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ETHICS AND ECONOMICS



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 heavily involved in this initiative through our processes.”

Thibault Decoudun, Group Director, Purchasing

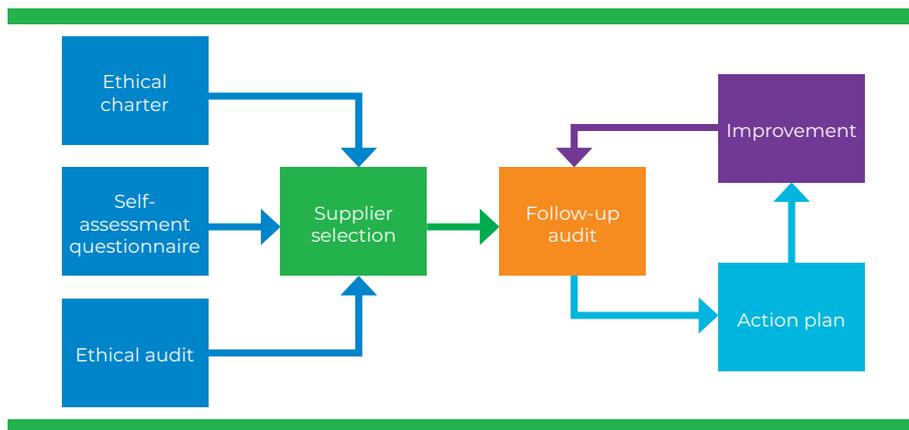
Our areas of work are identified within our purchases pursuant to our corporate policy:



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 and improved according to a clearly defined procedure that is deployed using three tools:



In all cases, this initiative is intended to be positive and collaborative, in order to progress the entire supply chain.

Every new supplier must thus adopt this approach. Before joining our supplier portfolio, every new supplier must sign Sagemcom’s ethical charter and complete a self-assessment questionnaire. The results obtained make it possible to draw up the first assessment of supplier compliance and areas for improvement. Once committed to our Ethical charter, each supplier is obliged to respect the rules and to supply the items required during the audits. These audits are not only key steps in confirming the supplier’s status, but also make it possible to jointly draw up the improvement plan to reach the desired level.

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:



Each new supplier must sign the Sagemcom Ethical charter and fill out a self-assessment questionnaire

285 audits have been carried out over the last three years on different supplier panels

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 and are regularly subject to a self-assessment questionnaire.

The self-assessment questionnaire

The questionnaire covers the 60 points of the ethical charter and enables suppliers to highlight the processes that they implement in their company. The goal is to assess their maturity and to identify points that can be immediately improved. 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. Hence, 285 audits were carried out over the last three years on different supplier panels in order to have the most complete view possible of our supply chain.

These audits include 185 areas being checked. Certain points demand closer attention and guide our conduct towards our suppliers:

What is prohibitive

- Child labour
- Forced labour
- Fatal risks
- Incomplete data
- Refusal to collaborate

What 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)

What 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

In order to have the most complete view possible and to ensure an independent verification, we use third-party auditors during the first supplier audit. A Sagemcom auditor systematically assists these audits, which facilitates

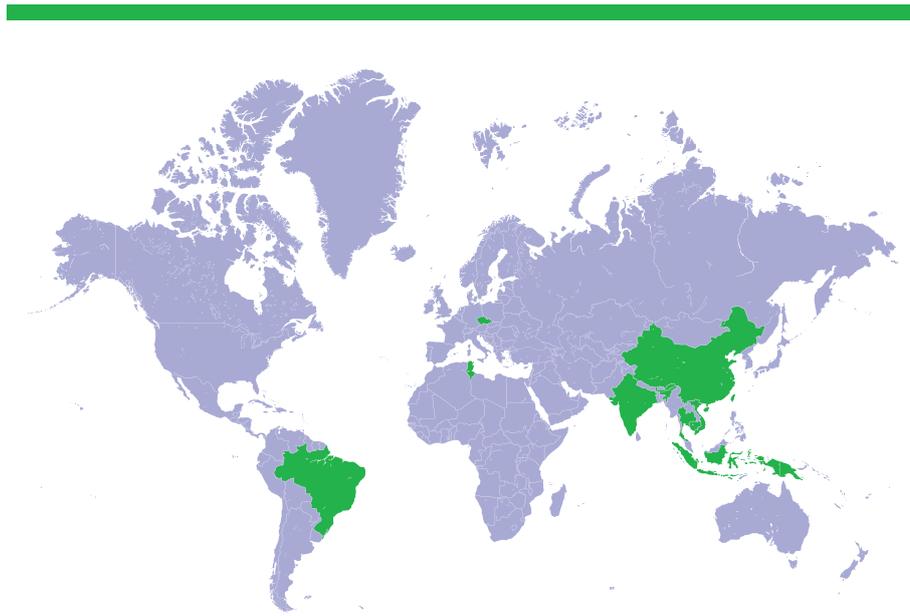
the follow-up thereafter, with better knowledge of the factory and the non-conformities identified.

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 prohibitive (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 delisted and "blacklisted" within Sagemcom.

These audits are also an opportunity to discuss practices more generally with the suppliers and to assist them in their improvement processes, by providing follow-up indicators and in sharing good practices observed elsewhere. The indicators are a particularly useful tool for monitoring the development of our suppliers and having a shared vision for the objectives to be achieved.

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, all around the world.

In order to guarantee the conformity of our products with the various European directives, we have implemented an extremely rigorous chemical products management system



Countries where audits have been carried out over the last three years

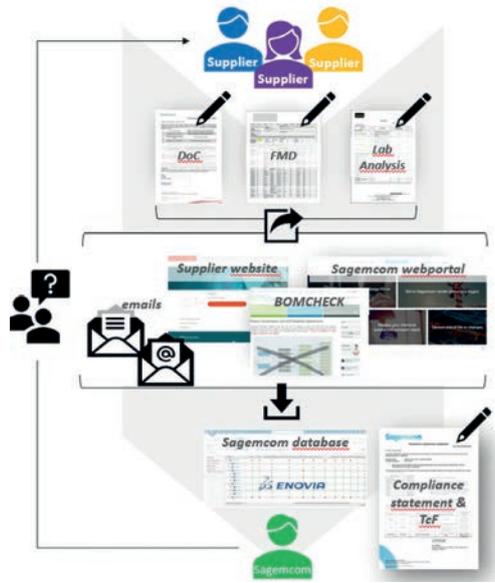
FIEV and Quality audits, which also include inspections of environmental aspects, health and safety, and ethics, are also conducted to detect any high-risk suppliers and to trigger additional control audits.

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.

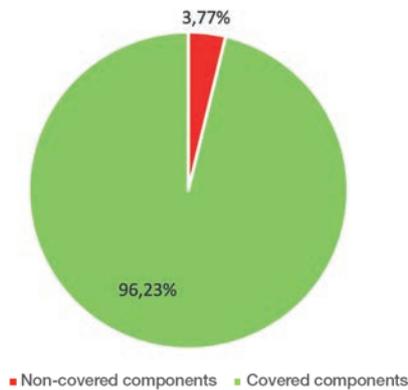
Since the list of SVHCs is updated every six months by the ECHA (European Chemicals Agency), our suppliers are questioned on a regular basis. We ask them to send us complete physical-chemical descriptions that contain all the substances present in the components. This information is then compiled in a database. In this way, we can know the status of each product. This research covers our entire supply chain, which is made up of hundreds of suppliers and tens of thousands of components.



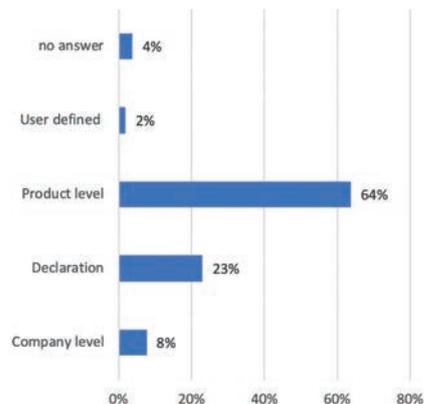
Conflict minerals

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 (CMRT) reporting template, which must be provided before the launch of the mass production of chip-sets, tantalum capacitors, printed circuits,

Reporting covering Conflict minerals



Breakdown by response type

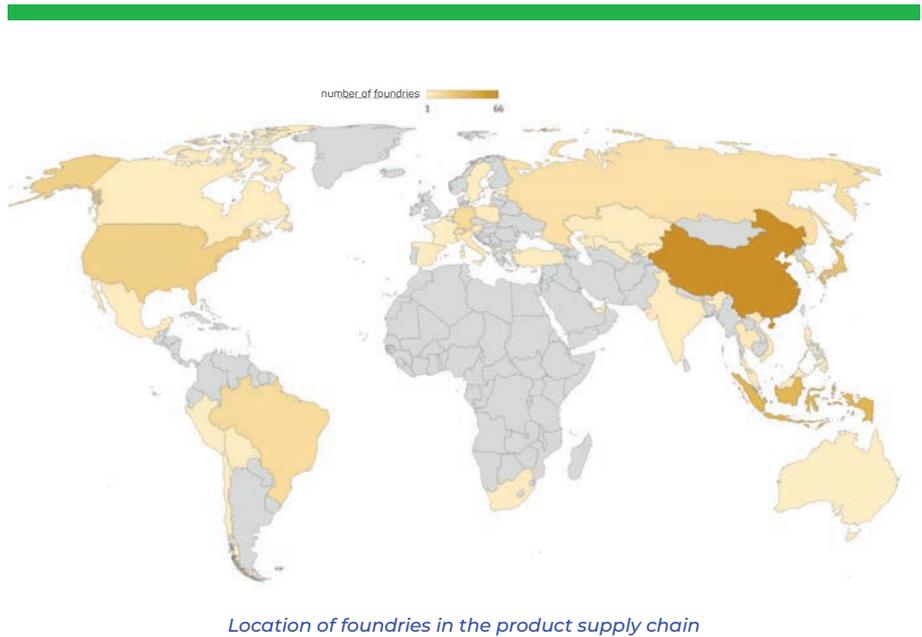


plastics and welds. In particular, this measure improves our knowledge of the supply chain of every type of mineral.

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 2019, more than 96% of purchased components, or more than thirteen billion components, were covered by a supplier reporting process. Elsewhere, we have started to integrate Cobalt into our traceability system.

On this basis; Sagemcom provides its clients with a status report in the form of a CMRT, as well as a detailed analysis of the information provided by the suppliers, especially regarding the location of the refiners used.



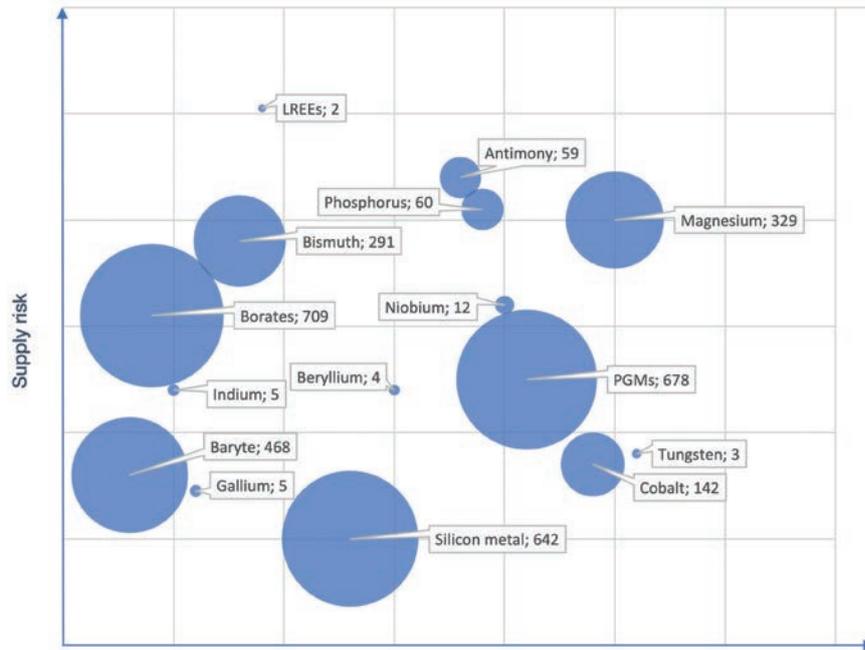
Critical raw materials

Since 2011, the European commission has defined a tri-annual list of raw materials, which are critical for the European economy as part of its Raw Materials Initiative, launched in 2008. 27 raw materials were identified as critical in 2017.

Our work consists, before all else, in including the use of these materials in our products. This of course involves identifying all the substances present in each one of the components. In doing so, we identify potential uses and work on the diversification of our supply sources, from a geographical (the source of materials) and technological (substitution solutions) point of view.

We have been able to ensure that not all these critical materials are used in our products; this enables us to envisage an approach within a restricted scope and risk-based management, which corresponds to our strategy regarding the conditions in the countries most exposed to climate change.

Within the same product, the importance of these materials can vary, especially according to the number of components using them. The detailed analysis of their use makes it possible to assess their strategic importance for the Group and to incorporate the issue into our risk management strategy.



Example of CRM used in a product (number of components assembled) positioned in the European assessment of the criticality of raw materials

Close-Up On Suppliers' Days

In order to maintain a strong link with our suppliers and to establish a long-term partnership, Sagemcom organises two meetings with suppliers: one in Europe and one in Asia. This is not only an opportunity to have numerous discussions, but also to reward the suppliers who most closely comply with our values!

