

Best Blue Mode GmbH

Declaration of Principles

Version 1.0

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Introduction

Best Blue Mode GmbH is a 100% subsidiary of engelhorn GmbH & Co KGaA. The area of responsibility is collection design, purchasing and sales of the Kate Storm brand.

As a family business in its 4th generation, we assume social responsibility by subjecting our business activities to high social, ethical and ecological standards and by including environmentally and socially responsible products in our offering. We always question our entrepreneurial decisions and consult internationally recognized guiding principles: The OECD recommendations for sustainable value chains in the textile industry (www.oecd.org), the principles of the United Nations Global Compact (www.unglobalcompact.org), the ILO core labour standards (www.ilo.org) and the Business Social Compliance Initiative (amfori BSCI, www.amfori.org).

In order to live up to this responsibility, we have voluntarily decided to draw up this declaration.

The textile industry never stands still. Framework and circumstances change, processes are renewed and innovations are added. In order to continuously create added value and act responsibly under these circumstances, we review our declaration regularly and make necessary changes.

We created this document according to the following structure and will review it accordingly at regular intervals:

- (1) Why does responsible action play a crucial role for us? → Chapter 1: Best Blue Mode philosophy, policy and standards
- (2) What criteria do we take into account when assessing our actions? → Chapter 2: Criteria for responsible action
- (3) How do we verify compliance with the criteria and the risks traceable to them → Chapter 3: Audit and measurement methodology
- (4) What if our audits reveal a need for action → Chapter 4: Prevention, mitigation and redress of risks, and complaint management
- (5) Who carries out the audits and who is indirectly and directly affected by them → Chapter 5: Stakeholders of responsible action

1. Best Blue Mode Philosophy and Corporate Policy and Standards

Our philosophy

As part of the engelhorn Group, Best Blue Mode GmbH also identifies with engelhorn's corporate philosophy.

We shape our family business with style, heart and courage. In order to make this possible for future generations, sustainability is a special concern for us. We never stand still, we are creators and always understand change in a positive way. We want to continuously improve, create added value, use resources responsibly and have a positive impact on society. Our customers can rely on us, but also trust us to move forward and innovatively break new ground again and again.

Our corporate policy

We put our corporate philosophy into practice by setting high standards for ourselves, our processes, our products and our partners.

We are guided by the following principles:

- All employees of Best Blue Mode GmbH act in accordance with this declaration of principles and address grievances immediately. Furthermore, all employees are guided by our environmental protection declaration in their daily work and in the establishment and improvement of processes.
- Newly designed products should be more sustainable as previous ones. To achieve this, we are constantly looking for sustainable materials, new fabrics, processing methods and new finishing techniques.
- Existing and new business partners must actively advocate for more sustainable business practices. At the same time, we are committed to responsible sourcing and procurement practices to promote sustainable operations in our supply chain.
- Subcontracting is not permitted for our producers, unless previously approved. All subcontracted suppliers must comply with the above requirements.
- We are committed to promoting living wages within our own company and throughout the value chain
- We also promote sustainability by creating incentive structures within our own company and include sustainability as a criterion in the performance evaluation of the appointed management.

Overview of the current value chain of Best Blue Mode GmbH



e.g. organic cotton, viscose, linen from different countries: Turkey, Greece, China and India	Production in growing countries: Turkey, Grece, China and India	Production in countries where garment making takes place: Turkey, China, India, Italy, Madagascar, Poland and Northern Macedonia	Production in countries where garment making takes place: Turkey, China, India, Italy, Madagascar, Poland and Northern Macedonia	Production in countries where the garments are made: Turkey, China, India, Italy, Madagascar, Poland and Northern Macedonia
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Other standards

In order to best understand and assess the complexity of the textile value chain, we consult external sources and standards in addition to our own audits:

- **Global Organic Textile Standard (GOTS):** This internationally leading and recognized standard ensures an ecologically compatible and socially just value chain for cotton products. For this purpose, all steps of the value chain of a product - from the cultivation of organic cotton to the delivery to end consumers - are checked using a comprehensive catalogue of criteria. By purchasing GOTS-certified products, the origin of their components can thus also be fully verified.
- **OECD recommendations for sustainable value chains in the textile industry:** These guiding principles support us in particular in the analysis and assessment of risks within our value chain.

2. Criteria for responsible action

Persons concerned

As our actions and ways of working have both a direct and an indirect impact on the work and lives of various groups in our value chain, the people affected are listed here:

- All employees of Best Blue Mode GmbH
- The employees of our partners, in terms of cooperation and design, as well as on the sales and marketing side
- All employees in the value chain of our products, including
 - Production staff in all stages of processing, including spinning, fabric production, fabric dyeing and product dyeing.
 - Employees in raw material production, e.g. in the cultivation of organic cotton

In the course of our analyses, we were able to identify several **vulnerable stakeholders**. These include the employees in product manufacturing, due to the high workload and the often prevailing time pressure within the production process.

Children, especially refugee children, are also among our identified vulnerable groups - child labour continues to be a major problem in the global textile value chain - not with our suppliers or other companies in our value chain, but in the countries where the value chain for our products takes place. The textile value chain involves hard labour and the commercial cultivation of cotton uses pesticides and chemicals that are particularly toxic to children. In addition, refugee children in child labour receive less than the nationally applicable minimum wage, as they are largely not registered in the respective country.

Criteria overview

In our actions, in the selection and monitoring of our business partners and producers, as well as in the risk analysis, we follow the following areas of responsibility for entrepreneurial action. To this end, we are guided by the principles of the United Nations Global Compact, the OECD recommendations for sustainable value chains in the textile industry and the requirements of the international human rights conventions and the ILO core labour standards.

We are committed to compliance and regular review of the following criteria, as well as prevention, mitigation and redress of the associated risks.

- Human and workers' rights
 - Under no circumstances do we accept child labour. As a minimum, we act in accordance with the stipulations of the International Labour Organisation (ILO).

- No one may be discriminated on the basis of the following characteristics: ethnicity, national origin, religion, gender, sexual orientation, age, skin colour, political conviction, pregnancy, physical or mental disability or other criteria for employment. The dignity of each individual and personal rights are to be respected. We cannot accept organizations that do not promote the above values or question the constitution.
- Work that is in any way coerced or contains features of slavery, forced or compulsory labour, servitude, human trafficking or other involuntary labour is also unacceptable to us.
- All employees have the right to form, join or manage organizations (art. 9 of the German Constitution). We always act in accordance with the basic principles of the International Labour Organisation (ILO, Conventions No. 87 and No. 98).
- All benefits at least meet the legal requirements in terms of remuneration (nationally applicable minimum wage), social benefits and working hours. Furthermore, they exceed the living wage level at the respective location for the groups concerned
- We create a safe, hygienic working environment for our employees and take all possible precautionary measures to prevent accidents, injuries and damage to health. We also expect our business partners to comply with the minimum level of local legal regulations regarding health and safety at work.
- Environmental risks
 - The use of chemicals that are harmful to health and the environment is prohibited.
 - Together with our business partners, we reduce water consumption, especially the consumption of fresh water, to a minimum.
 - Water pollution is avoided and drainage limits are complied with.
 - Greenhouse gas emissions are monitored and reduced throughout the supply chain.
- Integrity risks
 - We reject any form of bribery, corruption or other unjustified granting of advantages to partners, public officials or other third parties. In doing so, we contribute to the promotion of transparency, accountability, responsibility, openness and integrity.

Other criteria that we look at in individual cases and assess corresponding risks:

- Animal welfare: We are concerned about animal welfare and biodiversity, which is why we are looking at alternative raw materials to contribute to animal welfare.

- Social management system (SMS): A functioning SMS is the set of policies, processes and procedures that enable a company to manage its social performance on an ongoing basis in order to track improvements

3. Analysis and measurement method

Aim of the regular audit

The aim of our regular audit is to create as transparent and accurate a picture as possible of all activities related to products and services of Best Blue Mode GmbH. Our activities and those of our partners in the supply chain are to be checked for the risks mentioned above. The results of regular risk analysis and prioritisation are also incorporated into relevant operational and strategic decision-making processes, ensuring that we are always questioning and optimising our actions in terms of sustainability, e.g. when entering a new sourcing/production country or leaving an existing sourcing/production country.

Areas analysed / what is analysed

- Countries with our own operating sites
- Direct suppliers and their facilities, including vulnerable stakeholders
- All countries in the value chain, incl. vulnerable stakeholders
- All raw materials and processes used
- Our own purchasing policy
- Topics and areas specific to our business model

The analysis method

Who carries out the analysis and measurements?

On the one hand, Best Blue Mode carries out the checks and measurements itself. For this purpose, the areas mentioned are checked for compliance with the abovementioned criteria, measurements are carried out where necessary and the results are documented.

On the other hand, the Global Organic Textile Standard regularly audits the entire supply chain of certified products for compliance with the above-mentioned criteria, thus ensuring compliance even in circumstances that are more distant (e.g., in Asia) and more difficult for us to verify (e.g., in the cultivation of organic cotton).

Before the start of any cooperation, new suppliers are visited personally or by agents. Extensive discussions are held, expert opinions are consulted and checked, documents are requested (e.g. Code of Conduct, GOTS certificates) and production facilities are inspected. On this basis, the risk assessment is carried out. Audits in other countries, e.g. Turkey, are mostly supported by local agents.

How is the complete value chain audited?

An independent inspection of the entire value chain is not feasible for us in terms of capacity. Therefore, we resort to different possibilities to ensure compliance with the criteria:

- At regular intervals, we review general risks in the countries of our value chain (so-called gross risks), e.g. with the help of public studies on relevant criteria (see criteria overview)
- For parts of the collection, we use the Global Organic Textile Standard to check the entire value chain. Through our GOTS certification, compliance with the above criteria is regularly checked and documented along the entire value chain. Tracing back to the origin of the raw materials is possible on request.
- In addition, our direct suppliers often also audit their suppliers. We are informed about the results such audits.

The analysis schedule

Having sustainability in mind, it does not make sense to travel annually for audits only, e.g. to China. Obstacles such as a global pandemic or geopolitical risks also play a role in travel decisions. We have therefore reduced our personal visits to the production sites to an acceptable minimum in recent years and try to ensure regular exchange with suppliers digitally, especially via video calls and emails. In order to still be present on site, we commission our local partners (agents) and independent organizations (GOTS) to carry out inspections for us. The insights and results gained are included in our risk assessment.

The documentation of the analysis results

The risk assessments are documented, in tabular form including comments, and made available to all stakeholders upon request. Interested customers or other interested parties can use our contact form on our online shop for this purpose:
<https://info.engelhorn.com/hinweisgeberformular/>

The risk assessments of the suppliers are proactively discussed with the respective suppliers and the exchange is documented accordingly.

4. Prevention, mitigation and redress of risks and complaint management

To ensure compliance with the above criteria, we implement various measures of prevention, mitigation and, where necessary, redress.

Prevention:

- This declaration is an integral part of the induction process for new staff.
- All employees are made aware of the importance of our environmental and social responsibility in annual meetings.
- The annual audit of selected suppliers by GOTS promotes and ensures compliance with the criteria along the entire value chain.

Reduction

- If risks are identified within our own organization, they are addressed immediately and remedied within a reasonable period of time, e.g. in the case of disproportionately high greenhouse gas emissions from certain activities, these are optimized or discontinued
- If risks are identified with suppliers and their suppliers, a reasonable period of time is set for their elimination, which is proportional to the order volume of Best Blue Mode with the suppliers. If the risk is not or insufficiently remedied, suppliers will be excluded. Work already performed and materials ordered will be paid and suppliers will be required to comply with wage and severance payment requirements in accordance with national laws, international labour standards and collective agreements. In addition, suppliers may face legal consequences in the respective countries.

Reparation

If, despite all efforts, undetected risks lead to damage, Best Blue Mode GmbH is prepared to participate in compensation or, if possible, to actively promote reparation itself.

Complaint management

A crucial factor in the identification and assessment of risks is functioning, independent complaints channels, both direct and indirect.

Direct complaint to Best Blue Mode:

- Internal
 - Employees can address complaints anonymously or personally to the management of Best Blue Mode. Employees who provide information on (non-) compliance with the criteria are protected from disciplinary action, dismissal or other forms of discrimination in this regard.
- External
 - Customers or other interest groups (including employees of our suppliers) can submit complaints at <https://info.engelhorn.com/hinweisgeberformular/>. Anonymization of any data to be entered is possible
 - All complaints and their treatments are documented to continuously monitor the effectiveness of the mechanism.

Complaints to suppliers:

- Workers of our suppliers can complain to public authorities about non-compliance with the legally prescribed criteria in accordance with the given national legal situation.
- Employees of our suppliers can, for example, complain anonymously internally via complaint mailboxes or point out non-compliance with the criteria. We check the existence and effectiveness of such grievance mechanisms at regular intervals. Identified gaps in the processes are documented and improved in close cooperation with the suppliers concerned. The effectiveness of the improvements is then reviewed in exchange with the affected groups / employees.

Complaints to GOTS:

- Representatives of any stakeholder group (employees, customers, etc.) can contact the GOTS organization directly and point out non-compliance with the GOTS criteria for GOTS certified products. GOTS offers a structured complaint procedure for this purpose: <https://www.global-standard.org/de/protect/complaintprocedure.html>.

5. Currently significant risks

In our last risk assessment of 8.6.2022, all areas defined above were examined for compliance with all criteria. We identified the following seven risks, some of which apply generally to a country (gross risks) or also affect our suppliers (net risks). Measures have been defined for all risks and will be implemented in the coming months.

1. Overtime at suppliers in China (gross and net)
2. Occupational health and safety at suppliers in India (gross and net)
3. The lack of living wages in the textile sector in India (gross)
4. Dealing with minimum wage and living wage in China, also with suppliers (gross and net)
5. Evidence of discrimination in Poland (gross)
6. Lack of clarity about health and safety, working hours, overtime, freedom of association, minimum wage and living wages at suppliers in Italy (net)
7. Child labor in Madagascar (gross)
8. Forced labor in China (gross)

In addition, we analyzed lower-rated risks in the environmental sector (chemicals, water consumption, water pollution, greenhouse gas emissions) and corruption (in Madagascar, India, Poland and Italy) and defined corresponding measures.

Experiences and results from these and new measures will be included in future publications of our policy statement.

6. Stakeholders of responsible action

The following stakeholders are involved in the implementation of responsible action and are provided with this declaration of principles:

- Provision via email or hard copy
 - All employees of Best Blue Mode GmbH
 - The entrepreneurs and management of engelhorn GmbH & Co KGaA
 - All direct suppliers and partners in indirect procurement
 - Suppliers of our suppliers (i.e. second preliminary stage). For this purpose, direct suppliers are obliged to pass on the declaration.
- Provision as download on www.best-blue-mode.com
 - All business partners along the value chain
 - All customers
 - Public organisations and governments
 - Other interested parties

Responsibilities

Mr. Simon Engelhorn (COO engelhorn GmbH & Co KGaA) and Ms. Ute Gruber (Division Manager Best Blue Mode GmbH) are responsible for environmental and social issues as well as corporate due diligence. The responsible persons can be reached via mode@best-blue.de.



The Management, Best Blue Mode GmbH

Version register

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