the right to set another deadline.
  - Document a complete risk-analysis to YES-EU upon request. The Supplier is furthermore obliged to report on how breaches with the Code of Conduct are followed up and dealt with.

- Participate in follow-up interview(s) with YES-EU and/or its clients upon request.
- Conduct consecutive controls and audits of their business practices in accordance with the Code of Conduct and section 3 of this document. This also applies to business practices in the Supplier's supply chain.
- Accept unannounced inspections, audits, investigations and/or due diligence to ensure compliance with the Code of Conduct. The Supplier is obliged to loyally assist in arranging for such measures to take place. The Supplier must provide free and unimpeded access to the auditors and cannot in any circumstance take measures preventing this. It is fully understood by the Supplier that no notice will be given before such measures. This includes auditors will arrive at your premises, your sub-contractor premises and/or your supplier's premises without warning. This may happen at any time during the day or during the night shift if that is in practice at the facility being inspected.
- The Supplier fully accepts that YES-EU's clients shall have the same rights as YES-EU in conducting investigations, due diligence, audits and/or inspections to ensure the compliance with the Code of Conduct. YES-EU and its clients shall have the freedom to choose which supplier in the supply chain it wants to impose these measures.
- If the Supplier becomes aware of conditions that constitutes, or could potentially constitute, violations of the Code of Conduct, the Supplier shall report this to YES-EU unsolicited and as soon as possible.

## **5. VIOLATION OF THE CODE OF CONDUCT - SANCTIONS**

- In the event of a breach of the Code of Conduct, the Compliance Procedure, or if there are any deficiencies in documentation, YES-EU can apply sanction provisions in the main contract with the following additions and clarifications:
  - Demand correction: The Supplier must submit and action plan for when and how the breaches are to be rectified. The measures must be reasonable in relation to the nature and extent of the breaches. The action plan must be presented within 4 weeks. In the event of significant breaches, YES-EU and/or the Client(s) of YES-EU, may set a shorter deadline. YES-EU and/or the Client(s) of YES-EU must approve the action plan and documentation of corrections.
  - Implement a temporary stop in all or part of delivery when:
    1. The Supplier does not meet the requirement to submit an action plan.
    2. The action plan is not complied with.

- Require the Contractor to change subcontractor: In the event of significant breaches of contract, repeated serious breaches or if the action plan is not complied with. This shall be done at no cost of YES-EU and/or the Client(s) of YES-EU.
- Fines: YES-EU may impose fines in case of breaches with the Code of Conduct or Compliance Procedure. The rate and limit for such fines are set in accordance with current Norwegian legislation.
- Termination of the contract: YES-EU may require termination of the contract with the supplier in the event of significant or repeated breaches of the Code of Conduct or the Compliance Procedure or if the action plan is not complied with.

Place and date: 18-03-2022

...Benedikt G. Suburundsson.....

