

SMARTER
HABITAT



Annex 1 to the Term Sheet

Code of Ethical Conduct

Foreword

Today, more than 1.6 billion people live without adequate housing. By 2050, this number is expected to triple. Smarter Habitat (SH) fights the global housing crisis with its low-cost housing solutions. We strive to give a home to millions of people around the world. But our positive impact goes beyond housing. We create local jobs, we develop skills within the local population, we actively contribute to the development and growth of the countries and communities, and we increase the health and well-being of its people.

SH welcomes everybody who shares the same mission to become part of the SH system. We respect our license partners as independent businesses. Nonetheless, actions by members of the SH system may affect SH's reputation and harm our customers' confidence. In the best interest of SH's social responsibility, we will refuse to do business with those who do not uphold, in action as well as words, our principles.

This Code of Ethical Conduct sets forth the philosophy of the SH system. It is not a complete rulebook and it does not deal with every ethical decision that might arise. We call on the responsibility of our partners to adhere to the highest standards of moral and ethical conduct and to act along the spirit of this Code of Ethical Conduct. It is the expectation of SH that our partners adhere to all laws, rules and regulations, and continually strive to exceed both international and industry best practices.

The ethical principles spelled out in this Code of Ethical Conduct are based on the United Nations Global Compact, the conventions of the International Labor Organization, the United Nations Universal Declaration of Human Rights, the United Nations Conventions on the Rights of the Child, the OECD Guidelines for Multinational Companies, the ICC Rules of Conduct and Recommendations to Combat Extortion and Bribery, and the United Nations Conventions Against Corruption.



Applicability of the SH Code of Ethical Conduct

The SH Code of Ethical Conduct applies to all members of the SH system worldwide including SH, licensees, sub-licensees, representatives, and contractual customers of SH, and all employees of the said parties. Employees include permanent, temporary, casual and seasonal, local and migrant workers.

This Code of Ethical Conduct does not apply to SH's suppliers or business partners of the signing company. However, we expect them to be aware of our principles, to develop their own policies and procedures that are consistent with the spirit of our Code of Ethical Conduct, and to fully support our and their employees in complying with these principles.

Monitoring and Evaluation

The signing company shall designate one or more of its management staff to be responsible for monitoring their facilities to ensure the compliance with SH's Code of Ethical Conduct.

SH or an authorized third party may conduct unannounced on-site evaluations and inspections of business practices, records, and facilities to review their progress towards SH's standards. These may also include private interviews with employees. Failure in meeting the SH's standards or obstruction of the investigations may impact the future ability of the signing company to be part of the SH system.

Awareness of this Code of Ethical Conduct among Employees

In order to ensure the awareness of SH's Code of Ethical Conduct among all employees, the signing company informs every employee about the existence of this Code of Ethical Conduct including the Charter of Employee's Fundamental Rights and Obligations (see below) when he or she joins the company. All employees will sign the Code of Ethical Conduct including the Charter of Employee's Fundamental Rights and Obligations to prove their adherence to the Code.

The signing company posts a printout of the SH Code of Ethical Conduct and the Charter of Employee's Fundamental Rights and Obligations in English and the local language in a prominent place accessible to all employees.

The signing company ensures that the Charter of Employee's Fundamental Rights and Obligations is fully understood and signed by every employee when he or she joins the company. In addition, the signing company hands over a printout of the Charter of Employee's Fundamental Rights and Obligations to every employee at the first day of employment.

Human Rights



Human Rights Abuses

The signing company supports and respects the protection of internationally proclaimed human rights and ensures that they are not complicit in human rights abuses.

Harassment, Harsh or Inhumane Treatment

The signing company creates and maintains an environment that treats all employees with dignity and respect. The signing company does not use any threats of violence, sexual exploitation or abuse, verbal or psychological harassment or abuse. No harsh or inhumane treatment, coercion or corporal punishment of any kind is tolerated by the signing company, nor is there to be the threat of any such treatment.

Labor Standards

Freedom of Association and Collective Bargaining

The signing company recognizes and respects the rights of employees to freely associate, organize and bargain collectively in accordance with the laws of the countries in which they are employed, as well as applicable core ILO conventions.

SH recognizes the importance of open communication and direct engagement between workers and management. The signing company respects the rights of workers to communicate openly with management regarding working conditions without fear of harassment, intimidation, penalty, interference or reprisal.

Forced Labor

The signing company prohibits any use of forced, bonded or indentured labor or involuntary prison labor, and embrace employment practices consistent with applicable ILO conventions. All work, including overtime work, will be voluntary. The signing company does not mandate that workers hand over government-issued identification, passports or work permits as a condition of employment.

Child Labor

The signing company, at a minimum, does not to engage in any practice inconsistent with the rights set forth in the UN and ILO Conventions pertaining child labor. The minimum



admission to employment or work shall not be less than the age of completion of compulsory schooling, normally not less than 15 years or 14 where the local law of the country permits, deferring to the greatest age. Additionally, all young workers must be protected from performing any work that is likely to be hazardous or to interfere with the child's education or that may be harmful to the child's health, physical, mental, social, spiritual or moral development. The signing company adheres to legitimate workplace apprenticeship programs and complies with all laws and regulations governing child labor and apprenticeship programs.

Discrimination

The signing company does not tolerate any form of discrimination in hiring and employment practices on the ground or race, color, religion, gender, sexual orientation, age, physical ability, health condition, political opinion, nationality, social or ethnic origin, union membership or marital status.

The signing company discourages discrimination regarding access to training, promotion, and rewards, consistent with applicable ILO Conventions.

Working Hours

The signing company complies with all applicable working hour requirements as established by local law. Regular working hours should not exceed 48 hours per week and the maximum working time, including overtime, should never exceed 60 hours per week, except in emergency or unusual situations. The signing company ensures that all overtime work is voluntary and compensated at the prevailing overtime rates. If local laws do not provide for overtime pay, the signing company pays at least regular wages for overtime work.

Holiday and Sick Leave

The signing company provides workers with at least one day off in every seven-day week and at least 12 paid days of recreation within one year.

The signing company does not terminate the employment relationship due to sick leave or accident at work.

Compensation

The signing company pays fair wages and appropriate compensation for overtime hours at the end of every month at the latest. The signing company complies with all wage and hour laws and regulations, including those pertaining to minimum wages, overtime wages and



piece rates, other elements of compensation and to provide legally mandated benefits. If no such legislation, regulations or directives exist or if they are insufficient to ensure a fair compensation, the signing company does not to abuse this deficiency but to establish its own effective compensation policy, in order to allow its employees and their families a life in dignity.

Health and Safety

The signing company follows all relevant legislation, regulations and directives in the country in which it operates to ensure a safe and healthy workplace or any other location where production or work is undertaken. If no such legislation, regulations or directives exist or if they are insufficient to ensure a safe and healthy workplace, SH expects the signing company not to abuse this deficiency but to establish its own effective safety policy.

The signing company ensures at a minimum, reasonable access to potable water, clean sanitary facilities, showers, fire safety, emergency preparedness and response, industrial hygiene, adequate lighting and ventilation, occupational injury and illness and machine safeguarding, and first aid kit. The signing company provides essential safety equipment comprising, at a minimum, safety shoes, safety helmets, safety glasses, hearing protecting and respiratory protection. The signing company ensures that the essential safety equipment is used by all workers who are exposed to corresponding dangers. The signing company also ensures that these standards apply to any dormitory or canteen facilities.

Environmental Protection

Environmental

The signing company exceeds the existing legislation and regulations regarding the protection of the environment. If no such legislation or regulations exist or if they are insufficient in order to protect the environment, the signing company does not seek to abuse this deficiency but establishes its own effective environmental policy.

The signing company supports a precautionary approach to environmental matters, undertake initiatives to promote greater environmental responsibility and encourage the diffusion of environmentally friendly technologies implementing sound life-cycle practices.



Chemical and Hazardous Materials

Chemical and other materials posing a hazard if released into the environment are to be identified and managed to ensure their safe handling, movement, storage, recycling or reuse and disposal.

Wastewater and Solid Waste

Wastewater and solid waste generated from operations, industrial processes and sanitation facilities are to be monitored, controlled and treated as required prior to discharge or disposal.

Air Emissions

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be controlled and treated as needed prior to discharge.

Minimize Waste, Maximize Recycling

Waste of all types, including water and energy, are to be reduced or eliminated at the source or by practices such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling and re-using materials.

Fighting Corruption

Definition of Corruption, Bribery, Extortion and Facilitating Payments

- a) Corruption is the misuse of entrusted power for private gain.
- b) Bribery is the offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal or a breach of trust.
- c) Extortion or solicitation is the demanding of a bribe, whether or not coupled with a threat if the demand is refused.
- d) Facilitating Payment is a small bribe, also called a 'facilitating', 'speed' or 'grease' payment; made to secure or expedite the performance of a routine or necessary action to which the payer has legal or other entitlement.



e) Fraud is the act of intentionally deceiving someone in order to gain an unfair or illegal advantage (financial, political or otherwise). Countries consider such offences to be criminal or a violation of civil law.

Prohibition of Corruption, Bribery, Extortion, Facilitating Payments and Fraud

The signing company adheres to the highest standards of moral and ethical conduct, and to prohibit at all times any form of corrupt practices, whether direct or indirect, through agents and other intermediaries, including bribery, extortion, facilitating payments outside of company regulations, and fraud.

The management and employees of a signing company are not allowed in the course of business dealings to offer, promise, demand, give or accept gifts, payments, invitations or services that are provided with the aim of influencing a business relationship in a prohibited way or with whom there is the risk of jeopardizing the professional independence of the business partner. This generally does not apply to gifts, allowance and invitations that fall within the bounds of normal business practice with regard to hospitality, convention and courtesy.

The signing company shall designate a person who can be contacted when employees of the signing company are in a conflict of interest or are uncertain whether a conflict of interest exists or could arise.

The signing company or the person concerned discloses to SH any situation that may appear as a conflict of interest.

Business Objective

With its low-cost housing solutions, Smarter Habitat fights the lack of affordable shelter and its harmful consequences for the “bottom of the pyramid”. The signing company supports SH’s social and humanitarian mission. The signing company focuses its business activities on social housing by using at least two thirds of its panel production for social housing. SH defines social housing as space that is sold for less than USD 350 per square meter. Social housing also comprises hospitals, schools and similar buildings that serve the public welfare.



Prohibited Business Fields

SH is aware of its social responsibility. Therefore, members of the SH system are not permitted to engage with or serve companies that are arms contractors, dealers and/or manufactures, neither for building or housing projects nor for the sale or manufacture of arms, mines or ammunition nor for the sale or manufacture of components utilized in arms, mines or ammunition. Government contracts must be reviewed and accepted formally in writing by SH on a case by case basis.

Any violation of this principle will cause the immediate termination of the SH member status.

Additional Programs

The signing company declares its willingness to establish additional programs for employees and their families as well as for the community concerned in order to enhance SH's social impact. SH will assist with the planning and implementation of the programs.

Programs for employees and their families may include dormitory and canteen facilities, housing programs ("build your own home"), in-company health check-ups etc. Community programs may include the building of health care centers, schools, kindergartens, crèches, churches and other constructions that serve the public, as well as plastic waste collection projects in order to gain alternative raw-material for SH honeycomb panels and to clean the environment.

Charter of Employee's Fundamental Rights and Obligations

Rights

I have the right to be treated with dignity and respect, according to internationally proclaimed human rights, without threats of violence, sexual exploitation or abuse, without verbal or psychological harassment or abuse, without harsh or inhuman treatment, without coercion or corporal punishment of any kind.

I have the right to defend myself against any form of discrimination on the ground of race, color, religion, gender, sexual orientation, age, physical ability, health condition, political opinion, nationality, social or ethnic origin, union membership or marital status.

I have the right to work in a safe and healthy workplace, where potable water, clean sanitary facilities, showers, safety equipment, fire safety, emergency preparedness and response, industrial hygiene, adequate lighting and ventilation, occupational injury and illness and machine safeguarding, and first aid kit are provided.

I have the right to freely associate, organize and bargain collectively.



I have the right to communicate openly with management regarding working conditions without fear of harassment, intimidation, penalty, interference or reprisal.

I have the right to refuse overtime work. I have the right to refuse to work more than 48 hours regular working time and more than 60 hours including overtime per week.

I have the right to refuse to hand over government-issued identification, passports or work permits as a condition of employment.

I have the right to have at least one day off in every seven-day week and at least 12 paid days of recreation within one year.

I have the right to be further employed despite sick leave or accident.

I have the right to be fairly paid for regular work and overtime hours at the end of every month the latest.

Obligations

I have the duty to treat other employees and managers with fairness, dignity and respect.

I have the duty to deliver good work and help to bring the company forward.

I have the duty to be honest and loyal with the company and keep company secrets.

I have the duty to use safety equipment if my workplace requires it.

I have the duty to help protect the environment. I have the duty to contact the designated person if I notice environmental pollution caused by my company.

I have the duty to prohibit corrupt practices within my company. I have the duty to contact the designated person if I notice corrupt practices within my company.

This Charter is to be posted in English and the local language in a prominent place accessible to all employees. This Charter is to be fully understood and signed by every employee when joining the company. Furthermore, this Charter is to be given to every employee at the first day of employment.



APPENDIX

Human Rights

- *UN Universal Declaration of Human Rights*
- *ILO Guidelines on Occupational Safety and Health (ILO-OSH-2001)*

Labor Standards

- *Freedom of Association and Protection of the Right to Organize Convention, (C 87, 1948)*
- *Right to Organize and Collective Bargaining Convention, (C.98-1949)*
- *Forced Labor Convention, (c.29-1930)*
- *Abolition of Forced Labor Convention, (C.105-1957)*
- *United Nations Convention on the Rights of the Child*
- *ILO Minimum Age Convention (C.138-1973)*
- *Prohibition and Immediate Elimination of the Worst Forms of Child Labor Convention (C. 182-1999)*
- *Discrimination (Employment and Occupation) Convention (C.111-1958)*
- *Equal Remuneration Convention, C. 100-1951*

Environmental Protection

- *UN Supplier Code of Conduct*

Fighting Corruption

- *Transparency International - Plain Language Guide to Anti-Corruption Terms*
- *ICC Rules of Conduct and Recommendations to Combat Extortion and Bribery*
- *United Nations Conventions Against Corruption*

Supporting websites

- *United Nations Global Compact: www.unglobalcompact.org*
- *UN Universal Declaration of Human Rights www.un.org/en/documents/udhr/*



- International Labor Organization: www.ilo.org
- UN Supplier Code of Conduct: http://www.un.org/Depts/ptd/pdf/conduct_english.pdf
- Organization for Economic Co-operation and Development: www.oecd.org
- Transparency International: www.transparency.org
- International Chamber of Commerce: www.iccwbo.org

Declaration

The undersigning company declares to strictly comply with SH's Code of Ethical Conduct.

On behalf of

[COMPANY REGISTRATION NUMBER]

, Chairman CEO
Company Name

Date

Witness
Full Name

Date