

2.6 Sustainability management

Sustainability is a part of everything that PDAid does. The company's sustainability report acts as a management tool for social responsibility showcasing how PDAid incorporates social responsibility and sustainability in the company's operations and daily life. PDAid's work with sustainability is highly influenced by our certificates within:

- Environment according to ISO 14001 since 2004
- Health and safety management according to ISO 45001 since 2021 (migration from OHSAS 18001 that PDAid has been certified in since 2007)
- Quality according to ISO 9001 since 2008
- Sustainable Development Goals (SDGs) since 2020

The following sections describe the structure of PDAid's management system as well as its processes in place related to risk management, due diligence, value chain, evaluation processes, processes for remedial action as well as its control and development programme.

Basic structure of the integrated management system

PDAid's management system is consistent and thorough, thus fulfilling the requirements of the standards on which it is based. Ongoing due diligence processes address issues, such as respect for human rights, working conditions and environmental issues, anti-corruption and several other conditions. As known from the structure of management systems, a Plan Do Check Act (PDCA) methodology is adopted to ensure effective management and continuous improvement.

2.6.1 Risk assessment

PDAid's CSR group, represented by the system coordinator, the CEO and external consultants, carries out the risk assessment. Relevant employees and external stakeholders are involved in risk assessment process. For subjects that are relevant for risk management, we evaluate whether existing procedures and action plans are sufficient to avoid future risks or whether to take further action – typically as additions within the system manual, which is available to and discussed with all employees.

Due diligence

All employees have an explicit responsibility to comply with the procedures and instructions listed in the PDAid Management Handbook.

All major suppliers and contractors must comply with the PDAid Code of Conduct, which is fundamental to all our work regarding processes of due diligence. The Code of Conduct is available for download at <https://phoenixdesignaid.com/sdg>.

Similarly, PDAid utilizes on a number of mechanisms to monitor the management system efficiency and prevent adverse incidents:

- Every member of staff has a defined responsibility for complying with the handbook and reporting on adverse incidents.
- Establishment of a well-run system for the treatment of deviations from the handbook.
- We follow up on deviations, action plans and incidents that may require further risk reassessment.
- Incidents are reported directly to the CEO.
- An annual internal audit of all system components is carried out by external consultants to obtain maximum benefit from its audit results and recommendations.
- Each year, the CEO annually undertakes a thorough analysis of the effectiveness of the system and follows up on action plans and goals of the company. New goals and action plans are determined, based on management evaluation.
- Once a year, the auditing authority "DNV" carries out a periodic or re-certification audit of the integrated management system.

Should any of the subjects above be found to threaten respect for human rights, working conditions, environmental conditions, or anti-corruption, the incident will be reported to the relevant authorities and resolved immediately.

2.6.2 Value Chain Management

PDAid sets equally high standards for suppliers and partners all over the world as it does for itself. For that reason, our Code of Conduct and programs for monitoring and following up on the company's most important suppliers have been established.

Extract from Code of Conduct (Annex C in the company handbook):

- Open and honest dialogue with partners on CSR-related issues is required – also when there are issues that must be resolved.
- Neither corruption nor fraudulent activities are accepted.
- No engagement with organizations or companies that cannot comply with applicable legislation and human rights conventions.
- Long-term and mutually-fruitful partnerships are preferred.
- Suppliers and partners are expected to comply with applicable legislation and international standards for best business practices.
- Preferably, suppliers and partners have a proven CSR record of accomplishments.
- Subcontractors' performances within CSR are assessed on an on-going basis through open and honest dialogue.
- Primary partners are provided with inspiration and expertise concerning CSR, thus encouraging continued sustainable development.
- All stakeholders are encouraged to work with CSR and take part in CSR-related networks.
- The control and development program is divided into three parameters: Incorporation of Code of Conduct requirements in cooperation agreements and suppliers' standard contracts, dialogue with partners and suppliers concerning the Code and lastly, supplier assessment.

Steps in evaluation process

The system coordinator is responsible for the assessment of major suppliers through, for example, research, telephone interviews and supplier visits. From this review, a recommendation is developed for the CEO to take a decision that takes into account his personal knowledge of the suppliers. Finally, the CEO and the system coordinator conclude whether any recommendations or changes are needed.

Recommendations based on our supplier evaluation are communicated to our partners and an agreement is made in which appropriate actions are determined – all of which are to be carried out before the next assessment is made. Where it is considered appropriate to determine a possible cooperation, screening is always supplemented with visits to the supplier. However, this has not yet been necessary.

2.6.3 Process for remedial action

For the processes in place for dealing with complaints as well as for implementing remedial measures to be effective, the following specifications are set. The description is also included in the manual for the voluntary guidance standard ISO 26000 (DS 49001 – the Danish standard for Social Responsibility and Human Rights).

Legitimate

This part of the process includes clear, open, transparent and sufficiently independent management structures, ensuring that no parties can prevent a fair trial during an appeal process.

Available

It should be made public that repair mechanisms exist, and there should be an appropriate assistance offered to the wronged parties if access to the mechanisms can be hindered by, for example, language, illiteracy, lack of insight or financing, physical distance, disability or fear of reprisals.

Foreseeable

There should be clear and written procedures, a clear period for each stage of complaint and clarity in terms of the types of processes and results, which can be provided as well as those that cannot be provided, and a way to monitor the implementation of each result.

Fair

Wronged parties should have access to the sources of information, advice and expertise that are necessary

to engage in a fair appeal process. Processes should be in accordance with internationally recognized standards for human rights with regard to outcomes and remedies.

Clear and transparent

Although confidentiality is sometimes appropriate, the process and the result should be sufficiently open to public scrutiny and should balance the public interest properly.

Dialogue and mediation

The process should aim for solutions to be agreed in reciprocity through the involvement of the parties.

If conviction is desired, the parties should seek this through separate, independent entities.

PDAid fully complies with these rules. In addition, we wish to make the process even more distinct, and have made contact with the Mediation and Complaints-Handling Institution for Responsible Business Conduct in Denmark, that is responsible for raising awareness of what responsible business conduct entails. This gives us the possibility of involving a separate and independent body in any future complaints process. We consider client issues with great seriousness, especially those relating to CSR activities, such as respect for human rights.

We are convinced that a dialogue-based approach offers a common understanding of the issue at hand. This will be our initial approach in the attempt to solve potential complaint and grievance issues. In case we do not succeed through dialogue, the Danish Mediation and Complaints-Handling Institution will be involved as a separate and independent body in any complaints process. In addition, we have published guidelines for appeals. Please visit the website of the Danish Mediation and Complaints-Handling Institution at www.businessconduct.dk.

The process of facilitating redress has been simplified to the benefit of clients.

2.6.4 Control and development

The PDAid control and development programme is divided into the following parameters:

1. Incorporation of Code of Conduct requirements in cooperation agreements and suppliers' standard contracts

PDAid incorporates the requirements in a smooth manner when existing contracts expire, or new ones are settled. As of April 2013, the company has introduced Code of Conduct requirements in all internal and external contracts.

2. Dialogue with partners and suppliers concerning the Code of Conduct

The Code of Conduct has proven to be a useful and debate-generating communication tool. PDAid's partnership and principle approach rouses interest, as well as the company's ability and willingness to share knowledge and contribute to increased awareness of sustainability and the SDGs.

3. Supplier assessment

As a part of PDAid's system activities, the company undertakes a continuous screening of new partners and a routine annual screening of key suppliers.

Criteria for positive assessment of suppliers' social responsibility:

- SDG certification or equivalent
Membership of the United Nations Global Compact programme
- Certifications in areas that have a positive impact – for example environment, EMAS, climate or working environment
- Ability to provide eco-labeled goods or services, for example Nordic Eco label or EU Eco label
- Absence of bad publicity or reputation in key CSR issues that could harm Phoenix Design Aid's reputation as a socially responsible company