



# **E**THICS **AND ECONOMY**



Sagemcom's purchasing policy is driven by five fundamental principles and is shared by the Group's suppliers and subcontractors. These are: quality, price, lead-times, innovation and ethics. These fundamental principles determine all the measures taken by Group Purchasing in accordance with its policy.

**“Our suppliers have been involved in Sagemcom’s CSR initiative for several years. On the highly competitive markets where we operate, these are essential differentiating factors of Sagemcom’s global performance in the eyes of our customers. The people who work in Purchasing, and who are responsible for our relations with our suppliers, are naturally closely involved in this initiative through our processes” - Thibault Decoudun, Group Director, Purchasing**

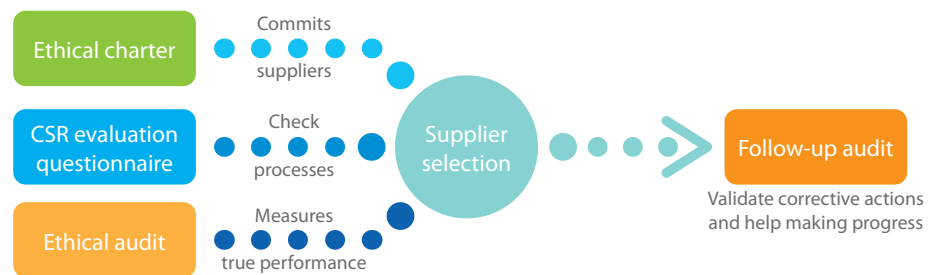
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**A LONG-TERM APPROACH**

In 2006, Purchasing launched the Suppliers Ethics initiative, which is applicable to all our suppliers and is formally defined in an ethical charter, as part of a long-term drive for progress.

Our suppliers are selected according to a clearly defined procedure that is deployed using three tools:



Every new supplier must adopt this approach. Before joining our supplier portfolio, every new supplier must sign Sagemcom’s ethical charter and complete a self-assessment questionnaire. The supplier’s integration is approved, or, where appropriate, an approval plan is deployed for the supplier that includes on-site audits if necessary, depending on the score of the self-assessment questionnaire.

**ETHICAL CHARTER**

The Sagemcom Group’s ethical charter is based, among others, on the international labour conventions of the International Labour Organisation (ILO), the universal declaration of human rights and the UN convention on the rights of the child.



Sagemcom's ethical charter is based on 11 key principles:

- The prohibition of child labour under the legal age in force in the country, unless authorised by the ILO.
- The prohibition of all forms of compulsory or forced labour.
- The elimination of all forms of labour that, by their nature or conditions, represent an immediate danger or could compromise health and safety.
- The promotion and respect of the protection of human rights recognised on an international scale.
- The refusal of any complicity in violations of human rights.
- Respect for the freedom of association and the effective recognition of the right to collective bargaining.
- The elimination of all forms of employment or professional discrimination.
- The application of a precautionary approach to problems affecting the environment.
- Initiatives that promote increased responsibility with regard to the environment.
- Favouring the development and spread of environmentally-friendly technologies.
- Acting against all forms of corruption, including extortion and bribery.

By signing this charter, suppliers agree to promote and respect the above principles, and to incite their own subcontractors and suppliers to do likewise.

The ethical charter favours even greater transparency between Sagemcom and its suppliers by explaining the conditions of audits that may be carried out on the supplier's premises, or those of its own subcontractors.

Suppliers must agree to accept audits scheduled by Sagemcom of the proper application of the ethical charter.

## **THE SELF-ASSESSMENT QUESTIONNAIRE**

The questionnaire covers the 60 points of the ethical charter and enables suppliers to illustrate the processes that they implement.

The goal is to assess their maturity and to identify points that can be improved immediately. It is also a valuable tool for CSR auditors when they intervene on site.

## **ON-SITE AUDITS**

Audits are organised every year, on the basis of a complete risk analysis that covers the manufacturing plant, the technologies used and the processes, to verify the status of our suppliers and to support them in their improvement process. Some 200 audits have been conducted in the last two years. Certain points demand closer attention and guide our conduct towards our suppliers:

- All that is prohibitive
  - Child labour
  - Forced labour
  - Fatal risks
  - Incomplete data
  - Refusal to collaborate
- All that is unacceptable – to be corrected immediately
  - Uncontrolled chemicals
  - Dormitories that are locked / do not have an emergency exit
  - Discrimination
  - Corporal punishment, physical or mental harassment
  - No authorisation to operate (Env)
- All that is critical: to be corrected as a priority
  - Unsafe working conditions
  - Poor living conditions (insalubrious dormitories, etc.)
  - Excessive working hours
  - Failure to pay the minimum wage
  - Absence of anti-corruption processes



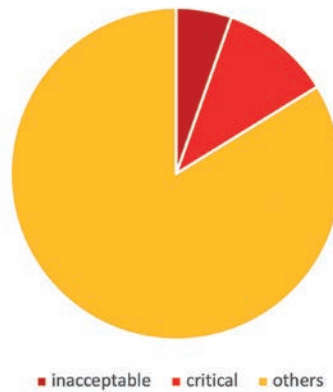
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Once the audit has been completed, the auditors draw up a comprehensive report for the supplier. In the event of non-compliance, Sagemcom demands a corrective action plan and proceeds with the necessary follow-up audits. If the supplier does not respond within three months, a follow-up audit is systematically conducted. If the corrective measures are deemed to be insufficient, another audit takes place. If the instances of non-compliance are prohibited (child labour, forced labour or working conditions that put the lives of employees in danger), and no corrective measures are taken immediately, Sagemcom puts an end to all its business dealings with the supplier. The latter is then de-listed and "black listed" within Sagemcom.

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CSR 185 checkpoints



**2017**  
103 audits of 58 suppliers

**2018**  
102 audits of 52 suppliers

**3**  
suppliers excluded in 2 years

We have observed a real change amongst our main suppliers, which have made significant progress, especially in the protection of the health and safety of their employees.

FIEV and Quality audits, which also include inspections of environment aspects, health and safety, and ethics, are also conducted to detect any high-risk suppliers and to trigger additional control audits.

**FOCUS ON SUPPLIERS' "PURCHASE DAYS"**

Once a year, in France and China, Sagemcom invites all its suppliers to a presentation of the Group strategy, its results and its outlook, in terms of business and technological developments. These discussions offer an opportunity for suppliers to become involved at the earliest possible stage and to be informed of the Group's strategy. Every year, more than 700 people attend the Suppliers' Days in Rueil-Malmaison and Shenzhen, which have become a cornerstone of durable relations with every one of them!



**INVENTORY AND TRACEABILITY OF THE CHEMICALS USED IN OUR COMPONENTS**

We have set up a very thorough chemicals management system in order to guarantee the compliance of our products with European Directives, and in particular

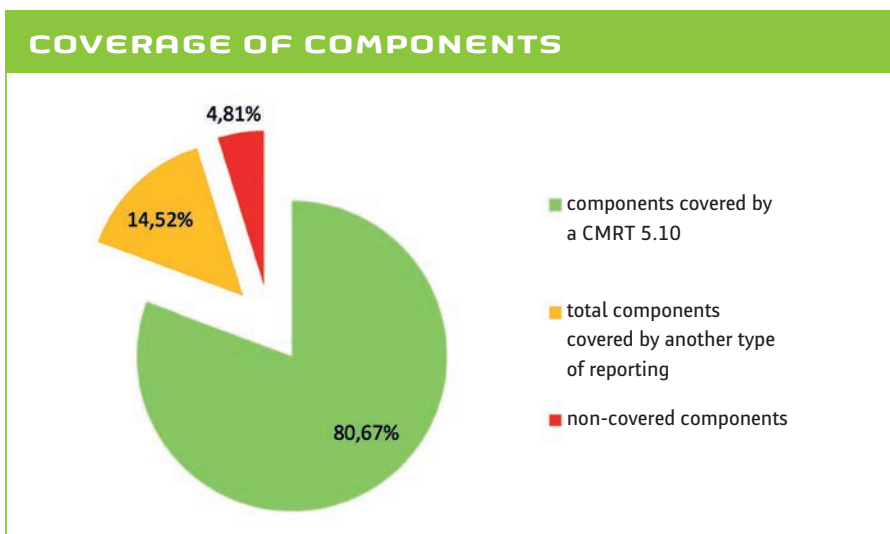
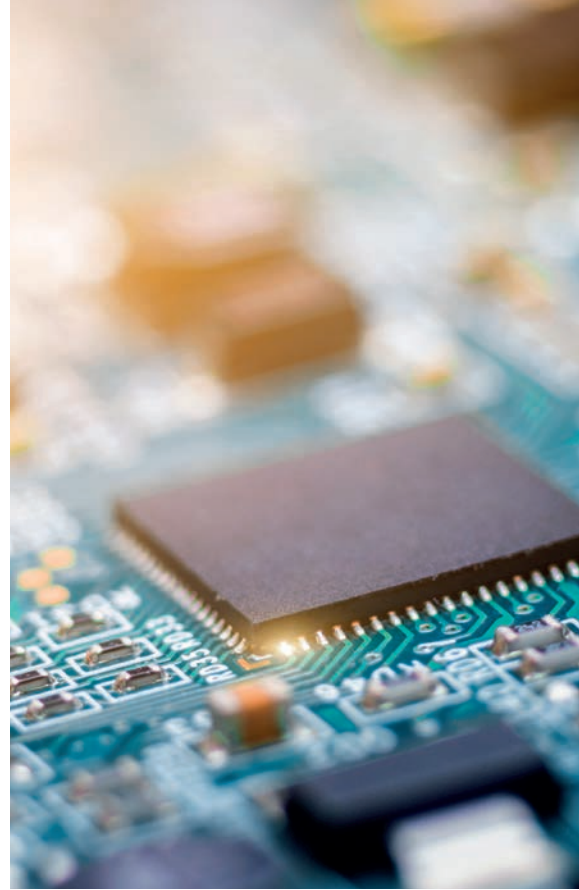
with the REACH directive (1907/2006) and the RoHS directive (2011/65/EU). Our action starts with a global inventory of all the substances used in our manufacturing plants and in the components that we use.

A dedicated traceability system has been introduced to determine the content of SVHCs (Substances of Very High Concern) in our products. Sagemcom uses this tool to ask its suppliers to provide information on the SVHC content of the materials they use. Since the list of SVHCs is updated every six months by the ECHA (European Chemicals Agency), our suppliers are questioned on a regular basis. We ask them to send us complete physical-chemical descriptions that contain all the substances present in the components. This information is then compiled in a database. In this way, we can know the status of each product. These research measures cover our entire supply chain, which is made up of hundreds of suppliers and tens of thousands of components.

In line with the RMI (Responsible Minerals Initiative), Sagemcom also seeks to establish the traceability of four sensitive minerals ("3TG"): tin, tungsten, tantalum and gold. We demand that our suppliers complete the CFSI reporting template, which must be provided before the launch of the mass production of chipsets, tantalum capacitors, printed circuits, plastics and welds. In particular, this measure improves our knowledge of the supply chain of every type of mineral.

Although at this stage the Group cannot commit to products with 0% raw materials from conflict zones, it guarantees to give all the information in its possession to its customers when requested.

The supply chain is represented below. At the end of 2018, more than 95% of purchased components, or more than ten billion components, were covered by a supplier reporting process.



**OUR SUPPLIERS ARE QUESTIONED ON A REGULAR BASIS, WE ASK THEM TO SEND US COMPLETE PHYSICAL-CHEMICAL DESCRIPTIONS THAT CONTAIN ALL THE SUBSTANCES PRESENT IN THE COMPONENTS**

