

As of: 01.03.2023

## PROGRESS REPORT (COMMUNICATION ON PROGRESS - COP)

Reporting period of your Progress Report (COP)

From: 01.01.2021      Bis: 31.12.2021

### 1. STATEMENT OF ONGOING SUPPORT FROM THE CHIEF EXECUTIVE OFFICER (OWNER OR PRESIDENT AT SMALL BUSINESSES)

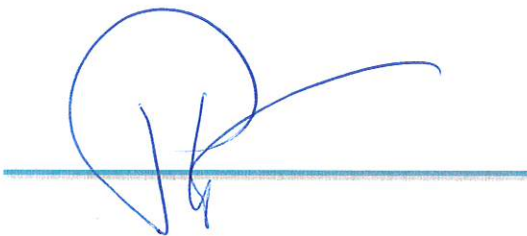
01.03.2022

I am pleased to confirm that Güldi-Moden GmbH reaffirms its support for the ten principles of the United Nations Global Compact in the areas of human rights, labour standards, environmental protection and the fight against corruption.

In this annual progress report, we describe our measures to continuously improve the integration of the Global Compact and its principles into our business strategy, corporate culture and daily operations. We also undertake to forward this information to our stakeholders using our primary communication channels.

Best regards,

Alfred Wippermann  
CEO Güldi-Moden



### 2. DESCRIPTION OF THE MEASURES

#### Human Rights

At the policy level, a policy statement was first drawn up and adopted by the company management. This policy statement is based on the OECD sector risks and obliges the company and its suppliers to comply with human rights. Furthermore, the Code of Conduct has been adapted, unauthorized subcontracting is rejected. The first priority is to provide supportive and advisory assistance for the preliminary stage if deviations or difficulties arise in the implementation of the UN requirements. If this is not successful or the violations are serious, a warning is issued or, if necessary, consequences must be drawn. Existing suppliers and new suppliers are informed about the COC and the Declaration of Principles and are asked to sign it in writing if possible.

Overview of the actual effects (positive or to be improved) in our supply chain, we have now started a closer communication with our suppliers. For this purpose, a self-assessment was developed, which provides information about the state of the risks in the supply chain. If necessary, existing audit reports are helpful here. On such a basis, it will be possible to identify deficits in the supply chains and to initiate mitigation measures in a planning / advisory manner.

In order to work more closely on our sustainability strategy, we have developed a supply chain monitoring with regard to environmental and social standards. Since we attach great importance to the personal visit and exchange with suppliers, we have also developed a quick scan here, which provides guidelines for the visit. This will also be used to establish an exchange with potential affected parties in the future.

Cooperation with audited suppliers is becoming increasingly important. For this reason, we are increasingly motivating our suppliers to be certified by, for example, STANDARD 100 by OEKO-TEX®, STeP by OEKO-TEX® or amfori BSCI.

A continuous dialogue with suppliers is characteristic of our cooperation. We also want to improve this dialogue in the area of sustainability and human rights. Our suppliers have made us aware of complaints in the control loop.

We are currently developing a possible incentive system for our supply chain links. The focus is on providing suppliers with documents in order to be able to carry out internal training courses themselves. By advancing the topic of sustainability in all its facets, we want to strengthen cooperation and thus enable a closer partnership.

Furthermore, we are planning the first steps to create transparency from production countries to fiber production. For this we are in close communication with our suppliers.

On our way towards increased sustainability, we work together with the experts of the hessnatur Stiftung. This enables us to integrate external expertise, which itself is also integrated into a large network of stakeholders. Together, we have implemented a roadmap for 2021, which will be continued in 2022. In the future, we also plan to expand our work with other representatives of civil society such as NGOs.

As part of the cooperation with the hessnatur Stiftung, training courses on the topic of sustainability are also held. Among other things, the content included the identification of human rights risks, social standards and environmental requirements. The training content is then shared internally with decision-makers and departments via the responsible departments, so that it can be implemented holistically in the company where it is relevant.

We have also set up an internal and external complaints mechanism. Internally, we have given employees the opportunity to pass on complaints, improvements and suggestions without having to reveal their identity. This system is handled internally by a neutral responsible person.

The external complaints mechanism is used to communicate with potentially affected persons and to create remedial measures if necessary. The contact can be made publicly accessible either via the suppliers or the website. The complaints mechanism follows an internally defined process.

To date, no complaints have been received, so no corrective action has yet had to be taken.

### **Labour standards**

In our Code of Conduct and in our Declaration of Principles, we and our suppliers undertake to comply with current labour standards such as the ILO core labour standards. By taking note of our suppliers, we want to motivate them to strive for the same principles.

There is a continuous, partnership-based exchange with our suppliers. We also specifically talk about working conditions.

Many of our suppliers are certified, e.g. by STeP by OEKO-TEX®, ISO 9001, Fairtrade. Thus, a minimum standard of safe working conditions can be established.

Our supplier evaluation and our Quick Check include all current labor standards. As a result, the success of the measures can also be assessed in a practical way.

In cooperation with the hessnatur Stiftung, we have received targeted training courses to build up skills in the field of work standards. This content continued to be shared internally in order to embed it in strategies throughout the company.

### **Environmental Protection**

Through our Declaration of Principles, we commit ourselves to respecting environmental obligations. Environmental protection is also a central topic in our Code of Conduct. By being recognized by our suppliers, we want to ensure that they are informed and act in accordance with our principles.

The topic of ecology was also integrated into the supplier evaluation in order to integrate the sustainability strategy into all business processes in greater depth. Since we attach great importance to the personal visit and exchange with suppliers, the Quick Scan also deals in depth with the environmental effects and the chemical management at the suppliers. In the future, the Quick Scans will also be used to establish an exchange with potential affected parties.

We have already worked on developing our collections in a more sustainable way. The use of recycled materials is currently being considered here. Initial discussions with suppliers and subcontractors are already underway. The first samples (fabric samples) have already been obtained. They are currently being checked in the design department to see how the implementation is possible in accordance with our quality standards.

Güldi-Moden is part of the “Grüner Punkt”-system (cardboard boxes and packaging). During recycling, constant attention is paid to the avoidance of polymer packaging. Large plastic bags, in which goods are delivered, are mostly reused. This also applies to cardboard and pallets. This eliminates the massive disposal, and at the same time the purchase of packaging.

Through cooperation with audited suppliers (STANDARD 100 by OEKO-TEX®, STeP by OEKO-TEX®, ISO 14001), active attention is paid to environmental protection and this is continuously accompanied by an exchange. The majority of our suppliers are audited, which we attach great importance to at Güldi-Moden.

The sustainability unit holds regular (monthly) internal training sessions with relevant departments or persons on environmental issues. Güldi-Moden is assisted by the hessnatur Stiftung also in the field of environmental protection. This ensures internal competence development through external expertise.

### **Anti-Corruption**

Güldi-Moden is committed to reducing the risk of corruption. For this reason, our Code of Conduct and the Declaration of Principles prohibit all forms of corruption. In addition, we have added a ban on unauthorized subcontracting, as subcontracting can promote corruption. We inform our suppliers by requesting that they take note of these documents.

If corruption is discovered among our suppliers, mitigation measures should be taken first. A partnership-based cooperation is important to us. Only if these measures do not promise success over time, suppliers will be warned or sanctioned.

A 4-eye principle is applied in our internal processes. In principle, purchasing is only carried out on the basis of customer orders, in exceptional cases on the basis of management decisions.

### **3. MEASUREMENT OF RESULTS**

Every year we set ourselves goals, which we accompany with measures and which can be evaluated by KPIs. Here we report on the status quo in 2021 and the goals for the coming years.

Acknowledgement by suppliers	Manufacturers	Wet processes	All suppliers
Self-disclosure	100%	50%	77%
Declaration of Principles	100%	67%	85%

Code of Conduct	100%	67%	85%
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	„Grüner Knopf“ supply chain	Wet processes	All suppliers
Share of suppliers with at least 1 certificate	100%	83%	46%

	2021	Goal (yearly)	
Participation in training courses/ webinars	3	3	completely fulfilled
Number of measures implemented	11	9	completely fulfilled

	2021	Goal (2023)
Share of STANDARD 100 by OEKO-TEX <sup>®</sup> compliant surgical clothing	40%	50%
MADE IN GREEN by OEKO-TEX <sup>®</sup> compliant surgical clothing	55%	60%
Percentage of biannual visits	0%*	70%
Proportion of suppliers sensitized to the complaints mechanism	0%	50%

\*Pandemic-related

#### 4. EVALUATION OF THE RISK ANALYSIS

As part of exercising our corporate due diligence, we conduct a risk analysis at various levels. In the interests of transparency, the results will now be reported here.

##### **Material**

As a manufacturer of workwear, we attach great importance to quality and, in particular, the durability of our products. We rely on the raw materials cotton, polyester and Lyocell Tencel™.

These materials are associated with specific risks. In the cultivation of cotton, child and forced labor can sometimes appear. Furthermore, cultivation is very resource-intensive, the use of pesticides and the cultivation of monocultures can have a negative impact on the environment, among other things.

There is also a big discussion on the market about the raw material petroleum and the impact of polyester on the environment. Furthermore, chemicals are used here that can enter the environment without appropriate wastewater systems and cause damage there.

##### **Business Model**

Our business model is based on long-term business relationships, fair contracts and collections with a term of more than 5 years. We stand for good predictability and try to avoid temporal and financial pressure on suppliers as much as possible. Thus, our business model is relatively low-risk.

### **Manufacturing**

Risks in clothing are typically in the area of social standards. We were able to identify potential risks in the areas of freedom of association and assembly, working conditions (contracts, working hours), discrimination, wages and remuneration, child and forced labour as well as occupational health and safety.

Through many years of cooperation with suppliers, supplier visits, relevant certifications, Code of Conduct and our Declaration of Principles, we counteract the risks. In particular, we prohibit any unauthorized subcontracting.

So far, it has not been possible to identify any negative effects that have actually occurred.

### **Wet processes**

In our risk analysis of wet processes, environmental risks appear above all. In particular, wet processes have a negative impact on water availability and air pollution. In addition, however, the risks specific to the textile industry in the area of social standards such as occupational safety and security, freedom of association and discrimination also appear.

Güldi-Moden relies on suppliers in Europe (Germany, the Netherlands, Italy, UK) due to the comparatively highest European standards in terms of environmental obligations and social standards.

Through many years of cooperation with suppliers, supplier visits, relevant certifications, Code of Conduct and our Declaration of Principles, we counteract the risks. In particular, we prohibit any unauthorized subcontracting.

So far, it has not been possible to identify any negative effects that have actually occurred. ✓

## ADDITIONS TO THE PROGRESS REPORT FOR THE YEAR 2022

### ***Additions to the measures and results in the areas of human rights, labour standards and environmental protection for the year 2022:***

All existing suppliers as well as newly listed suppliers at tier 1 and 2 level have been informed about the Code of Conduct (CoC), the sub-order specification and the Declaration of Principles and have acknowledged the policies by signing them. This has underpinned the prerequisite for compliance with corporate due diligence obligations in a spirit of partnership.

In order to increase transparency in the supply chains, in particular with regard to actual effects, a supplier self-assessment at tier 1 and Tier 2 level was carried out, as well as on-site visits to selected suppliers at the ready-to-wear level. During the on-site visits, the Sustainability Unit systematically evaluated the conditions of the production facilities on the basis of a quick scan. The content of the Quick Scans is based on the OECD sector risks and asks the status quo of the suppliers on these risks. In addition, in the course of the quick scans and the on-site visits, a dialogue with potentially affected people took place. A continuous dialogue with the suppliers continues to be extremely important to us and we strive for sustainable and long-term business relationships. Furthermore, the cooperation with audited suppliers, for example audited according to STANDARD 100 by OEKO-TEX<sup>®</sup>, STeP by OEKO-TEX<sup>®</sup> or amfori BSCI, has been expanded. Where necessary and appropriate, new suppliers were supported in the audit preparation according to STeP by OEKO-TEX<sup>®</sup>. An evaluation of the existing suppliers in the areas of environmental and chemical management, quality management, and social standards was continued. For example, it was possible to state that suppliers at tier 2 level are all consistently certified with ISO 14001 in terms of environmental management.

In addition, we have sought and expanded the dialogue with other multi-stakeholders in 2022. In addition to being a member of the UN Global Compact, we are a member of the MaxTex association, which promotes the development of skills and the exchange between members for sustainable action along the entire textile value chain. In addition, the Sustainability Unit has participated in various training courses in the course of its memberships, including on the topics of an integrated health, environmental and climate strategy and corporate due diligence obligations in the field of human rights. The findings from the theoretical training courses as well as from the practical work were passed on to internal employees on a monthly basis and discussed.

In the area of complaint management, both internal and external findings were achieved. Externally, the complaint systems of the suppliers at tier 1 and Tier 2 level were queried and substantiated with evidence. This made it possible to gain an overview of the complaint mechanisms in the immediate supply chain. The internal complaints system, consisting of a complaints box in its own business units and a compliance e-mail address, publicly available on the website, was set up in the previous year and tested in this constellation and implementation in 2022. Based on the reviews of the complaints received on the compliance e-mail address, it can be noted for the year 2022 that there were no complaints that fall within the scope of the risks defined in the risk analysis and suitable reporting topics. Therefore, no further steps and remedial action were necessary with regard to the

complaints received. For the year 2023, we set ourselves the goal that in the course of „recertification“ according to Grüner Knopf 2.0, we will be able to review our complaints system with regard to accessibility and effectiveness and adjust it where appropriate.

As a result of the measures described above, the following results and progress are to be recorded in 2022, and the following goals are to be achieved for 2023:

	2022	Goal (Yearly)	
Participation in training courses/ webinars	>5	3	completely fulfilled

	2022	Goal (2023)
Proportion of STANDARD 100 by OEKO-TEX® compliant surgical clothing	40%	50%
Proportion of OEKO-TEX® compliant surgical clothing MADE IN GREEN	45%	50%
Share of suppliers with valid audits	50%	50%
Percentage of biannual visits	75%	75%
Proportion of suppliers sensitized to the complaints mechanism	50%	60%

***Additions to the evaluation of the risk analysis for the year 2022:***

Due to new suppliers at the ready-to-wear level, we supplemented the risk analysis on an occasion-related basis and considered the risks of the new suppliers at the country and supplier level. In addition, the knowledge gained from the audit reports of the suppliers and their own on-site visits and quick scans were used to evaluate the risks.

No actual negative effects that have occurred have been identified.

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