

Requirements concerning Labour Clause, Corporate Social Responsibility (CSR) requirements and requirements concerning international sanctions in regard to DALO basic and standard Terms and Conditions

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## **1. INTRODUCTION**

The Danish Defence shall promote peace and security and protect the values that the Danish society is based on. When doing so and as a natural consequence DALO supports and promotes internationally recognized principles of Corporate Social Responsibility (CSR) as expressed in the UN Global Compact's 10 principles, UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the International Labour Organization's (ILO's) principles and rights at work and applicable international sanctions which the Danish State has undertaken to comply with.

This document sets out the Supplier's obligations in this respect and consists of a Labour Clause, cf. section 2, other CSR requirements, cf. section 3, requirements concerning international sanctions, cf. section 4, and common procedures and measures concerning the Labour Clause, CSR and international sanctions requirements, cf. sections 5-8.

## **2. ILO CONVENTION NO. 94 – LABOUR CLAUSE**

This Labour Clause does not apply to Agreements concerning the purchase of Deliverables that are part of the Supplier's (including the Subcontractor's) ordinary production or stocks, off-the-shelf goods, unless the Deliverables are manufactured in a custom-made production for DALO.

For work performed in Denmark in the performance of the Agreement, the Supplier shall ensure that workers employed by the Supplier and any Subcontractors who contribute to the performance of the Agreement are secured pay, including special allowances, hours of work and other working conditions which are no less favourable than those established for work of the same character under a collective agreement entered into by the most representative organizations of workers and employers in Denmark in the trade or industry concerned being in force throughout the territory of Denmark.

For work performed outside of Denmark in the performance of the Agreement, the Supplier shall ensure that workers employed by the Supplier and any Subcontractors who contribute to the performance of the Agreement are secured pay, including special allowances, hours of work and other working conditions which are no less favourable than those established in accordance with applicable national regulations and legislation including international obligations for work of the same character performed in that country.

The Supplier and any Subcontractors who contribute to the performance of the Agreement shall ensure that the workers are informed of the provisions of this Labour Clause.

DALO is at any time entitled to request relevant documentation of compliance with the conditions of pay and work for the workers as stipulated in this Labour Clause and to perform Labour Clause audit, cf. also sections 6.2 and 6.3. DALO may thus require that the Supplier, after written notice to that effect, as set out in section 6.2.1 provides relevant documentation, such as pay-slips, time sheets, payroll accounts, employment contracts and other documents establishing the basis for the conditions of work and calculating the payments.

If the Supplier does not provide the requested documentation within the stipulated time limits DALO is entitled to withhold amounts from its payments to the Supplier until the Supplier has provided the required documentation.

The Supplier shall in all cases observe the applicable rules and legislation on personal data protection (currently the Act on Processing of Personal Data (in Danish: *dataskyttelsesloven*) and Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data). In this respect the Supplier is entitled to redact or anonymize any personal information as defined in article 4, number 1, and article 9 in Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016, such as information concerning name, pay, e-mail address, ethnic origin, political opinions, religious or philosophical beliefs, trade union membership, or data concerning health or sexual orientation from the supplied information to the extent it is still possible for DALO to assess the Supplier's compliance with the Labour Clause. If it is necessary to submit non-anonymized documentation in order for DALO to assess the Suppliers compliance with the Labour Clause, the Supplier must ensure that the necessary consent from the individual employee, cf. applicable rules and legislation on personal data protection, is available for the transfer of the documentation within the time limit set out above.

For its assessment of whether the Supplier or Subcontractors have complied with this Labour Clause, DALO may seek advice from relevant employer organizations and/or labour organizations.

If the Supplier fails to comply with its obligations pursuant to this Labour Clause, and if such non-compliance results in a legitimate claim for additional pay to the workers, DALO is entitled to withhold amounts covering such additional payments from its payments to the Supplier in order to ensure that this Labour Clause and the labour conditions are met.

The Supplier shall furthermore take appropriate steps to remedy any non-compliance in regard to this Labour Clause.

Non-compliance in regard to this Labour Clause shall be deemed to exist if any work performed in the performance of the Agreement does not meet the requirements set out in this section 2, and/or if the Supplier fails to take appropriate remedial steps.

Failure to deliver the documentation required in due time shall furthermore be construed as non-compliance with the Labour Clause.

### **3. CSR REQUIREMENTS**

DALO's primary responsibility is to the Personnel of the Danish Defence who are to solve their tasks under all conditions and often in dangerous situations. They depend on the nature and quality of the products and/or services DALO procures.

However, DALO also acknowledges that DALO has a responsibility to procure products and/or services manufactured or otherwise delivered under circumstances to avoid causing or contributing to adverse impact on humans and the environment, and to seek to prevent adverse impact directly linked to operations, products or services through business relationships.

If the Supplier has caused or contributed to adverse impact on humans or the environment or has caused or contributed to corruption or breach of international sanctions, DALO will as a general rule initiate a close dialogue with the Supplier in order to clarify matters and to influence the Supplier to stop or mitigate this adverse impact or corruption or breach of international sanctions.

In this context the Supplier shall be obligated to stop or mitigate the adverse impact on humans or the environment or corruption or breach of international sanctions to the extent of the leverage the Supplier is able to establish. The extent of the Supplier's leverage shall be assessed on the basis of the Supplier's ability to, on its own or with other entities, effect change in the practices of the Subcontractor that cause an adverse impact on humans or the environment or cause or contribute to corruption or breach of international sanctions. For example, leverage may be increased by offering capacity-building or other incentives to the Subcontractor, or by collaborating with other entities to build a joint leverage.

However, DALO reserves the right to use the measures available to DALO pursuant to section 8 if the dialogue with the Supplier is futile, or if the risk of continued (repetitive) adverse impact on humans or the environment or corruption or breach of international sanctions cannot be reduced significantly.

### 3.1 GENERAL REQUIREMENTS

In the performance of the Agreement, the Supplier shall respect CSR by observing:

- The principles of the UN Global Compact initiative;
- The requirements in the conventions on which the above principles are based or implemented, including UN Guiding Principles on Business and Human Rights, the International Labour Organization's (ILO's) Fundamental Principles and Rights at Work and the OECD Guidelines for Multinational Enterprises; and
- The specific requirements as set out below.

The principles of the UN Global Compact are as follows:

#### **Human rights**

Businesses should support and respect the protection of internationally proclaimed human rights and ensure that they are not complicit in human rights abuses.

#### **Labour standards**

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; support the elimination of all forms of forced and compulsory labour; support the effective abolition of child labour and the elimination of discrimination in respect of employment and occupation.

#### **The environment**

Businesses should support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies.

#### **Anti-corruption**

Businesses should work against corruption in all its forms, including extortion and bribery.

### 3.2 HUMAN RIGHTS

In the performance of the Agreement, the Supplier undertakes to comply at all times with applicable law aiming to prohibit discrimination on the basis of religion or faith, political beliefs, sexual orientation, age, handicap, or national, social or ethnic origin, or aiming to ensure ethnic equal treatment.

### 3.3 LABOUR STANDARDS

In the performance of the Agreement, the Supplier shall ensure that basic labour standards are complied with, including that the products/services supplied, in whole or in part, are not produced/delivered in contravention of:

- the general ban on forced and compulsory labour as set out, inter alia, in ILO Convention nos. 29 and 105;
- the general ban on the use of child labour as set out, inter alia, in ILO Convention nos. 138 and 182;
- the general principle regarding the freedom of association and the effective recognition of the right to collective bargaining as set out, inter alia, in ILO Convention nos. 87, 98, and 135;
- the general principle on the right to fair pay as set out, inter alia, in ILO Convention nos. 26 and 131 and Article 23 (3) of the UN Universal Declaration of Human Rights,
- the general principle on the right to fair hours of work as set out, inter alia, in ILO Convention nos. 1 and 30 and Article 24 of the UN Universal Declaration of Human Rights;
- the general principle on the right to occupational safety and health as set out in, inter alia, ILO Convention no. 155.

### 3.4 THE ENVIRONMENT

In the performance of the Agreement, the Supplier shall promote the protection of natural resources and the environment in order to promote a sustainable development of the conditions of human beings and the preservation of animal and plant life.

In the production and supply of the Deliverables, the Supplier shall, using reasonable efforts, strive to:

- prevent and fight pollution of air, water, soil and subsoil and any vibration and noise nuisance,
- use hygienic processes for the protection of the environment and human beings,
- reduce use and waste of raw materials and other resources,
- promote the use of cleaner technology, and
- promote recycling and reduce problems of disposal of waste.

In this respect, emphasis is placed on what is obtainable when using the best commonly recognized technology available, including less polluting raw materials, processes and facilities and the best commonly recognized anti-pollution measures.

### 3.5 ANTI-CORRUPTION

In the performance of the Agreement, the Supplier shall refrain from corruption in all its forms and from any other illegitimate influence on government officials, courts and/or private entities or abuse of entrusted power for private gain, such as e.g.:

- Active corruption
- Passive corruption
- Bribery
- Extortion
- Embezzlement
- Fraud
- Criminal breach of trust
- Professional misconduct

A final judgment for corruption during the term of the Agreement, including active bribery as defined in Article 3 of the Council Act of 26 May 1997 and in Article 2(1) of Council Framework Decision 2003/568/JHA of 22 July 2003 on combating corruption in the private sector, respectively, or any other illegitimate influence or abuse of entrusted power as stipulated above shall always be considered as serious non-compliance with this CSR requirement, cf. sections 7 and 8 in this document. This also applies if any person who is a member of the Supplier's administrative, management or supervisory body or has powers of representation, decision or control therein has been the subject of such a conviction by final judgment.

#### **4. INTERNATIONAL SANCTIONS REQUIREMENTS**

In the performance of the Agreement, the Supplier shall at all times comply with applicable international sanctions which the Danish State has undertaken to comply with. The sanctions will primarily be imposed by either UN and/or EU and may concern international sanctions against states, companies, persons or sanctioned products or services.

For guidance on current sanctions please refer to the Danish Ministry of Foreign Affairs which is the competent Danish authority for such international sanctions.

An overview of current sanctions, which the Danish state is obliged to comply with may be found at <http://um.dk/da/Udenrigspolitik/folkeretten/sanktioner/gældende-sanktioner/> and if endorsed by EU further guidance may be found on the EU sanctions list, <https://www.sanctionsmap.eu/#/main>. However, the use of these links shall be on the sole responsibility of the Supplier, and DALO shall not be liable for any loss or damage of any kind as a result of the use of these links or reliance on any information provided in the use of them. Likewise, DALO shall not be responsible if these links/services are changed, removed or cease to exist during the Agreement.

#### **5. THE SUPPLIER'S OBLIGATIONS IN REGARD TO LABOUR CLAUSE, CSR AND INTERNATIONAL SANCTIONS**

The Supplier's obligations in regard to Labour Clause, CSR and international sanctions in the performance of the Agreement as stipulated in sections 2, 3 and 4 and the procedures and measures stipulated in sections 6-8 only concern what is performed and delivered under the Agreement.

##### **5.1 SUBCONTRACTORS**

In regard to the Labour Clause, CSR requirements and international sanctions requirements stipulated in sections 2, 3 and 4 and the procedures and measures stipulated in sections 6-8, the Supplier is also responsible for the acts or defaults of any Subcontractor who contributes to the performance of the Agreement as if they were the acts or defaults of the Supplier.

#### **6. DUE DILIGENCE – PROCEDURES IN REGARD TO LABOUR CLAUSE, CSR REQUIREMENTS AND INTERNATIONAL SANCTIONS REQUIREMENTS**

##### **6.1 GENERAL**

##### **6.1.1 Supplier due diligence**

The Supplier is obligated to establish and maintain a due diligence process which ensures that the Supplier is able to identify, prevent, mitigate and account for how they address their actual and potential adverse impacts on humans and the environment or causes or contributes to

corruption or breach of the Labour Clause or international sanctions on the basis of the obligations set out in this document.

There are different risks and impacts in different countries and for different products and services and the Supplier shall therefore perform and maintain a dynamic, relevant and concrete risk analysis for the performance of the Agreement.

Further, the Supplier is obligated to share and discuss relevant Labour Clause, CSR and/or international sanctions matters concerning the performance of the Agreement with DALO as set out in this document.

### **6.1.2 DALO due diligence and follow up activities**

As part of the Danish state and within its territory and/or jurisdiction, DALO must protect against human rights abuse by third parties, including business enterprises, in accordance with UN Guiding Principles on Business and Human Rights. Further, in order for The Danish Defence to promote peace and security and protect the values that the Danish society is based on as set out in section 1 this requires DALO to take appropriate steps to prevent, investigate, stop or mitigate abuse or non-compliance in this regard through effective and proportional follow up activities.

The extent of DALO's due diligence and follow up activities, including requests for documentation and/or Supplier self-assessment or audits as described in this document will be based on DALO risk assessment.

## **6.2 DOCUMENTATION AND SUPPLIER CSR SELF-ASSESSMENT**

### **6.2.1 Documentation**

As a general rule DALO will only request documentation that the Supplier complies with the Labour Clause, CSR requirements and/or international sanctions requirements in the performance of the Agreement if prompted by special circumstances, such as suspicion based on DALO's risk assessments, indications and/or actual observations. In such instances, the Supplier shall upon DALO's request supply all relevant documentation of compliance with the Labour Clause, CSR requirements and/or international sanctions requirements, cf. sections 2, 3, 4, 5 and 7.

Relevant documentation to verify compliance shall as a minimum include documentation for the Deliverables and a written statement.

Thus, the Supplier shall, as a minimum, provide documentation of:

1. the use of Subcontractors in the specific performance of the Agreement;
2. the production processes and/or methods according to which the specific Deliverables have been manufactured and/or otherwise delivered; and
3. the materials or products used in the Deliverables.

The documentation shall include any certificates and/or other third party documentation available to substantiate the compliance.

The written statement shall describe how the Supplier's

1. own actions;



2. choice of Subcontractors; and/or
3. choice of materials or products

may have an impact on the compliance with the Labour Clause, CSR requirements and/or international sanctions requirements in connection with the performance of the Agreement.

The written statement shall further include a description of

4. any specific actions or measures taken by the Supplier to fulfill the Labour Clause, CSR requirements and/or international sanctions requirements and to reduce the risk of non-compliance;
5. any practical actions or measures to be taken by the Supplier to fulfill the Labour Clause, CSR requirements and/or international sanctions requirements and to reduce the risk of non-compliance; and
6. how these actions will be monitored and followed up by the Supplier.

If the Supplier has drafted a so-called "Communication on progress" (COP) regarding the CSR requirements published on the UN Global Compact's webpage this could be part of the documentation/written statement.

The Supplier shall provide such documentation within 10 (ten) Working Days. In case of Subcontractors the same relevant documentation must be provided within reasonable time, however no later than within 30 (thirty) Working Days. In special circumstances the time limit can be extended by DALO upon a written and signed request from the Supplier stating the reason.

### **6.2.2 Supplier self-assessment**

As a general rule, DALO will only request a Supplier CSR self-assessment in the performance of the Agreement if prompted by special circumstances, such as suspicion based on DALO risk assessments, indications and/or actual observations.

### **6.3 SITE INSPECTION & AUDIT**

DALO can perform site inspections and audits in the performance of the Agreement.

In such event DALO shall be entitled to conduct site inspection or audit at any production facility or other location used in the performance of the Agreement by the Supplier or any Subcontractor in this regard as and when required by DALO and irrespective of which of the aforementioned causes is stated as the cause of the inspection.

Site inspections will be carried out by DALO, or a third party on behalf of DALO, in connection with a regular Supplier visit and will consist of relevant questions that the Supplier or Subcontractor is obligated to answer regarding compliance with the Labour Clause, CSR requirements and/or international sanctions requirements.

An audit is a systematic, objective and documented activity, with the purpose of obtaining objective evidence of the extent of the Supplier's and/or its Subcontractor's compliance with the Labour Clause, CSR requirements and/or international sanctions requirements as stipulated in sections 2, 3 and 4.



Labour Clause/CSR/international sanction audit can be undertaken by:

- DALO (second party audit)
- An external organization, acting on behalf of DALO (third party audit)

When DALO or a third party on behalf of DALO is at the facilities of the Supplier or any Subcontractor, the Supplier shall ensure that DALO or such third party is allowed access and is instructed of any special conditions concerning safety and health. DALO or such third party shall comply with such instructions. Likewise, the Supplier shall ensure that DALO or such third party is granted access to relevant facilities, personnel and information that is necessary for the purpose of the site inspection or audit.

As a general rule, DALO will only perform the aforementioned site inspections and/or audits if prompted by special circumstances, such as suspicion based on DALO risk assessments, indications and/or actual observations.

#### 6.4 PROCEDURE AND DOCUMENTATION IN CASE OF SUSPICION BASED ON INDICATIONS / ACTUAL OBSERVATIONS OF NON-COMPLIANCE OF LABOUR CLAUSE, CSR REQUIREMENTS AND INTERNATIONAL SANCTIONS REQUIREMENTS

If the Supplier becomes aware of an actual or potential non-compliance in regard to the Labour Clause, CSR requirements and/or international sanctions requirements, cf. sections 2, 3 and 4, by the Supplier or a Subcontractor, the Supplier must immediately, and on its own initiative, inform DALO. DALO will then initiate a close dialogue with the Supplier in order to clarify matters and to influence a stop or mitigation of the non-compliance.

DALO will take a similar initiative in case of suspicion based on indications and/or actual observations regarding the Supplier's, and/or a Subcontractor's non-compliance with the Labour Clause, CSR requirements and/or international sanctions requirements, cf. sections 2, 3, 4, 5 and 7.

Such suspicion regarding non-compliance, cf. section 7, may be deemed to exist, inter alia, if proceedings are brought against the Supplier or a Subcontractor, for violation of any Labour Clause, CSR requirement and/or international sanctions requirements, cf. sections 2, 3, 4, 5 and 7, connected to the performance of the Agreement.

In the event of such actual, potential or suspected non-compliance or suspicion regarding non-compliance with the Labour Clause, CSR requirements and/or international sanctions requirements, cf. above, by the Supplier or a Subcontractor the Supplier shall furthermore, at DALO's written request, submit relevant documentation as described in section 2 or section 6.2.1. Such documentation shall be submitted without undue delay and in no event later than set out in section 2 or section 6.2.1. Further, DALO shall be entitled to request an updated Supplier self-assessment or conduct site inspections or audits as set out in sections 6.2.2 and 6.3.

The Supplier shall without undue delay address and seek to resolve such non-compliance in dialogue with the relevant Subcontractor(s). The Supplier shall furthermore report to DALO on the matter and any practical measures taken or to be taken by the Supplier to remedy the non-compliance.

DALO may demand that any Delivery under the Agreement that has not yet been made shall be suspended during the documentation and/or audit period. The Supplier is not entitled to any payment or compensation for suspended deliveries.

On the basis of the written statement and documentation, etc., and taking all relevant circumstances into consideration, DALO will make an assessment of the individual incident.

## **7. NON-COMPLIANCE IN REGARD TO LABOUR CLAUSE, CSR REQUIREMENTS AND/OR INTERNATIONAL SANCTIONS REQUIREMENTS**

Non-compliance in regard to the Labour Clause shall be deemed to exist as stipulated in section 2.

Non-compliance in regard to CSR requirements and/or international sanctions requirements shall be deemed to exist if any Deliverables supplied, in whole or in part, have been manufactured or are delivered under circumstances or using methods where any CSR requirement and/or international sanctions requirements set out in sections 3, 4 and 5 have not been observed.

Failure to deliver the documentation, including the Supplier self-assessment, within the deadlines stipulated in section 6.2.1, failure to take appropriate steps to allow DALO to conduct site inspections or audits, as described in section 6.3, and/or failure to inform DALO on its own initiative and to take measures necessary as stipulated in section 6 shall furthermore be construed as non-compliance.

## **8. LIABILITY AND REMEDIES IN REGARD TO LABOUR CLAUSE, CSR REQUIREMENTS AND/OR INTERNATIONAL SANCTIONS REQUIREMENTS**

In case of the Supplier's or a Subcontractor's non-compliance with the Labour Clause, CSR requirements and/or international sanctions requirements as stipulated in sections 2, 3 and 4 and/or the procedures and measures stipulated in sections 5-7, DALO will initiate a close dialogue with the Supplier to clarify matters.

The Supplier has an obligation

- to engage in good faith in this dialogue,
- to stop or to mitigate the adverse impact of the Supplier's acts or omissions, and
- to use its leverage vis-à-vis its Subcontractors to stop or mitigate the adverse impact of the Subcontractor's acts or omissions, cf. section 3.

When assessing whether the Supplier is in fact liable for the Supplier's or a Subcontractor's non-compliance with the Labour Clause, CSR requirements and/or international sanctions requirements as stipulated in section 2, 3 and 4 and/or the procedures and measures stipulated in sections 5-7, the following will be taken into account:

- The Supplier's due diligence process and risk analysis,
- The Supplier's own production processes and methods,
- The Supplier's choice of Subcontractors or materials or products used in the Deliverables,
- Any practical actions or measures taken by the Supplier to mitigate or influence the non-compliance,
- Whether the Supplier has compensated in full any damage caused, including payment of reasonable compensation. The assessment of whether any damage caused in the

performance of the Agreement has been reasonably compensated shall not be affected by the provisions of any national rules on tort, governing the incident in question, only providing for partial indemnification,

- The extent of the leverage the Supplier is able to establish over the Subcontractors, including any practical measures taken by the Supplier to increase its leverage, cf. section 3.
- Whether the Supplier's conduct otherwise may have had an impact.

The dialogue and the steps taken in connection herewith shall be the primary tool when dealing with non-compliance with the Labour Clause, CSR requirements and/or international sanctions requirements. Further, in regard to non-compliance with the Labour Clause DALO shall also be entitled to the measures set out in section 2. However, if this dialogue with the Supplier is futile, or in situations where the Supplier is in fact liable for the non-compliance with the Labour Clause, CSR requirements and/or international sanctions requirements, cf. above, and the risk of continued (repetitive) adverse impact cannot be reduced significantly DALO shall, as a last resort in addition to suspension as set out in section 6.4, be entitled to terminate the Agreement for cause in accordance with the Agreement.

When assessing the appropriate remedy as set out above DALO shall consider the proportionality taking all relevant facts into consideration, including the Supplier's statement, documentation and any initiated remedial steps, including any specific actions and measures taken by the Supplier to comply with the Labour Clause, CSR requirements and/or international sanctions requirements and to reduce the risk of non-compliance. DALO will especially consider any specific measures taken by the Supplier to avoid repetition in future (self-cleaning).

In this respect DALO may choose not to terminate the Agreement if, in DALO's opinion, a termination is disproportionate (financial or otherwise) compared to the nature of the non-compliance and the actions of the Supplier.