



EGMONT

Egmont Social Compliance Programme

Responsible Supply Chain Management and Product Safety and Quality



Requirements for Business Partners Involved in the Production of Egmont Products



Intro

Egmont strives to ensure that all its products are manufactured in a responsible, safe and ethical manner. Egmont's approach to social compliance is guided by compliance with Egmont's Code of Conduct (CoC) and applicable national and international legislation. The CoC is an integral part of any authorisation to produce Egmont products, and by signing the CoC, Egmont and its Business Partners commit to¹:

- **A standard of excellence in every aspect of our business throughout the world**
- **Ethical and responsible conduct in all of our operations**
- **Support, respect and protect the rights of all individuals**
- **Respect for the environment**

The CoC is aligned with the principles of the UN Global Compact, which focuses on four main areas:

- **Human Rights**
- **Labour Rights**
- **Environment**
- **Anti-Corruption and Bribery**

Egmont's CoC is available on page 12 of this pamphlet and as download on

www.egmont.com/int/social-responsibility/

¹ In this pamphlet "Business Partner" means any supplier, subcontractor and other relevant business partners that do business with the Egmont Group.

Egmont Social Compliance Programme

Since 2005, Egmont has worked with and developed its Social Compliance Programme. The programme has a dual focus on responsible supply chain management and product safety and quality. The aim is to ensure that Egmont and its Business Partners comply with the requirements set out in Egmont's CoC.

All Business Partners must provide working environments that comply with local law and Egmont's zero tolerances (ZT) i.e.:

- **Local minimum wage regulations (equivalent to pay per standard work hour)**
- **No forced, bonded or compulsory labour**
- **No child labour**
- **No risk of losing life or limb**
- **No corruption and/or bribery**

Egmont acknowledges that sustainable remediation does not happen overnight. Therefore, Egmont focuses on continuous remediation and expects that Business Partners are cooperative and committed to implement sustainable improvements.

Responsible Supply Chain Management

Compliance with the Egmont Social Compliance Programme is crucial, and social audits of manufacturers are an important tool to verify compliance at manufacturers².

The manufacturer approval process is centralised with Egmont social compliance, and the team is responsible for providing audit feedback to manufacturers and licensees. The social compliance team is also responsible for compliance with major licensor and retailer requirements, which may result in additional requirements to manufacturers.

Audit Cycles

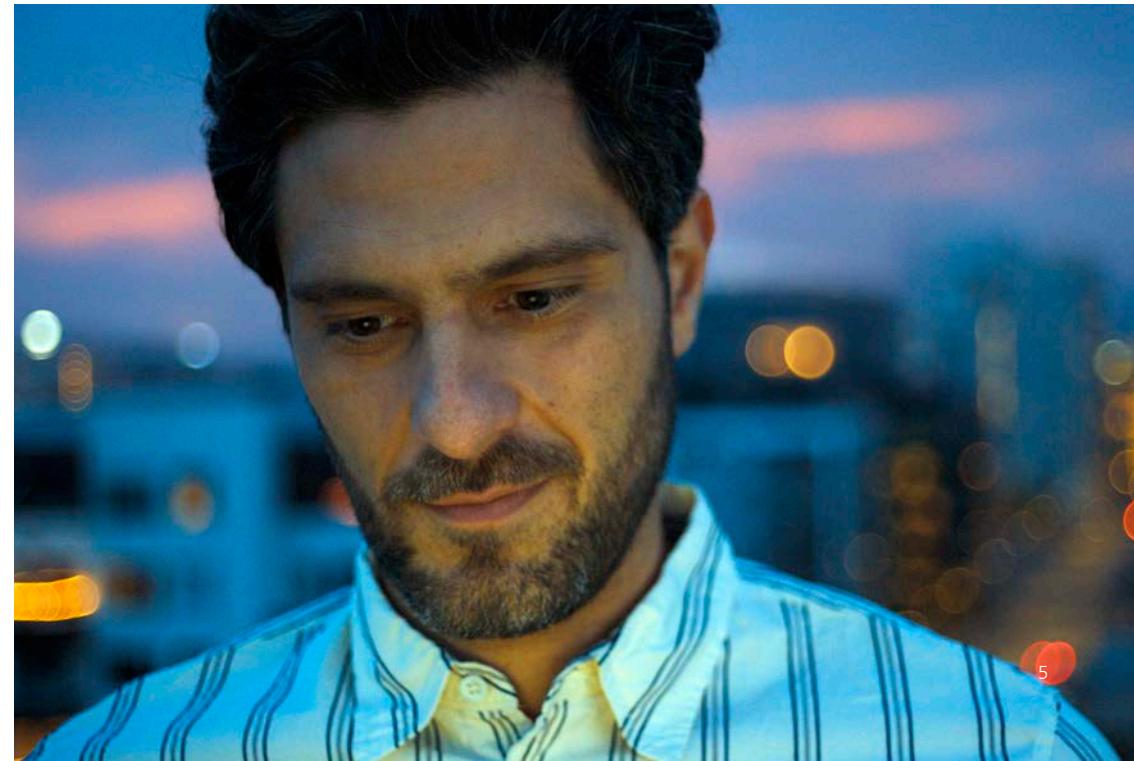
Based on a country risk assessment, the social compliance team will ensure that all new manufacturers are enrolled into a (pre-)production audit cycle. Each manufacturer is mapped against Egmont's country risk assessment, which is based on a number of factors, including: Country of manufacture, sector risk assessments and licensor requirements.

Egmont operates with the following country risk groups:

- **Group 1: maximum audit cycle of 12 months**
- **Group 2: audit cycle ranging from 12-24 months**
- **Group 3: audits performed on an ad hoc basis**

Egmont reserves the right to request audits outside the prescribed audit cycle, if it deems it is crucial to understand the social conditions at a manufacturer.

² Third party first tier/core manufacturers and applicable subcontractors



Social Audit Requirements

Applicable manufacturers are approved for production based on social audit results. In order to reduce the number of manufacturer audits, Egmont accepts to evaluate valid social audit reports based on³:

- **SEDEX/SMETA (Initial audit, periodic audit or full audit cycle)**
- **BSCI (Summary audit report or full audit cycle)**
- **ICTI (ICA, IAA, and full audit cycle)**
- **SA8000 (Certificate and audit)**

which are rated to be equivalent to Egmont's CoC. The audits must be performed by an accredited auditing company. On certain occasions, we also offer to evaluate other social audit reports, including, but not limited to, audits based on Disney's ILS social audit, LEGO, Walmart, or IKEA's IWAY standard.

If a manufacturer cannot present a valid social audit report, Egmont will arrange for an announced social audit to be carried out by one of Egmont's preferred auditing partners. The auditors will verify compliance with national and international legislation and Egmont's CoC.

Audit Feedback

Following an audit, the manufacturer will receive feedback from Egmont social compliance and, if relevant, a Remediation Commitment Form (RCF) must be completed and signed by the manufacturer (see p. 19). The manufacturer is required to describe corrective actions and estimated completion date for the violations. Any violations must be remedied/closed, at the latest, by the next audit date.

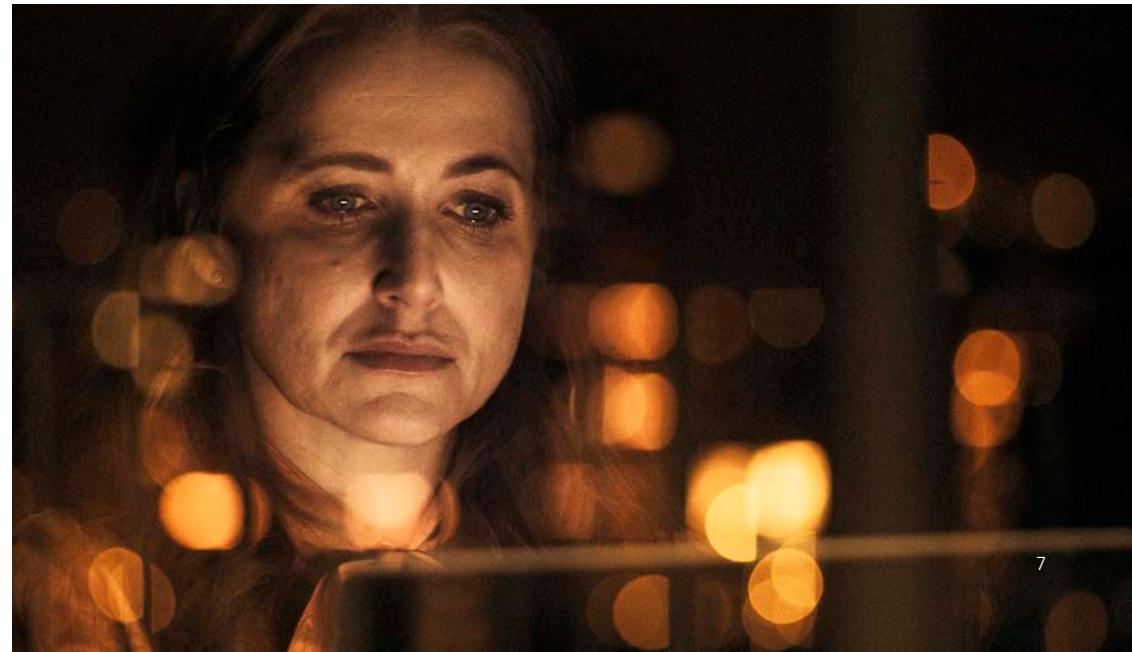
If a zero tolerance violation is discovered at a manufacturer, Egmont will cease production, evaluate next steps, and possibly terminate the business relationship. Under certain circumstances, Egmont reserves the right to demand that critical violations be corrected within 90 days, and documentation for such corrections must be provided to the social compliance team. This could be in cases of e.g. missing fire drills.

When zero tolerance violations are detected at a manufacturer, Egmont requires a new follow-up audit to take place before production may begin/proceed.

³ Social audit report no older than 12 months (NB: six months for Disney)

Tips for a Smooth Factory Approval Process

- ✓ **Timing:** Disclose new manufacturers and subcontractors to the social compliance team as quickly as practically possible (see p. 18).
- ✓ **Social Audit Compliance:** Check whether manufacturers have a recent, valid social audit report on file or whether the social compliance team should arrange an audit.
- ✓ **Factory Approvals:** Manufacturers may not be used for production until the social compliance team has approved the factory.
- ✓ **Signing CoC/MA:** All manufacturers – also those where social audits are not required - must sign Egmont's CoC and applicable licensor CoCs/MAs before starting production.
- ✓ **Co-eds (i.e. co-edition/co-printing/buy-in):** The Co-ed process differs depending on the licensor. Please be aware that the Co-ed partner and applicable manufacturers as a minimum must be disclosed to Egmont social compliance. The Co-ed partner must be an authorised licensee for the branded products you are about to buy. All Co-ed partners have to sign Egmont's CoC prior to production/before buying the products. In addition, all applicable licensor requirements must be complied with.



Product Safety and Quality

The second part of the Social Compliance Programme focuses on product safety and quality. It has been established to ensure that Egmont's products aimed at children comply with all relevant product safety and quality legislation and regulations, and are safe to use. Products that fall under the product safety and quality programme include: Books, games, activity products (BGA), subscription gifts, as well as toys and other products sold together with magazines (covermounts).

Safe Products in the Hands of Egmont's Customers

The product safety and quality processes and requirements are the same for all Egmont divisions although responsibilities are organised differently. Egmont has a team in Hong Kong which takes care of the product safety and quality assurance for covermounts, subscription gifts, and some books. The rest of the products are controlled by product group managers across the business with input from product safety experts.

In 2016/2017, a safety tool box was developed for the BGA products. The tool box provides Egmont employees in Europe with easy-to-understand and easy-to-access information to produce safe and legally compliant products for children.

Before the Production Run

The product safety and quality processes are similar for all types of products. When Egmont plans for a new product, quality and safety are integral parts of the design and development process from the very beginning. The teams conduct product safety assessments or reviews (PSA/PSR), which describe product design, materials, test programme, and evaluate all safety aspects related to the usage of the product. Based on these components it is decided whether the product should be manufactured or not – or if product amendments are needed to improve the safety of the product.

When it has been decided if a product should be put into production, Egmont receives a mock-up sample of the product(s). To ensure potential issues have been addressed, the product safety engineer will conduct the following tests:

- **Construction review**
- **Aesthetic review**
- **Functional check including stability test**
- **Product risk evaluation**

When the tests have been performed, the factory will prepare the pre-production sample (PPS). Egmont will send the PPS to external, internationally recognised test institutes to perform tests to assure the products are safe to end-users and comply with international and national legislation.

During the Production Run

When the PPS has been approved, the team in Hong Kong may perform a during production visit (DUPRO) to monitor the production at the manufacturer. The DUPRO visits serve to review quality control systems, material storage conditions, and to perform on-site tests to ensure a smooth production run.

The PPS is compared to a mass production sample (MPS) by the team in Hong Kong to confirm that the product has the agreed features.

Egmont's quality assurance engineers in Hong Kong work closely with the manufacturers in China and follow the mass production to share knowledge and experiences with the manufacturers.

The BGA team receives MPS from manufacturers and have them assessed or tested against the PPS. Manufacturers are required to make sure that MPS are made from the actual materials that are to be used in production to ensure that correct and chemically compliant raw materials are being used in mass production.

After the Production Run

When the mass production is finished, a final random inspection (FRI) will be made on all covermounts either by Egmont quality inspectors, third party inspectors or by the factories according to Egmont defined procedures and templates. All products are checked before shipment, and no products will be shipped unless the FRI is passed. When the products meet the quality requirements, the shipment will be released.

When the BGA products arrive at the warehouses, Egmont employees order samples from the warehouse for assessment and inspection to ensure that products have not been damaged during transportation. Furthermore, basic functional checks are performed to test the product. For items that are reordered several times and kept in stock at Egmont, external testing may be done to ensure that the mass production is still in compliance with applicable law.



Egmont Code of Conduct (CoC)

In the Egmont Group, we are committed to:

- a standard of excellence in every aspect of our business throughout the World;
- ethical and responsible conduct in all of our operations;
- support, respect and protect the rights of all individuals; and
- respect for the environment

We expect these same commitments to be shared by the Business Partners with which we work.⁴ At a minimum, we require that all Egmont companies and our Business Partners meet the following standards; in case of non-compliance(s), such deviation(s) must be approved by Egmont group Human Resource Management and only in the event such deviation(s) is/are clearly for the benefit of the employee in question, or that corrective actions have been taken in order to comply with the Egmont Code of Conduct.

GENERAL TENET

Egmont companies and their Business Partners shall comply with all applicable laws and regulations, including those pertaining to the manufacture, pricing, sale and distribution of the Egmont products.

All references to “applicable laws and regulations” in this Code of Conduct include local and national codes, rules directives and regulations as well as applicable treaties.

Egmont will carry out audits to monitor that the standards are shared in all Egmont companies. It is the responsibility of the individual Egmont companies to make sure that Business Partners meet the standards in the Egmont Code of Conduct. In relation to audits the Business Partner shall allow Egmont and/or any of its representatives unrestricted access to its manufacturers and to all relevant records at all times, whether or not notice is provided in advance.

CHILD LABOUR

Egmont believes children’s fundamental human rights should be protected. Egmont and its Business Partners shall not use child labour.

All employees must meet the minimum age for employment as specified by applicable laws and regulations or the Egmont minimum requirement of 15 years of age whichever is greater.⁵

Where local law allows 14 years of age, Egmont may approve of such employment in writing on an ad-hoc basis, depending on the specific type of work to be performed and the applicable local age for completing compulsory education, if any. Egmont companies and Business Partners employing young persons who do not fall within the definition of children (<15 years) shall also comply with any laws and regulations applicable to such persons.

FREEDOM OF EMPLOYMENT

Egmont companies and their Business Partners shall not use any forced, bonded or involuntary labour.

COERCION AND HARASSMENT

Egmont companies and their Business Partners shall treat each employee with dignity and respect, and shall not use corporal punishment, threats of violence or other forms of physical, sexual, psychological or verbal harassment or abuse.

NON-DISCRIMINATION

Egmont companies and their Business Partners shall not discriminate in hiring and employment practises, including salary, benefits, advancement, discipline, termination or retirement, on the basis of race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, political opinion or disability.

FREEDOM OF ASSOCIATION

Egmont companies and their Business Partners shall respect the rights of employees to associate, organize and bargain collectively in a lawful and peaceful manner, without penalty or interference.

HEALTH AND SAFETY

Egmont companies and their Business Partners shall provide employees with a safe and healthy workplace in accordance with all applicable laws and regulations, to prevent accidents and injury to health, and ensuring at water and sanitary manufacturers, fire safety, and adequate lighting and ventilation.

COMPENSATION

Egmont companies and their Business Partners recognize that wages are essential to meeting employees' basic needs. Egmont companies and their Business Partners shall at a minimum comply with all applicable laws and regulations relating to wage and working hours, including those relating to minimum wages, overtime, maximum hours, piece rates and other elements of compensation and provide benefits which are mandatory under applicable laws and regulations.

OVERTIME COMPENSATION

In addition to compensation for contractual hours of work, employees shall be compensated for overtime hours at such premium rate as is legally required in the relevant country, if local laws do not provide for overtime pay, at least regular wages shall be paid for overtime work.

HOUSING PROVIDED

Egmont companies and Business Partners providing housing manufacturers for its employees as part of the employee compensation package shall comply with all applicable laws and regulations regarding safe and healthy housing manufacturers, including but not limited to fire safety, sanitation, risk protection and electrical, mechanical and structural safety. Housing as part of the compensation package can never be compulsory – but is a benefit offered to the employee. Also reasonable sanitary standards, privacy and access to drinking water must be ensured.

HOURS OF WORK

Except in extraordinary business circumstances, Egmont companies and their Business Partners shall not require employees to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by local law or, where local law does not limit the hours of work, the regular work week in such country plus 12 hours overtime.⁶ In addition, except in extraordinary business circumstances, employees must be entitled to at least one day off in any seven-day period.

PROTECTION OF THE ENVIRONMENT

Egmont companies and their Business Partners shall comply with all applicable environmental laws and regulations.

ANTI-CORRUPTION AND BRIBERY

Egmont companies and their Business Partners shall comply with all applicable anti-corruption laws and regulations in relation to their business activities, and in particular, they shall not (i) try to gain undue advantage (i.e. an advantage to which they are not entitled) by promising, offering, giving or accepting anything of value, directly or indirectly, to or from any public official, business partner or any other third party or (ii) engage in any other form of corruption, bribery, facilitation pay- ment, embezzlement, blackmail, nepotism or fraud which seeks to unjustly obtain improper advantages or otherwise influence the outcome of its business dealings. Business Partners must ensure that all relevant employees and third parties have knowledge of and comply with applicable anti-corruption laws and regulations.

GIFTS AND ENTERTAINMENT

Egmont companies and their Business Partners shall refrain from offering funding, donations, lavish gifts and extravagant entertainment or hospitality to any employees of, or other counterparts in, the Egmont Group in an attempt to influence business decisions. The Business Partner shall ensure that any and all gifts and entertainment offered to Egmont employees are transparent, modest, infrequent, appropriate and business relevant. Gifts and entertainment can never be offered in return for something, be in the form of cash or cash equivalents or contain entertainment of a sexual or similarly inappropriate nature.

PUBLICATION

Egmont companies and their Business Partners shall take appropriate steps to ensure that the provisions of this Code of Conduct are communicated to employees, including the prominent posting of a copy of this Code of Conduct, in the local language and in a place readily accessible to employees, at all time.

COMPLIANCE

Upon request from an Egmont company a Business Partner is required to confirm compliance with this Egmont Code of Conduct in writing.

SUBCONTRACTING

Egmont companies and their Business Partners shall not use subcontractors for the manufacture of products unless such subcontractor complies with this Code of Conduct.



Appendix

FACILITY & MERCHANDISE AUTHORIZATION (FAMA) REQUEST FORM

Production plans	
Date of FAMA form completion	
EDP - Estimated Dates of Production	
EDS - Estimated Date of Shipment	

Egmont companies part of order:	
Egmont lead company	
Contact person at lead company	
Egmont co-production companies	

Manufacturing/printing facility information (i.e. details of physical factory location, NOT trading agent / head office) In c	
	Factory 1
Manufacturing facility name in ENGLISH	
Manufacturing facility name in CHINESE if relevant	
Address (physical factory location)	
Contact person	
Contact e-mail address	
Website	
Phone number	
Fax number	
No. of employees	
Produced part of the product (e.g. print, injection, packaging, assembly)	
Indicate if produced part of product/packaging is branded*	
If branded - state licensor	

Sourcing agent / Co-ed. Partner	
Name of agent / Co-ed.partner	

*Definition of branded or non-branded
Does the product or the packing illustrate a brand, such as the Disney-brand etc.? If there's no text or design on a product belongs to a brand, then it would be non-branded, but as soon as you can visibly identify a brand, it is branded

REMEDIATION COMMITMENT FORM (RCF)

Factory Name	[RCF Factory name]
Factory Address	[RCF Factory address]
Audit Date	[RCF Audit date]
Audit Type	[RCF Audit type]
Auditing Company	[RCF Auditing company]
Signed RCF Deadline	[RCF signed date]

Remediation plan:

Findings	Corrective Action	Estimated Date of Completion (DD-MM-YY)

It is hereby confirmed that the mentioned audit report has been read and understood, and that we are aware of the violations of applicable law and/or Egmont's Code of Conduct accounted for in the report. Moreover, we are aware that remediation is a prerequisite for doing business with Egmont, and we will correct the findings as soon as possible c.f. above in order to confirm remediation by next audit planned for [Next audit month] [Next audit year].

We acknowledge that the acceptance of the above deadlines is within Egmont's discretion.

Furthermore, we confirm that we do allow for a potential announced or unannounced follow-up audit at the factory premises.

Signed by: _____ Date: _____

Title: _____



Egmont is a leading media group in the Nordic region with activities in 30 countries and 6,600 employees, producing high-quality content and digital innovation. We are responsible for Nordisk Film and TV 2 in Norway, book publishing and Egmont Publishing which publishes more than 700 magazines. Egmont is a commercial foundation which generated revenue amounting to EUR 1,5 billion in 2017. We donate EUR 13 million a year to help improve the lives of children and young people and support film talents.

April 2018

EGMONT

We bring stories to life