

## DECLARATION OF PRINCIPLE

07.03.2025



We are a design and production company specializing in workwear for trade and industry, as well as sportswear, winter clothing, and casual wear. Together with our customers, we develop highly functional clothing concepts tailored to their specific needs. The manufacturing of these garments takes place primarily in production facilities in Asia.

We are fully aware of our responsibility toward our employees, our customers, their clients and employees, all individuals involved in our community, and every stakeholder we engage with. Therefore, we have adopted strict ethical principles that guide our business conduct.

These ethical principles are also passed on to our suppliers. We expect all employees of companies in business relationships with FL Textil GmbH to follow these principles in their actions as well.

FL Textil GmbH adheres to all applicable laws. This is particularly true in the following areas:

### RESPECT FOR HUMAN RIGHTS

We, FL Textil GmbH, are committed to respecting human rights in accordance with the UN Guiding Principles on Business and Human Rights and the following international agreements and frameworks:

- The International Bill of Human Rights and the ILO Core Labor Standards;
- Internationally recognized environmental frameworks (BVT, Detox, ZDHC);
- Internationally recognized frameworks for managing integrity risks (OECD Guidelines for Multinational Enterprises, Chapter VII, and the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector, Module 11).

## ENVIRONMENTAL RESPONSIBILITY

As a company, we recognize our responsibility to minimize environmental impact and are committed to adhering to internationally recognized environmental protection frameworks. These include the Best Available Techniques (BVT) standards, the Detox program, and the ZDHC program (Zero Discharge of Hazardous Chemicals). By implementing sustainable initiatives (BCI, GOTS, etc.), we continuously strive to make our production more environmentally friendly.

Our commitment includes responsible resource management, waste reduction, and the continuous improvement of our environmental practices. We seek innovations that sustainably reduce the environmental impact of our supply chain and overall production. This reflects our goal of assuming ecological responsibility and driving long-term positive change.

## INTEGRITY AND BUSINESS ETHICS

We hold ourselves and our business partners to the highest ethical standards, promoting transparency and integrity in all business relationships. Our company aligns with international frameworks for addressing integrity risks, including the OECD Guidelines for Multinational Enterprises (Chapter VII) and the OECD Due Diligence Guidance for the Garment and Footwear Sector (Module 11). We actively work to prevent corruption, bribery, and other unethical practices throughout our entire value chain.

## RESPONSIBLE PROCUREMENT AND PURCHASING PRACTICES

Our procurement and purchasing methods are designed to ensure that they do not negatively impact human rights, the environment, or the integrity of textile supply chains.

- **Due Diligence:** For us, due diligence means acting systematically and responsibly to avoid negative impacts on human rights, the environment, and business integrity as much as possible. This includes implementing clearly defined requirements and processes to ensure that all our suppliers and business partners meet our ethical standards. A carefully planned procurement strategy fosters close, trusting collaboration between purchasing and sourcing departments. This responsible approach ensures that all business relationships are fair, transparent, and sustainable.
- **Proactive Production Planning:** One of our strategic approaches aims to ensure that the entire supply chain operates efficiently and smoothly. We closely collaborate with suppliers to consider their capacity and scheduling constraints. The goal is to identify bottlenecks early and prevent them through joint problem-solving approaches. This planning provides security for both us and our partners and allows for flexible adjustments to changes and challenges in the production process. Through careful coordination and clear communication, delays are minimized, and production costs are optimized. Ultimately, proactive production planning helps secure product quality, strengthen sustainable business relationships, and conserve resources.
- **Fair and Transparent Price Negotiations:** Open dialogue and transparent communication processes ensure that pricing is fair and comprehensible. This not only fosters trust and long-term collaboration with suppliers but also contributes to the stability and sustainability of the entire supply chain. Fair price negotiations also acknowledge suppliers' production costs and working conditions, supporting living wages and sustainable practices.
- **Termination of Business Relationships:** The termination of business relationships requires a responsible and well-thought-out approach to uphold both ethical standards and long-term partnerships. A thorough assessment of the reasons and consequences of termination is conducted first. It is essential to adhere to respectful and appropriate deadlines to allow affected partners sufficient time for adjustments. Transparent communication and careful planning of the exit strategy ensure that all parties are informed about the steps and measures involved.

## PROMOTION OF LIVING WAGES

We are actively committed to promoting living wages throughout our entire supply chain. Our goal is to help ensure that all workers involved in the production of our products receive a wage that covers their basic living needs and allows them to lead a dignified life.

We believe that living wages not only improve the quality of life for workers but also contribute to a more stable and sustainable supply chain.

## **CONTINUOUS INCREASE IN THE USE OF SUSTAINABLE MATERIALS**

We are dedicated to continuously increasing the use of sustainable materials in our products. This includes both synthetic fibers made primarily from recycled raw materials and natural fibers sourced from demonstrably responsible production.

We have already successfully completed our first productions in compliance with the GOTS (Global Organic Textile Standard), ensuring high ecological and social standards in textile production. Additionally, we incorporate BCI (Better Cotton Initiative) cotton in our production processes to promote responsible farming methods and integrate more sustainable cotton alternatives.

Our goal is to steadily increase the share of these environmentally friendly materials to minimize the environmental impact of our production. We prioritize sustainable alternatives and are committed to fostering a circular economy. In doing so, we actively contribute to protecting the environment and taking responsibility for future generations.

## **EXPECTATIONS FOR SUPPLIERS AND COMPLIANCE WITH INTERNATIONAL STANDARDS**

Our commitment to responsible business practices extends across the entire supply chain and forms the basis of our corporate culture. We require our suppliers not only to fully comply with our Code of Conduct, but also to actively implement these principles in their daily operations. This code, which is based among other things on the OECD Guidelines for Responsible Business Conduct, sets out clear ethical principles and social standards that are essential for sustainable and responsible cooperation. These include, in particular, the protection and promotion of labor rights, compliance with environmental standards, fair and transparent business practices and active support for diversity and inclusion. We see these values as essential for building long-term partnerships and expect all of our suppliers not only to accept these standards, but also to proactively integrate them into their business processes and develop them further. Close collaboration in these areas is key to building a more sustainable future together.

Particular attention to identified sector risks (OECD Guidelines):

- Child labor
- Forced labor
- Discrimination
- Working hours/overtime
- Health and safety at the workplace
- Freedom of association and collective bargaining
- Non-compliance with minimum wage laws and lack of living wages
- Corruption and bribery
- Chemical management
- Water consumption and pollution
- Greenhouse gas emissions
- Treatment of home workers

We require our suppliers to uphold the same high standards that we set for ourselves to ensure respect for human rights, minimization of environmental impact, and transparency at all stages of production. Continuous monitoring and improvements are integral to our collaboration with suppliers to address risks such as forced labor, unsafe working conditions, and environmental destruction.

Our suppliers receive not only our Code of Conduct but also all relevant social, environmental, ethics, and compliance policies, including the Crisis Management Policy. These documents are crucial to ensuring that our partners not only understand our ethical standards and values but are also capable of fully meeting our requirements in all areas. By providing these comprehensive guidelines, we establish clear expectations regarding social responsibility, environmental protection, ethical business practices, and crisis management, fostering a sustainable and responsible partnership.

## SUBCONTRACTING

Whenever production is outsourced from the main production site to third parties or subcontractors without the knowledge and explicit consent of the FL Textil CR departments, this is contrary to our requirements and constitutes a breach of the agreed standards.

The main production site is defined as the central production site that is primarily responsible for the production or provision of a specific good or service. As a rule, this is the production facility that carries out the final step in the production process, such as finishing. If a producer uses subcontractors to take over certain production steps, such as the finishing of the goods or essential sub-processes (e.g. packaging, quality controls, finishing processes), this use must be reported to FL Textil immediately and approved by FL Textil as soon as it is clear that it will be necessary.

The use of home work sites or home workers for certain production processes may be permitted in some cases, but requires proactive and complete reporting by the business partner to ensure that all standards regarding working conditions are met. In addition, no labor service providers may be used that are not registered and licensed in accordance with local laws. The use of service providers that pose a high risk of forced labor or other exploitative working conditions is strictly prohibited. Any disregard of these requirements can lead to serious consequences and jeopardize the continuation of the business relationship.

## IDENTIFICATION AND MITIGATION OF KEY RISKS

FL Textil GmbH is aware of the risks and strives to minimize them through careful analysis, strict measures and continuous monitoring. In summary, the following risks can be identified in our production:

At the ready-to-wear level, the main risks are primarily in the areas of social standards and integrity risks. These include issues such as working conditions, wages, discrimination, child labor and occupational safety. With regard to our ready-made clothing countries, we identify country-specific risks and their probability of occurrence.

In our supply chains, there are risks in the areas of working time regulations, overtime, weekly rest days, wage irregularities and continuous working periods. This can lead to increased workloads, health risks and financial uncertainty for employees.

There are also risks associated with compliance with health and safety standards, such as shortcomings in the use of personal protective equipment such as masks, gloves and safety goggles, as well as a lack of emergency lighting and inadequate safety precautions on machinery, which can increase the risk of accidents. Other risks in our supply chain include blocked escape routes and incomplete evacuation plans. Despite these challenges, positive developments are discernible: no cases of corruption or bribery, child labor or sexual discrimination were identified or reported.

Other important aspects are the careful selection of production companies, long-term cooperation and stability in the supplier portfolio as well as the support and assistance provided by our CR managers on site. These measures help to ensure and continuously improve social and ethical standards in our supply chain.

The pre-treatment, dyeing and finishing of textiles are summarized under the term "wet finishing". This stage of production gives most textiles their final properties, using considerable amounts of dyes, chemicals, water and energy. The resulting wastewater can contain undeclared chemicals from previous process stages, such as pesticides from cotton cultivation or sizing from weaving, as well as unfixed dyes and large quantities of the chemicals used. This wastewater poses a considerable potential risk to humans and the environment.

With the introduction of the BHive or BVE3 system for chemical inventory tracking in some of our production facilities, we have the opportunity to monitor the use of chemicals in our production processes in detail. This system allows us to identify potentially harmful substances used in our production processes at an early stage and

gradually replace them with more environmentally friendly alternatives. However, we have found that it is difficult to check whether the chemicals actually used on site fully match the substances entered into the system.

Our aim is to significantly minimize chemical risks for people and the environment. In addition, this transparent tracking not only allows us to improve our own standards, but also to help our suppliers to make their chemical processes more sustainable in order to jointly create a cleaner and more responsible supply chain.

We are a member of AMFORI, a leading global trade association that helps companies promote social and environmental responsibility in their supply chain. Through our membership, we use tools such as the AMFORI BSCI (Business Social Compliance Initiative) to continuously monitor the risks in our supply chain and ensure that ethical and sustainable standards are adhered to along the entire value chain.

In addition to the audits carried out by AMFORI, we also carry out internal audits of our main suppliers to check compliance with our strict guidelines. These regular audits help us to identify potential shortcomings at an early stage and implement targeted measures for improvement in order to strengthen our partnerships on a responsible and sustainable basis.

## VULNERABLE STAKEHOLDERS IN THE TEXTILE INDUSTRY

The textile industry employs millions of people worldwide, many of whom work under difficult conditions. Vulnerable groups, such as children, women, ethnic minorities, migrant workers, general textile workers, and home-based workers, often face poverty, job insecurity, discrimination, and lack of social protection.

### - **Child Labor**

Child labor is widespread in the garment and footwear industry, driven by poverty and economic pressure. Children often work in unregulated production facilities under poor conditions, as labor laws are not always enforced. Better education opportunities, financial support for families, and stricter enforcement of labor laws are necessary to combat this issue. Awareness campaigns can also help raise consciousness and eradicate child labor in the long run.

### - **Women in the Textile Industry**

Women make up a significant portion of the textile workforce but face risks such as discrimination, low wages, and sexual harassment. In patriarchal societies, they often work under unsafe conditions without legal protection. Important measures include transparent wage systems, protection against violence, stricter laws against harassment, and secure complaint mechanisms. Educational programs, awareness campaigns, and strong labor unions are essential to empower women and create lasting improvements.

### - **Ethnic Minorities and Migrant Workers**

Migrant workers and ethnic minorities often experience social and economic disadvantages, working under hazardous conditions for low wages without legal protection. Particularly affected groups include Adivasis and Dalits in India as well as migrants without permanent employment contracts. Stricter labor laws and access to social benefits such as health insurance and pensions are crucial to enhancing their safety and rights.

### - **Home-Based Workers**

Home-based workers are often unrecognized and work without social protection, contracts, or fair wages. Their invisible status leads to even worse conditions than in factories. Legal recognition is necessary to ensure they receive equal protections as other workers. Furthermore, they need access to social benefits such as health insurance and retirement plans. Binding regulations for fair wages, reasonable working hours, and decent working conditions are essential to strengthen their economic security.

As a responsible company, we acknowledge these challenges and are actively committed to improving conditions for these vulnerable groups in our supply chain. We work to protect and support minorities, women, and children by collaborating with our partners and supporting initiatives that promote living wages, better working conditions, and protection from exploitation.

To ensure that our values are upheld across our entire supply chain, we require our partners to sign a Code of Conduct that establishes binding social and environmental standards.

Additionally, we have implemented anonymous complaint mechanisms within our supply chain so that workers can report grievances safely, without fear of retaliation.

## INTEGRATION OF DUE DILIGENCE PROCESSES

To address and mitigate these risks, we have established a robust framework for due diligence processes across all our business operations and supply chains. This framework includes a continuous cycle of risk identification, impact assessments, and the implementation of preventive and corrective measures.

We conduct regular audits of our suppliers, promote transparent reporting, and work closely with external experts to evaluate the effectiveness of our measures. When necessary, we take immediate action to prevent or remedy violations of human rights, environmental standards, or ethical behavior. Our commitment to these due diligence processes ensures that we not only address current risks but also anticipate and mitigate future challenges before they escalate.

## COMPLAINT MECHANISMS AND PROTECTIVE MEASURES

If efficient complaint mechanisms are not available at a production site, we have implemented the "Speak for Change" initiative in some of our key production facilities together with our CR Managers. This initiative gives workers in our global supply chain a voice and strengthens their rights.

Through Speak for Change, we have created a platform that allows particularly disadvantaged groups such as women, minorities, and home-based workers to openly share their concerns and experiences. This initiative encourages dialogue between employees, our company, and other stakeholders to develop joint solutions for improving working conditions. Our goal is to ensure transparency, uncover grievances, and take concrete actions to guarantee fair working conditions throughout the entire value chain.

Additionally, we have introduced our FL Textil Complaint Mechanism in selected production sites:

- Affected individuals can report violations to us. We are committed to protecting complainants from retaliation and ensuring their anonymity to the best of our ability.
- In cases of legitimate complaints or reports of negative impacts on human rights, the environment, or integrity, which we have caused or contributed to, we will provide remediation and compensation or participate in the resolution process.

Complaints can be submitted in any language and are handled anonymously and with strict confidentiality.

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## CORPORATE INTEGRATION

This declaration of principles is an expression of our firm commitment to responsible and sustainable business activities that focus on respecting human rights, protecting the environment and maintaining integrity. The management adopts the social, environmental, ethical and compliance guidelines, including the crisis management guideline and the code of conduct, and actively participates in their continuous development.

Every part of our teams is called upon to live and promote these principles in order to make a positive contribution to society and the environment.

By continuously refining our approach to these complex challenges, we aim to protect vulnerable groups, reduce negative impacts and promote a culture of integrity and sustainability throughout our supply chain.

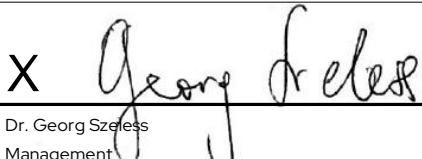
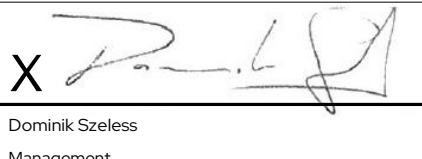
We raise employee awareness through internal regulations that aim to protect the rights of those affected. These form a binding framework for action.

Important documents in addition to this policy statement are

- Code of Conduct
- Social, Environmental, Ethics, and Compliance Policies, including the Crisis Management Policy

These documents are available internally on the shared company drive and accessible to all employees, regardless of their work devices. Additionally, a visible notice board ensures easy access to this information.

Revision history of the latest 3 revisions		
Launch date	Change description	Change by (initials)
07.03.2025	Update	SG
07.02.2025	Update	SG & TM
10.12.2024	Update	SG

 <p><b>X</b> Dr. Georg Szeless Management</p>	 <p><b>X</b> Dominik Szeless Management</p>
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