

# Promodoro Fashion Corporate Sustainability Supply Chain Compliance Policy

## Scope

This policy applies to all supply chain activities of Promodoro Fashion GmbH. It includes supplier selection and evaluation as well as the promotion of sustainable and socially responsible practices throughout the supply chain.

Our company is committed to conducting business in accordance with the highest ethical standards and in compliance with all applicable laws, rules, and regulations. This Corporate Sustainability Supply Chain Compliance Policy outlines the basic principles and guidelines. This policy applies to all our operations, including our supply chains, and covers all our employees, suppliers and business partners.

## Core principles due diligence

The core principles of our due diligence summarise what we commit ourselves to and what forms the baseline of our business as well as all business partnerships. The goal is to prevent and mitigate identified risks and our impacts on human rights, the environment, and our integrity.

We are committed to conduct due diligence to identify, prevent, and mitigate human rights and environmental risks in our supply chains, and to account for our actions as well as identify, prevent, and mitigate adverse impacts on human rights, the environment, and good governance in our operations and business relationships.

We will conduct regular risk assessments to identify potential human rights and environmental risks in our operations and supply chains. We will prioritise risks based on their severity and likelihood and take appropriate action to prevent or mitigate them. We will take appropriate measures to prevent or mitigate any identified risks. This may include adjusting our business practices, providing training and support to our suppliers, or terminating relationships with suppliers who do not meet our standards.

- The selection of new suppliers is based on a systematic due diligence check and includes a thorough review of the validity of all relevant certification documents before any business is conducted.
- All business partners commit to comply with the International Bill of Human Rights, the Guiding Principles on Business and Human Rights by the United Nations from 2011, the UN Convention on the Rights of the Child, the Convention on the Elimination of All Forms of Discrimination Against Women, the Conventions of the International Labour Organisation (ILO) and the OECD Guidelines for Multinational Enterprises, and to provide a valid certificate by a third party that serves as proof of their commitment.
- This commitment is manifested by signing the code of conduct and general quality agreement conditions which our due diligence requirements are an integral part of.
- Compliance with those requirements is monitored regularly through annual or bi-annual third-party audits, assessments by the on premise staff, or by our headquarters.

- Based on the monitoring results we support and observe necessary corrective measures. Additionally, we offer and promote relevant training and capacity building measures based on the needs identified.
- We strive for long-term relationships with suppliers to build trust and grow together. Our internal supplier evaluation helps us to identify suppliers with a suitable sustainability performance and is used to define our sourcing strategy and allocate orders accordingly.
- Furthermore, we sponsor and finance suppliers that are looking to improve and make their processes more sustainable. We cover several factories' fees of running OEKO-TEX® STeP, which enabled us to manufacture products certified with OEKO-TEX® MADE IN GREEN in their facilities.
- Our purchasing practices are an essential part of our due diligence. They are frequently evaluated and developed in cooperation with our business partners. It is part of our strategy to continuously improve the quality of our products at factory level. For that reason, we run a significant number of tests, audits, and reports on a weekly basis to guide the factories in their work.

### **Transparency**

Transparency is an immensely relevant part of our sustainability strategy and due diligence requirements. We ask our business partners to disclose and report weekly all processing steps involved in the manufacturing of products purchased by Promodoro Fashion. They are provided with a supply chain document via cloud and via e-mail and must fill it out for each article, colour, and order.

### **Code of Conduct (CoC)**

We ask our business partners to respect and implement the code of conduct of a well-reputed certification body, for example amfori BSCI, SMETA, WRAP, or SA8000. It sets a framework of certain non-negotiable minimum social and ecological standards we ask all of our business partners to commit to. We want human rights and laws on protection of labour, workplace safety and environment to be respected and applied for all parties involved in the manufacturing processes of our goods.

This involves all sub-contractors, pre-suppliers and applies regardless of the contractual basis of employment, explicitly including contract workers. The commitment to our CoC is a pre-condition for any business relationship and major breaches of this code or basic human rights will lead to immediate follow-up and, in severe cases, to termination of business relations.

The Code of Conduct is based on the conventions of the International Labour Organisation (ILO) and the relevant norms of the United Nations. National legal regulations being stricter than this code do apply in all cases.

### **Violation of the Code of Conduct**

We set a framework of certain minimum social and ecological standards that we ask all our business partners to commit to. In case of a breach of our Code of Conduct, depending on the seriousness of the breach, we ask the affected supplier to take necessary

corrective actions in order to overcome the non-conformity. In severe cases, we will immediately terminate the business relationship. Whenever possible, however, we prefer to encourage any remediation efforts over an immediate ending of the cooperation to promote and support a long-term improvement progress.

### **Grievance mechanism and remediation in production facilities**

Grievance mechanisms play a central role in strengthening human rights, environmental protection, and integrity in textile supply chains. Effective mechanisms are a fundamental part of identifying problems and giving people the opportunity to communicate their concerns. We focus on ensuring mechanisms which are locally accessible and can be used anonymously by potentially affected stakeholders. We therefore ask our suppliers to provide a suitable and effective complaint channel within their factory or to participate in such channels. Every factory should have a formally defined internal process on how to handle grievances and systematically gather and assess data on a regular basis. Those data must be provided on request.

For any harms that a supplier has evidently caused or contributed to, we expect the management to provide systematic assistance and remediation. In cases where Promodoro Fashion has evidently caused or contributed to harms, we ask our business partners to inform us accordingly so we can investigate and enable adequate remediation in reasonable cases.

### **Ban of cotton and textile products from Xinjiang**

We commit to eliminate any risk of forced labour within our supply chains and ask the same from our business partners. Since cotton and textile products from Xinjiang might be related to forced labour conditions, we ask our suppliers and business partners to not source any cotton, yarn, textiles and/or finished products from the Xinjiang region.

### **Environmental Management in production facilities**

We encourage and sponsor suppliers to use sustainable resources and thereby contribute to less CO<sub>2</sub> emissions. We encourage them to follow and apply OEKO-TEX® STeP. The goal of OEKO-TEX® STeP is to implement environmentally friendly production processes in the long term, to improve health and safety, and to promote socially responsible working conditions at production sites.

The production of any goods purchased by Promodoro Fashion has to at least comply with or exceed the legal requirements regarding waste management, handling and disposal of chemicals and other dangerous materials or emissions, and effluent treatment. Next to the contents of our environmental and compliance policies, all local and national environmental regulations shall be met.

### **Responsible Purchasing Practices**

We commit to implement suitable measures with the aim of reducing adverse impacts on human rights, the environment and integrity in connection with our own procurement and purchasing practices. This involves the following core principles of responsible purchasing practices:

- Quality is the base of our company's spirit and our products and serves as the fundamental aspect of Promodoro Fashion's sustainability approach. Our procurement strategy is based on defined requirements and processes which due diligence is a central part of. This includes the Declaration of Compliance and Quality Agreement as baseline for all business relationships and a close and trustful cooperation of the buying and purchasing department. A defined process for new suppliers and the follow-up remediation is anchored within the procurement strategy.
- Forecasting is an important aspect of our purchasing strategy. Together with our suppliers, we evaluate, among other things, the capacity and potential financing needs to establish the best strategy for our partnership.
- To a certain extent, we support factories in need of finances with procuring the raw materials necessary for production.
- We value our business relationships deeply and aim to support our partners to the best of our abilities. This includes, but is not limited to, sourcing of raw materials or production machinery to improve our partners' efficiency and sustainability.
- In price negotiations, we strive to reconcile the interests of all stakeholders involved and to determine a fair price. A constructive and cooperative dialogue with our suppliers on the one side and our customers on the other is an important part of our efforts.
- In case a business relationship is ended, we plan an exit strategy. This includes an evaluation of reasons and consequences for terminating the relationship, respecting reasonable timeframes and ensuring preparative steps.
- We are strongly involved with our partners on the technical aspects of our production and promote an open conversation on all aspects of the textile industry, economic crisis, sustainability, and corporate social responsibility.

### **Living wages**

We ask our business partners to comply, as a minimum, with wages mandated by governments' minimum wage legislation, or industry standards approved based on collective bargaining, whichever is higher. The wages shall refer to standard working hours. Furthermore, our suppliers commit to work progressively towards the payment of a living wage that is sufficient to afford a decent standard of living for the workers and their families.

By adhering to this Corporate Sustainability Supply Chain Compliance Policy, we aim to uphold our company's reputation, meet our legal and ethical obligations, and contribute to a fair and sustainable textile industry.

### **Responsibilities**

The sustainability lead conducts risk analyses, implements due diligence requirements, and promotes sustainable practices in the supply chain. The quality lead monitors compliance with certification requirements and quality standards among suppliers. The finance lead evaluates costs and financial aspects related to sustainable supply chain practices.

Date / Signature of responsible person

03.12.2024



Khalil Mehanna, Managing Director of Promodoro Fashion GmbH