

RESPONSIBLE BUSINESS CONDUCT POLICY

Effective Date: 30. 06. 2023

1. Purpose

The purpose of this RBC (Responsible Business Conduct) Policy is to outline ODLO's **commitment to responsible business practices and to establish guidelines for conducting business operations that align with ethical, social, and environmental standards**. ODLO recognizes the importance of sustainable development and aims to integrate responsible conduct throughout its operations, supply chain, and engagement with stakeholders.

2. Compliance with Laws and Regulations

ODLO is committed to complying with all applicable laws, regulations, and industry standards in the countries where it operates. Compliance includes, but is not limited to, labor laws, health and safety regulations, gender equality in the workplace, environmental protection standards, and fair trade practices.

ODLO will regularly review and update its practices to ensure ongoing compliance with relevant legal requirements.

3. Labor and Human Rights

ODLO respects and supports the principles of internationally recognized human rights as outlined in the United Nations Universal Declaration of Human Rights and the International Labour Organization (ILO) conventions (see **ODLO's Code of Conduct** in the appendix).

Since 2008, ODLO is part of the Fair Wear Foundation and abides by the **Fair Wear Code of Labour Practices** (see appendix), outlining the member's responsibility in relation to human rights due diligence, including prevention of harm to workers and improvement of working conditions where rights are at risk or violated through a Human Rights Due Diligence (HRDD) process.

The Code of Labour Practices is based on the following 8 principles. ODLO is requesting suppliers to sign commitment to the below principles before starting a business relationship with them, as stated in point 4.

1) Employment is freely chosen

There shall be no use of forced, including bonded or prison, labour. (ILO Conventions 29 and 105).

2) Freedom of Association and the Right of Collective Bargaining

The right of all workers to form and join trade unions and bargain collectively shall be recognised. (ILO Conventions 87 and 98) The company shall, in those situations in which the right to freedom of association and collective bargaining are restricted under law, facilitate

parallel means of independent and free association and bargaining for all workers. Workers' representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to carry out their representation functions. (ILO Convention 135 and Recommendation 143).

3) No Discrimination in Employment

Recruitment, wage policy, admittance to training programs, employee promotion policy, policies of employment termination, retirement, and any other aspect of the employment relationship shall be based on the principle of equal opportunities, regardless of race, colour, sex, religion, political affiliation, union membership, nationality, social origin, deficiencies or handicaps. (ILO Conventions 100 and 111).

4) No Exploitation of Child Labour

There shall be no use of child labour. The age for admission to employment shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years. (ILO Convention 138) There shall be no forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour. [...] Children [in the age of 15-18] shall not perform work in which it is carried out, is likely to harm their health, safety or morals. (ILO Convention 182).

5) Payment of a Living Wage

Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. (ILO Conventions 26 and 131) Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the employee to receive less than the minimum wage. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period.

6) Reasonable Hours of Work

Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate. (ILO Convention 1).

7) Safe and Healthy Working Conditions

A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Appropriate attention shall be paid to occupational hazards specific to this branch of the industry and assure that a safe and hygienic work environment is provided for. Effective regulations shall be implemented to prevent accidents and minimise health risks as much as possible (following ILO Convention 155) Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer are strictly prohibited.

8) Legally Binding Employment Relationship

Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers shall be given the opportunity to participate in education and training programmes.

4. Supply Chain Responsibility

4.1 Responsible Sourcing

ODLO acknowledges the importance of **responsible sourcing** and strives to work with suppliers and business partners who share its commitment to ethical, social, and environmental practices. ODLO expects its suppliers to comply with applicable laws and regulations, including those relating to labor, health and safety, gender equality and environmental protection.

ODLO applies a **7-step plan in the selection of new manufacturing facilities**.

- (1) Analyse procurement spending, supplier performance and company strategy
- (2) Assess supplier marketplace, country specific risks, sector, product and enterprise risks.
- (3) Conduct supplier survey to verify commitment to CoLP and achieve transparency on subcontracting relationships.
- (4) Create strategy to help us achieve our goals
- (5) Assess suppliers according to the following criteria: Cost / Social and Environmental Performance / Lead-time / Quality / Reliability / Fit
- (6) Select supplier Proposal and final decision is made by Supply Chain Director
- (7) Communicate to new supplier and begin planning first season

Before starting a collaboration with ODLO, **all suppliers must sign the following documents:**

- Fair Wear Foundation Code of Labour Practice (see appendix)
- ODLO Code of Conduct (see appendix)
- ODLO Chemical Policy (see appendix)

ODLO will promote transparency and cooperation with suppliers to improve social and environmental performance throughout the supply chain. ODLO's sourcing strategy is based on the following principles:

- **Principle 1: Own Production**
When possible, in terms of capability, capacity and competitiveness, new garments or additional production volumes are manufactured in our own production facilities.
- **Principle 2: Long-Term Partnerships**

ODLO aims to build and maintain long-term partnerships with a small number of manufacturers and prefers to keep this portfolio limited. Together with early involvement of the manufacturer in the product development process, our sourcing strategy enables these partnering manufacturers to plan for the long term, thereby increasing their own stability and job security. The leverage that ODLO has towards its selected suppliers is fundamental for the collaboration in the implementation of best practices or remediations to any potential adverse impact.

- **Production Transparency**

ODLO strives for full production transparency and therefore manufacturers are required to disclose all production sites. Subcontracting is only permitted by pre-notification and is analysed by the sourcing team on a case-by-case basis. ODLO lists those subcontractor exceptions within its supplier register so they are included in the CSR management system each step of the way.

- **Pricing Policy**

ODLO calculates its prices using the “open costing” principle. This means that the production price is calculated individually for each product, listing costs for all materials, labour, overhead, financial costs and the profit margin for the supplier. Prices are then negotiated directly with manufacturers, and are based on a Minimum Order Quantity (MOQ). An upcharge is sometimes requested by the supplier (and granted by Odlo), when the MOQ can't be met. We are aiming for a win-win pricing policy.

4.2. Risk Assessment

ODLO recognizes the importance of conducting risk assessments to identify and address potential human rights, labor, gender equality, freedom of association, environmental and health and safety risks in its operations and supply chain. **ODLO manages risk following the OECD due diligence guidance (2018):**

- 1) Conduct regular risk assessments on all levels, utilizing the OECD framework to identify, assess, mitigate, prevent and address actual and potential adverse impacts.
- 2) Prioritize high-risk areas, identified through scoping exercises that highlight country specific risks, sector, product and enterprise risks (OECD).
- 3) Implement appropriate measures to mitigate identified risks, see point 6 below for details.
- 4) Collaborate with relevant stakeholders, including workers, suppliers, NGOs, and industry initiatives, to enhance risk assessment processes and share best practices.

4.3 Monitoring and Remediation

ODLO is committed to monitoring its supply chain to ensure compliance with Fair Wear Foundation standards and OECD guidelines.

Based on the level of influence that ODLO has towards the supply chain stakeholder, the most relevant remediation procedures will apply. Should ODLO's operations be part of the cause or contribute to harm, a prevention and remediation strategy will be applied; should ODLO's operations be directly linked to harm, ODLO will use leverage towards stakeholders to remediate harm.

ODLO collaborates with suppliers, workers and other stakeholders (e.g. other member brands) to implement remediation plans and support continuous improvement.

Remediation practices include conducting regular assessments, audits (mainly from FWF) and corrective actions to address any non-compliance issue. Should the supplier not have an internal complaints management and grievance system, the FWF membership platform is a safe space for workers to highlight any issues and instrumental for ODLO to directly address them and apply the right corrective measure (like trainings, improvement programs and audits).

As member of the FWF, ODLO undergoes a yearly Brand Performance Check to highlight the areas of improvement that the brand can support.

5. Environmental Stewardship

ODLO recognizes the urgent need to address environmental challenges and is **committed to minimizing its environmental footprint**. ODLO is focusing on 4 main areas of sustainability where the brand has the most impact and leverage:

- 1) Maximize transition of Scope 1 and 2 energy sources to renewable energy.
- 2) Progress material conversion to preferred sources (recycled, natural, bio-based)
- 3) Design products for durability, enabling repair and reuse of kits.
- 4) Keep focusing on fair working practices and relationships with our suppliers and ensuring transparency along the supply chain.

Since 2016, ODLO is a member of the Sustainable Apparel Coalition Coalition (SAC), a multistakeholder initiative of the global footwear and apparel industry. With this membership, ODLO joins over 250 global brands, retailers, and manufacturers, as well as government, non-profit organizations and academic institutions, all of which are collectively committed to improving sustainability performance along the supply chain.

With the implementation of the Higg Index, ODLO's supply chain, as well as the brand itself, is regularly assessed against an industry benchmark, thereby clearly demonstrating the strengths and weaknesses of its corporate activities holistically, which in turn empowers ODLO to make meaningful improvements.

6. Community Engagement

ODLO values its relationship with the communities in which it operates and seeks to contribute positively to their development. ODLO will support local initiatives and engage in responsible corporate citizenship, including charitable activities, employee volunteering, and partnerships that promote social and economic well-being.

7. Transparency and Reporting

ODLO will communicate its RBC commitments, policies, and initiatives to employees, suppliers, customers, and other stakeholders. ODLO will also establish mechanisms to receive feedback and address any concerns related to its responsible business conduct. ODLO will report on its progress and performance, including monitoring results, corrective actions, and ongoing initiatives to stakeholders, as required by Fair Wear Foundation reporting guidelines.

8. Collaboration and Continuous Improvement

ODLO recognizes that responsible business conduct is an ongoing journey. ODLO will actively engage with Fair Wear Foundation and collaborate with other stakeholders to exchange best practices, share knowledge, and drive continuous improvement in labour conditions within the apparel industry.

9. Management and Accountability

ODLO's leadership team is responsible for ensuring the effective implementation of this RBC Policy. The team will provide the necessary resources, training, and support to foster a culture of responsible conduct within the organization. ODLO will periodically assess its RBC performance, review the policy's effectiveness, and make appropriate adjustments to meet evolving expectations and challenges.

10. Conclusion

ODLO is committed to integrating responsible business conduct into all aspects of its operations. By adhering to this RBC Policy, ODLO aims to contribute to a more sustainable and equitable future while delivering high-quality products and services. ODLO encourages its employees, suppliers, and stakeholders to embrace and support these principles of responsible business conduct.

Our RBC policy aims at implementing human rights due diligence in the purchasing and business practices of ODLO.

This RBC Policy is subject to regular review and may be updated or revised as necessary.