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## Code of Conduct

### Preamble

Companies in the German, and generally in the European or worldwide textile and fashion industry are committed to their social responsibility in their area of operations and their supply chain. In accordance with this global development, CHAPS Merchandising also faces these challenges of globalization, for whose achievement our company is committed to a social, ecological, and economic design of the entire textile value chain following our due diligence.

Therefore, there is no question for us: The needs of our customers determine our daily actions to a large extent. Basically, we at CHAPS Merchandising do not forget anyone who is part of our business processes. We sincerely appreciate the trust placed in us and do not want to disappoint anyone - socially and ethically as well as ecologically.

As we do not have our own production facilities, humanity and fairness are particularly important to us with regard to our suppliers. No one should be exploited or treated inhumanely if they are involved in any of the production processes surrounding our goods. Therefore, this Code of Conduct is guided by internationally recognized principles that address the protection of human and labor rights as they are described in the UN Guiding Principles on Business and Human Rights, the ILO Core Labor Standards, and the OECD Guidelines for Multinational Enterprises. In addition, broader goals and initiatives are pursued related to memberships in the Partnership for Sustainable Textiles and other certifications.

To ensure comprehensive standardization of the principles outlined in this statement, as well as the Supplier Code of Conduct adapted to the supply chain, relevant expertise from various external experts was utilized during the formulation of these documents. These included, for example, an extensive model from the company textil+mode, as well as publications from GermanFashion, the OECD, Germanwatch, and others, to cover specific content optimally.

CHAPS Merchandising places high demands on itself, but also on its suppliers. These are defined in this Code of Conduct. Both we and our partners see the adherence to these principles as a self-commitment, whereby we at CHAPS make every effort to go beyond these minimum standards - insofar as this is feasible.

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## 1. Scope

This Code of Conduct forms the basis of all business relationships. It concerns all processes and locations that are relevant to the processing of the commercial goods we purchase. Each business partner of CHAPS (suppliers, their producers, and subcontractors) guarantees to comply with the principles of this Code of Conduct.

The demands for the members of CHAPS' supply chain and all trading partners of any kind will be formulated in this document.

## 2. Basic Understanding of Socially Responsible Corporate Management

### 2.1 General Corporate Values

Willingness to perform, competence, and responsible action of all employees towards people and nature are the cornerstones of CHAPS' success. Tolerance and fairness enhance our principles, from which these principles derive:

- ✓ Cultural and legal framework conditions are observed and complied with, resulting in ethically correct and legally compliant behavior.
- ✓ Respectful, polite, and fair treatment of employees and third parties
- ✓ Appropriate consideration of the needs of customers and business partners
- ✓ Social commitment
- ✓ Gender, race, and religion, as well as other characteristics, are never a reason for discrimination
- ✓ Reliable, fair, and professional conduct form the basis of all business relationships

CHAPS considers it like the constitution: Human dignity is inviolable. Therefore, all employees must be treated with dignity and respect. Prohibited are all types of:

- ✗ Child labor
- ✗ Harassment and mistreatment (verbal, sexual, psychological)
- ✗ corporal punishment
- ✗ any other intimidation

Disciplinary measures are only permissible if they comply with internationally recognized human rights and if they do not violate legal provisions at a national level. Disciplinary measures are excluded if employees complain about violations.

Mutual reliability and sustainability characterize the relationship with all our business partners. All CHAPS employees are expected to behave fairly, respectfully, courteously, and honestly. That is why we make and communicate all decisions in a comprehensible and transparent manner. Of course, this also applies to the persons within our company who exemplify these principles to all employees daily. All employees conduct themselves according to the same principles.

## **2.2 Legal and Statutory Compliance**

CHAPS itself as well as all business partners must comply with internationally and nationally applicable laws. This is primarily aimed at the social and labor regulations and explicitly includes the requirements for environmental protection. The Code of Conduct may not be circumvented by passages in employment contracts or similar agreements.

To ensure compliance with laws and the rules set forth in the Code of Conduct, Suppliers are not allowed to subcontract deliveries to be produced by other, unknown suppliers without communicating the reasons and plant location respective further information.

## **2.3 Contribution to Social Development**

A company that is part of a public market sees itself as part of this society. Therefore, every member of this society has the obligation to contribute to well-being, general advancement, and sustainable development through its social actions and to take into account the direct and indirect consequences of the entrepreneurial actions. An appropriate reconciliation of interests in economic, social, and ecological terms must also be sought, in which the legal, societal, cultural, and social backgrounds of the countries in which our value chain operates are recognized by taking into account their structures, customs, and traditions. In case of conflicts of this Code of Conduct and social norms, CHAPS Merchandising will contact the respective business partners and work towards an appropriate solution.

## **2.4 Ethical and Integral Business**

CHAPS Merchandising interprets all its economic activities in accordance with legal business practices and thus takes principles into account that relate to fair competition, industrial property rights of third parties, as well as antitrust and competition law regulations. Accordingly, corporate objectives are aligned with the mitigation of corruption and bribery, as

well as the promotion of appropriate principles of corporate governance, such as transparency, accountability, responsibility, openness, and integrity.

To make the implementation of these principles as transparent as possible - and thus also to further legitimize them - transparency and openness are crucial in the form of reporting. To achieve this, regular updates will be published, communicated through our website, and efforts will be made to utilize other communication channels such as a comprehensive sustainability report.

## **2.5 Trade During Disruptions Like Covid-19**

International crises, such as the COVID-19 pandemic, create a major risk for the global value chain. At a time like this, when contact with our partners is becoming increasingly important, CHAPS is urgently concerned to continue to fulfill its due diligence and to continue the usual processes as well as possible, so that, for example, no orders have to be canceled.

## **3. Occupational Health and Safety**

### **3.1 Respect for Human Rights**

In general, the protection of human rights is the responsibility of the respective states in which the enterprises operate. However, respect for human rights by these companies and all their partners can support the respective states in fulfilling this obligation. Therefore, companies should conduct their activities in a way that does not compromise human rights and ensures their dissemination. This, in particular, is part of the due diligence of businesses, from which adverse effects must be identified, avoided and redressed.

### **3.2 Working Conditions**

In accordance with the mentioned standards, CHAPS creates a humane working environment. The implementation is supported by various measures and resources, such as this statement of principles, an internal grievance mechanism, regular employee conversations, and other forms of assistance.

### **Freedom of Association and Collective Bargaining**

The right of employees and employers to form associations, whose purpose is to promote and protect the interests of employees or employers, the right to join such associations, and the right to freely elect their representatives without prior authorization and at their own discretion, shall be respected. Every business shall respect the right of employees and employers to bargain collectively on wages and working conditions. Employees shall not be

disadvantaged with respect to their employment because of their membership in employee organizations.

### **No Forced Labor**

Economic activity based on forced or compulsory labor, debt bondage, or serfdom is not accepted by the companies. This includes any type of work or service required of a person under threat of punishment and for which he or she has not volunteered.

### **No Child Labor and Protection of Young Workers**

According to the provisions of the International Labor Organization, the minimum age for admission to employment or work may not be less than the age at which compulsory education ends. Legal regulations should be based on this norm. For CHAPS Merchising, the welfare and protection of children is central, which is why appropriate mechanisms for age assessment in recruitment procedures are mandatory for all trading partners, so that child labor can be identified and prevented at an early stage.

### **No Discrimination**

Discrimination has no place at CHAPS. We and our producers apply the principle of equal treatment, according to which there are no differences in treatment between workers and employees. Discriminations based on

- nationality
- skin color
- race
- ethnic origin
- gender
- ideology
- believes
- sexual identity
- appearance
- age
- physical constitution
- political attitude

are forbidden. Bullying and sexual harassment are strictly prohibited. Besides, every employee undertakes to respect the privacy of others.

### **No Abuse**

Any kind of assault or abuse by persons, whether in physical or digital form, is prohibited and must be sanctioned with an appropriate measure. In the event of uninformed observation of one or more assaults or abuses, these facts must be reported to the responsible supervisors immediately.

Counseling centers are:

Weißer Ring help hotline, Tel.: 116 006

Help hotline for violence against women, Tel.: 08000 116 016

Help hotline for violence against men, Tel.: 0800 1239900

### **Working Time**

The labor legislation of the respective country and the fundamental principles of the International Labor Organization (ILO) regulate working hours. Importance is attached to compliance with these principles and a maximum working time of 48 regular hours per week plus a maximum of 12 hours of overtime per week is assumed.

In addition, CHAPS sets the goal of giving all employees the right to rest breaks on every working day, observance of public holidays and the granting of a day off after six consecutive working days.

### **Remuneration**

Depending on which is higher, the remuneration of the employees corresponds to the statutory or industry-standard minimum wage. All business partners must ensure that this is the case and that the wage level covers the basic needs of the workers and employees. Overtime bonuses are mandatory and must be in accordance with the law or at the level that is customary in the industry. It is also essential that all employees receive the statutory social benefits.

Unjustified and illegal deductions from wages, which are indirect or direct disciplinary measures, are prohibited. The composition of their remuneration must also be communicated to employees in a comprehensible manner at regular intervals. Whether in the form of a bank transfer, check or other form: Every employee must practically receive their wages.

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### **Employment Circumstances**

Employment contracts or comparable documents that set out the terms and conditions of employment form the formal basis for employment. This is guaranteed by all business partners, and the following things must be clearly regulated:

- wages
- payment
- time period
- vacation entitlement
- benefits
- cancellation period

It is prohibited to circumvent the working conditions defined in this document as well as legal regulations regarding social security and labor law. Contract work and apparent training programs designed to evade the contents of the Code of Conduct are also prohibited.

### **Health, Safety and Hygiene**

CHAPS does not compromise on workplace safety. We expect all contractors, business partners and employees to comply with safety regulations. Awareness of hazards of all kinds in the workplace and attentive thinking are also required. This includes providing access to adequate sanitary facilities and break rooms, providing necessary protective equipment, and offering adequate health and safety training.

If accidents are detected, narrowly avoided or situations are assessed as potentially dangerous, these facts must be reported immediately to the responsible supervisors.

### **Humane Treatment**

CHAPS Merchandising and affiliated companies treat their workers with dignity and respect. All forms of undignified treatment, abuse, harassment, intimidation, and unlawful punishment of employees will be refrained from. Disciplinary action will be in writing and in a form the employee can understand.

## **4. Protection of Species and Nature**

Environmental protection plays a major role at CHAPS, which is why it is a clear corporate objective. The economic use of resources of all kinds is decisive for the manufacture of our products. These guiding principles must be followed:

- ✓ We burden our environment as little as possible, conserve all-natural resources and reduce the burden on people and nature as much as possible.



- ✓ We are guided by what is necessary for an intact environment and align development and design, production processes, packaging, and shipping accordingly - this also applies when we improve our processes and introduce new products.
- ✓ Important environmental protection standards, such as the OECD Guidelines for Multinational Enterprises, create the basic standard by which actions are to be guided concerning environmental issues.
- ✓ We count on our business partners to comply with all legal requirements relating to environmental protection.

To raise employee awareness, employees are to participate in training courses on environmental protection. We expect waste to be disposed of in the most environmentally friendly manner possible, taking into account economic aspects. The responsible departments within the company or - starting from there - the authorities must be notified immediately if environmentally harmful incidents occur.

#### **4.1 Chemical Safety**

To prevent chemicals from endangering the health of consumers and workers and from polluting water, care must be taken in purchasing and in the general choice of partners to ensure that processes for refining or raw material processing are selected that are low in chemicals and meet the general requirements of the MRSL (Manufacturing Restricted Substances List) and RSL (Restricted Substances List). The MRSL prohibits the use of certain chemicals completely or restricts them to specified dosages, while the RSL lists substances and substance groups that may only be detectable in the end product to a limited extent or not at all.

Furthermore, in addition to general compliance with these lists, particular attention must be paid to the requirements of the REACH Regulation ((EG) No. 1907/2006), which imposes further requirements on the chemical-related process with regard to registration, evaluation, authorization and restriction.

#### **4.2 Water**

In order to minimize the high risk of dyeing waters and an associated loss of biodiversity due to sewage sludge and ingredients that are difficult to degrade, these factors are particularly taken into account and checked in the supplier, process and disposal form.

#### **4.3 Greenhouse Gas Emissions**

The choice of partners also plays an important role in the avoidance of greenhouse gas emissions, as most emissions occur in the value chain. At this point, CHAPS attaches great importance to a sustainable approach, which is why, for example, companies such as DHL, which already relies on green energy, are chosen for transport. Furthermore, we achieve

savings through packaging which has been certified by the Green Dot, the switch to e-mobility, in which we use electric bicycles and hybrid vehicles, as well as compensating the unavoidable emissions caused by business travel. In order to minimize the emissions associated with the production and disposal of (plastic) packaging, measures such as the use of master polybags, recycled polybags, biodegradable polybags, and paper sleeves are increasingly being employed.

#### **4.4 Animal Welfare**

CHAPS considers the principles of animal welfare as indispensable. This shall ensure animal husbandry and appropriate use of animals. For this purpose, the Washington Convention on International Trade in Endangered Species (CITES) is recognized for the protection of animals and plants of endangered species.

## **5. Responsible Business Practices**

### **5.1 Certification and Memberships**

In order to provide all of the stated goals with a mandatory obligation to their implementation, CHAPS Merchandising strives for various certificates and participates in alliances that deal with the realization of this duty.

On the one hand, there is the membership in the Partnership for Sustainable Textiles, through which the framework of a learning organization is implemented, whereby a constant assessment and improvement of these factors is achieved. In addition, certificates such as GOTS (Global Organic Textile Standard), GRS (Global Recycled Standard) and the Green Button are strived for in order to make the implementation of the listed factors clearly recognizable.

On the other hand, the Green Dot certifies the use of environmentally friendly packaging, which reduces further risks to humans, animals and the environment in general. Not only the packaging used is certified, but also the paper used for everyday business is marked by the FSC certification system. Also, for the responsible disposal of hazardous waste, generated in the course of CHAPS' office use, membership has been taken out with the "Stiftung Gemeinsames Rücknahmesystem (GRS) Batterien", whereby batteries are collected and disposed of appropriately. To comply with regulations and properly manage the sale and disposal of electronic equipment (and electronic waste), handling of such items is covered by a membership with the ear Foundation (Electrical and Electronic Equipment Register).

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## 5.2 Bribery and Corruption

Corruption or attempted corruption of any kind, including extortion and bribery, and other unlawful practices will not be tolerated in the course of business relations.

Suppliers may not directly or indirectly offer, promise or demand bribes or other unjustified benefits in order to obtain or maintain an obligation or other unfair advantage. Nor may bribes or other unjustified benefits be demanded or expected from suppliers.

This requirement includes any form of corruption, which in addition to bribery also includes forms of donations or unauthorized sponsorships as well as violations of competition and cartel law.

Furthermore, all cases of money laundering are prohibited and legal requirements in this regard must be adhered to. Any suspected case or particularly observed cases must be immediately reported to superiors or management.

The OECD Guidelines for Multinational Enterprises apply:  
<http://www.oecd.org/berlin/publikationen/oecd-leitsaetze-fuer-multinationaleunternehmen.htm>

## 5.3 Consumer Interests

The health, safety and interests of consumers are the focus of CHAPS Merchising. Compliance with all legal regulations, including information and distribution measures through fair business, marketing and advertising practices as well as adapted information and distribution measures, is essential to ensure the quality and safety of the offers we publicize.

## 5.4 Purchasing and Management Practices

It is equally important to maintain regular communication with local and international business partners in order to understand the challenges and projects they are dealing with and which affect them. Related to this is the transfer of our guidelines to our partners so that they can also act according to them and thus the people working there are also taken into account and protected. This aspect is also a relevant factor when looking for new partners, because new business partners are checked with regard to their certifications and selected on the basis of this.

## 5.5 Data Protection and Security

CHAPS respects the data protection rights of all employees, business partners, customers, and other stakeholders. If the processing of personal data is necessary, it will be carried out in accordance with applicable data protection and security requirements.

Great importance is placed on protecting business secrets or confidential information, as well as intellectual property, from acquisition, use, or disclosure by or for third parties. To ensure this security, dedicated confidentiality agreements are among the measures employed.

## **6. Implementation**

This Code of Conduct is observed in all corporate activities and processes. Beyond the implementation in CHAPS Merchising, this Code of Conduct is also passed on to all business partners and their implementation is prescribed. Companies in the supply chain are supported in the enforcement of this standard through targeted measures, thus continuously improving compliance with human and employee rights.

### **6.1 Communication**

All employees and business partners must be able to read this Code of Conduct. This requires free access, good visibility, and, if necessary, translation into the appropriate local language. Anyone who notices a violation of content must contact and inform CHAPS immediately. This is the only way to sanction violations and avoid them in the future.

### **6.2 Monitoring & Grievance**

Producers receive a code of conduct. The receipt of which is documented and the implementation of which is verified. This includes the creation of grievance mechanisms and appropriate remedial actions through which the workers of the respective company can contact their employer or CHAPS as a contractor directly, whereupon a suitable solution to the described problem will be implemented as quickly as possible. As well as all the factors included in the Code, accessibility for workers within the production facilities is also verified. For complaints received or negative impacts identified, the resolution process described shall include appropriate mitigation and remediation measures according to an assessment of the severity of the problem in accordance with a predefined process.

In the CHAPS Merchising company, a large number of emerging problems and conflicts are communicated directly in an open discussion and a solution is found that is satisfactory for all parties. This is possible due to the close personal relationship that exists between all employees. Besides, there is also the possibility of anonymously submitting a concern in a complaint box.

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## Contact

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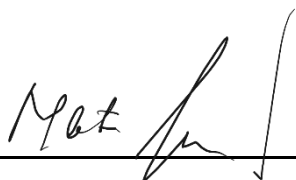
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