



DECLARATION OF PRINCIPLES

BayCity
Textilhandels GmbH

2021 / VERSION 2.0

PREAMBEL

Corporate Responsibility (CR) towards people and the environment is a high priority for Bay City Textilhandels GmbH (hereinafter referred to as "Bay City"). With our sustainable operations in the value-added chain, we improve social, ecological and economic criteria in the long term. As a forward-looking company, Bay City works continuously to improve and develop its CR guidelines.

In order to achieve our goals, we rely on cooperative partnerships based on guiding principles and conventions at international level. Our actions are according to the 2011 United Nations Guidelines for Business and Human Rights, the UN Convention on the Rights of the Child, the Convention on the Elimination of All Forms of Discrimination against Women, the conventions of the International Labour Organization (ILO) and the OECD Guidelines for Multinational Enterprises.

In the following declaration of principles, we define these standards for social and fair acting. We focus on CR core issues of social, environmental and transparency and expect our business partners to work with us for achieving common goals in the sense of long-term cooperation.

The declaration of principles is divided into the following chapters:

1. INTERNAL CODE OF CONDUCT
2. EXTERNAL CODE OF CONDUCT - COMPLIANCE GUIDELINES
3. ENVIRONMENTAL POLICY
4. PRODUCT DEVELOPMENT
5. VULNERABLE GROUPS AND RISK AREAS, RISK ANALYSIS
6. COMPLAINT MECHANISM

Further information about our commitment to fair fashion can be found at <http://www.eco-facts.eu>.

Norderstedt, April 30th.2021

Jan-Peter Schmidt
CEO Bay City Textilhandels GmbH

1. Internal Code of Conduct

In the following, we explain our self-conception as base of our daily activities. These expectations are binding, communicated and made available to every employee. Additional information concerning procedures are regulated in a publicly accessible employee manual being updated continuously.

1.1. Human Rights and Labour Law

Our basic understanding of mutual interactions of all employees and business partners is based on fairness and respect as well as the protection of everyone's privacy. Any kind of discrimination and unfair treatment based on gender, ethnic origin, religion, disability or age will not be tolerated at all.

We fully deny any kind of mobbing and possible sexual harassment regardless of a person's position and relationship. Concerned persons have the right to speak open and freely to their supervisors or a person of their trust without to fear of disadvantages.

1.2. Avoiding Conflicts of Interest

1.2.1 Conflicts of Interest due to secondary Employment

Each employee provides her or his entire labour force at the disposal of the company. Any secondary employment, whether paid or unpaid, requires the prior written confirmation of the employer. Approval must be given if the employer's interests are not affected by the secondary employment.

1.2.2 Conflicts of Interest due to Shareholdings

Any activity of employees for a company / any participation in a company that is in competition with the employer or its customers or with companies that are directly / indirectly affiliated with the employer is prohibited. Any participation of the employees in a company which is not

in competition with the employer / its customers / a company which is socially affiliated with the employer, which goes beyond solely financial investment of money, requires the prior approval of the employer.

1.3. Dealing with Grants

The offering of any kind of gifts / benefits to persons or companies with whom Bay City maintains or wishes to establish a business relationship and which influence or might influence business decisions of the person or company is generally prohibited. Likewise, the acceptance or solicitation of gifts / benefits of any kind is strictly prohibited.

Offering and accepting gifts / benefits is only permitted if the employer does not decide that such benefits belong to the employer or to be made available to the employer and that these are made in a manner of proper business behaviour, i.e. not violating applicable laws as well as

- i. generally and ethically acceptable local business practices (e.g. small gifts of low value so that the recipient does not have to hide the acceptance and does not become a dependent, or dinner invitations expected as a result of regular social relations between business partners); or
- ii. constitute a customary local tip.

1.4. Handling of operational Information and Data

The employee is obliged to maintain secrecy in regard to all confidential matters of the employer, especially regarding company and business secrets, both during the term of the employment relationship and after its termination.

1.5. Data Protection Directive in accordance with the EU Basic Data Protection Regulation (EU-DPR)

In order to ensure and comply with the EU-DPR, all employees are informed about the associated rights and obligations in the course of operations and sensitised to the correct

handling of personal data. New employees receive extensive training, which is repeated by regular intervals for all employees. Corresponding documents and guidelines are updated in accordance with the current legal situation.

1.6. Occupational Health and Safety

The safety of employees and health care are given high priority. For example, the company is professionally advised, supported and trained by external expert in the areas of fire protection and occupational safety. The same applies to health care for all employees through a free annual flu vaccination and individual travel protection for stays outside Europe. In the event of a pandemic, we ensure the safety and health of our employees by quickly adapting our operational processes as part of our risk management.

1.7. Raising Awareness / CR Training of Employees

The company also promotes among its employees awareness of the undertaken CR activities. Training on relevant topics and internal principles regarding the cooperation with business partners and corporate due diligence is regularly held. Monthly newsletters are distributed internally for providing further information on recent topics. A website explains activities, memberships and certificates for external stakeholders.

2. External Code of Conduct - Compliance Guidelines

By signing our General Terms and Conditions of Purchase ("GTC"), our business partners in the area of sourcing commit themselves to implement compliance with minimum social and ecological standards as well as to communicate the basic principles to their supply chain. Our Code of Conduct is the precondition for every business relationship and the event of non-compliance will result in the termination of such. More details can be found in our "Zero -

Tolerance - Policy" including process flow (see Appendix I); in Appendix II the established escalation process is shown.

In order to support our business partners in their actions, we have developed appropriate tools showing which requirements are necessary and how they can be implemented:

- CR – Manual
- Info – Fact –Sheets
 - Housekeeping
 - Child Labor
 - Minimum wage/Working hours
 - Grievance mechanism
- Internal audits

The above-mentioned requirements are regularly reviewed and updated in the light of current circumstances, such as the Corona pandemic.

The respect and implementation of human rights and the safety of workers in the textile and garment industry is our highest priority.

We have been supporting the protection of employees and the safeguarding of their rights through our membership in the industry initiative amfori BSCI since 2010. Compliance with these principles (see Appendix III "amfori BSCI Code of Conduct") is monitored by regular audits by independent institutes in 13 subject areas, so-called "Performance Areas" ("PA"). We support our suppliers proactively in the preparation of the audits and also accompany them in the post-processing as well as conformity with the measures that arise.

In Bangladesh, as one of our sourcing markets with high risks in terms of building safety, Bay City, as part of the Schmidt Group, has been an active member of the "Accord on fire and building safety in Bangladesh" (ACCORD) / RMG Sustainability Council (RSC) since 2013. The core element of this international industry initiative is the identification and assessment of deficiencies in regards of building safety (structural, fire and electrical) and subsequently support in their remediation.

For each individual order/item, we request our suppliers to provide a detailed overview of the required information for the entire supply chain (e.g. spinning mill, fabric mill, printing plant, etc.) and the sources of components in order to ensure transparency in the supply chain. Subcontracting may only be carried out in pool factories that comply with Bay City's compliance guidelines.

3. Environmental Policy

We - Bay City - stand up for the environment and are aware of our responsibility to develop a future worth living for the today's and future generations.

We are committed to act in a sustainable and resource-saving manner and investment in a clean future.

We are already actively protecting the environment at our site by the following CR measures:

- Innovative heating technology with combined heat and power unit (CHP) -> CO₂-saving heating
- Electricity consumption is partly covered by solar generated electricity
- Conversion from halogen lights to energy-saving LED technology
- Energy monitoring: Sustainable control by evaluating all consumption meters
- Partial use of motion detectors for lighting
- Use of ceramic tableware and metal cutlery in the kitchen
- Effective loading of shipping containers in the manufacturing countries
- Avoidance of transportation by air
- Use of video/telephone conferences to avoid unnecessary travel

- Subsidy for usage of public transport to get to work and active membership of fitness centers to support and prevent physical activity
- Provision of beverages such as sustainably produced coffee and tea as well as filtered, carbonated water directly from the tap to avoid the use of returnable bottles

4. Product Development

In terms of products, resource-saving developments and the protection of humans, animals and the environment have the highest priority. The following points form the base of this process:

Transparency and verifiability: By using selected and credible certificates in the selection of materials and production, we continuously develop our products:

1. In addition to the OEKO-TEX® STANDARD 100 for all materials and components, we have been steadily increasing the proportion of clothing made from cotton in accordance to the Global Organic Textile Standard (GOTS) and the "MADE IN GREEN" standard from OEKO-TEX® since 2014.
2. For products that do not meet the strict criteria, we strive to enable the use of certified organic cotton ("Organic Cotton") and to award the "Organic Content Standard" ("OCS") label accordingly.
3. Once using cellulose fibres, we prefer the usage of sustainable viscose fibres from LENZING (ECO VERO, MODAL and TENCEL).
4. We are developing a roadmap for gradually increasing the proportion of recycled synthetic fibres instead of using newly produced fibres based on natural resources such as crude oil. In this context, we will be certified according to the "Global Recycled Standard" (GRS).
5. In order to make a meaningful contribution regards of packaging as well, we use FSC certified paper for the majority of our products. In this way we promote ecologically adapted, socially beneficial and economically profitable forest management.

6. New, alternative plant-based materials are considered in development projects and their alternative use for products and packaging is examined.

Animal welfare is also an important element. Accordingly we pay attention to strict guidelines in the context of product development and production.

1. The use of down and feathers is subject to strict qualitative and ethical requirements (exclusion of live plucking). It is constantly being replaced by alternative materials that show no loss of quality. We ensure this through our certification according to the "Responsible Down Standard" ("RDS").
2. The use of animal fibres whose production is critically reviewed, shall be carried out with regard to international animal welfare. When shearing merino sheep in Australia, we pay attention to the prohibition of "mulesing" and prefer to source from alternative sourcing countries.
3. We either exclude the use of fine hairs such as cashmere and angora - due to critical husbandry conditions - or disclose a transparent and certified supply chain.

In order to protect the environment, we follow our own strict chemical regulations by binding specification lists.

1. A product-related Restricted Substances List ('RSL') and additionally a Manufacturing Restricted Substances List ('MRSL') for the production process, The MRSL is based on the standards of the "Zero Discharge of Hazardous Chemicals ("ZDHC") initiative, strict specifications such as the "Global Organic Textile Standard" ("GOTS") and "MADE IN GREEN" by OEKO-TEX®. Other existing programmes and individual customer requirements are checked, evaluated and integrated into a catalogue of requirements.
2. Furthermore, we exclude work steps that are hazardous to health, such as sandblasting of denims ("sandblasting") and, within the framework of the GOTS specifications, are working on a phase-out of the chemical potassium permanganate ("PP spray"), which is used for the partial lightening of denim fabrics.
3. In this context, the handling and use of textile auxiliaries and dyes is strictly regulated. We therefore work with suppliers who maintain inventory of their chemicals and

regularly check them by using modern software solutions to ensure compliance with our strict chemical restrictions and optimise them with our internal experts.

4. Compliance with DETOX requirements is ensured by regular waste water and sludge tests conducted by accredited test laboratories in our partner companies with doing wet processes. The results are discussed with the suppliers and improving measures are agreed upon.

5. Vulnerable Groups and Risk Areas, Risk Analysis

In order to consider the impact on people and the environment resulting from our business activities in a responsible manner and to be able to implement appropriate measures in our purchasing practice, we regularly elaborate risk analyses.

In view of a continuous improvement process, our risk analyses on respect and implementation of human rights are particularly based on the OECD guidelines for multinational companies and the conventions of the ILO. In correspondence to identifying potential country-specific risks (such as child labor, forced labor, occupational safety, discrimination, minimum wages, working hours, freedom of association and collective bargaining, corruption, etc.). Furthermore we take into account the risks associated with the implementation of human rights. We also consider potential vulnerable groups such as women, ethnic and/or religious minorities, national & international migrants, indigenous peoples, LGBTQI, homeworkers and members of the affected community. Our clearly set and daily pursued aim is the continuous reduction and prevention of negative impacts on people and the environment. This must also be taken into account in times of pandemics, in which vulnerable groups may increasingly be disadvantaged.

6. Complaint Mechanism

Within the framework of our membership of "ACCORD" we are using the existing complaint mechanism for our production facilities in Bangladesh. We are in close contact with local

employees and other ACCORD members in order to jointly remedy or clarify any grievances arisen.

In other sourcing countries, i. e. China, Pakistan etc., is currently no active complaints mechanism in place. According to our experience, it is not effective for single brands to develop its own complaint mechanism. There has to be an overall concept to which many brands are connected, in order to jointly initiate appropriate measures and find a solution. Within the framework of an existing working group of amfori BSCI it is planned to create a general complaint mechanism and to implement it in other production countries. We have decided to actively participate in this working group in order to establish a functioning "Global Grievance Mechanism" for all sourcing countries in the future.

In an additional inquiry, on base of our template, it will be ensured that an internal complaints mechanism is already in place in the factory and being processed according to the necessary requirements. The regular monitoring of these tasks enables us to control the functionality of the system and to improve it, if necessary.

In a critical case of confirmed child labour, a reporting process takes effect. The organisation "Centre for Child-Rights and Corporate Social Responsibility" ("CCR CSR") supports us with a contact person to analyse and deal with the incident appropriately.

We can look back with satisfaction on what we have already achieved,
but we are always setting ourselves new goals,
which we pursue with great commitment and interest and implement in the long term.

Appendix I: ZERO TOLERANCE POLICY



March 2019

ZERO TOLERANCE POLICY

DEFINITION

Our ZERO TOLERANCE POLICY focuses on issues which directly jeopardize and/or harm in physical and/or psychological terms respective vulnerable groups and/or violating their fundamental human rights. Zero Tolerance cases are (following amfori BSCI Zero Tolerance Protocol):

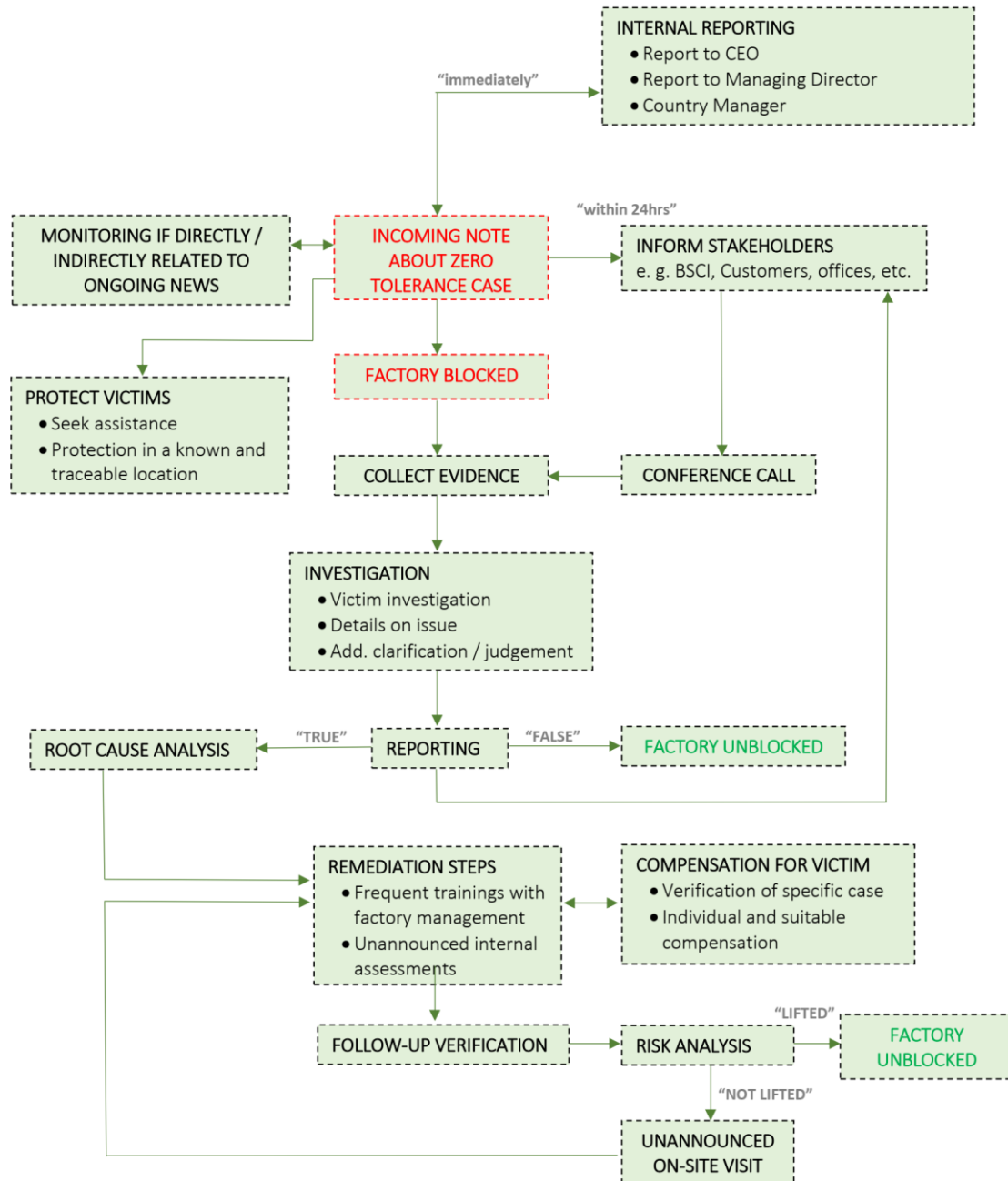
- **Child Labour** – Factory employs workers who are younger than 15 years old (or the legal minimum age defined in the country) or workers younger than 18 who are subjected to forced labour.
- **Bonded Labour** – Factory does not allow workers to leave the workplace or forces them to work overtime against their will. Factory uses violence or the threat of violence to intimidate workers to force them to work.
- **Inhuman Treatment** – Factory applies inhuman and degrading treatment, corporal punishment (including sexual violence), mental or physical coercion, and/or verbal abuse against its' workers.
- **Occupational Health and Safety** – Occupational health and safety violations that pose and imminent and critical threat to workers' health, safety, and/or lives. There is no satisfactory evidence that the factory respects the workers' right to remove themselves from imminent danger without seeking permission, installed an adequate amount of properly working firefighting equipment, ensures that escape routes, aisles and emergency exits in the production site are not blocked, easily accessible and clearly marked and ensures adequate safeguards for any machine part, function, or process which may cause injury to workers.
- **Unethical business** – Factory attempted bribery and/or intentionally misrepresents the supply chain (e.g. hiding production sites, lacking a business license, and purposefully under-declaring the size of the workforce).

Furthermore, our ZERO TOLERANCE POLICY covers significant harmful impacts threatening directly the environment. Zero Tolerance cases are:

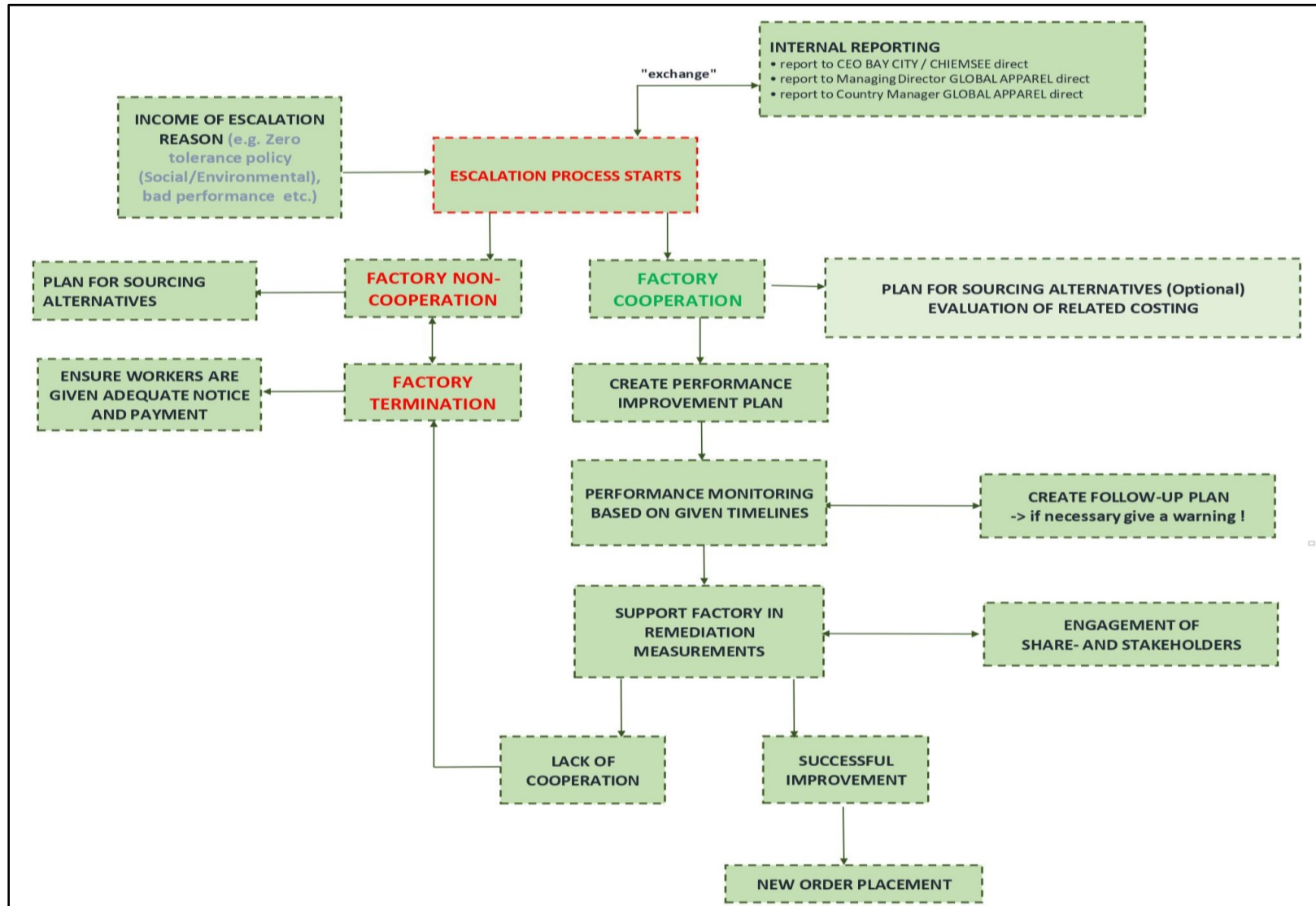
- Missing or dis-functional Effluent Treatment Plan (ETP)
- Dis-functional or incomplete bypass drainage line
- Contamination of soil through chemicals and industrial wastage

These respective issues require an immediate and consistent intervention, i.e. prompt stop of the Issue(s) and implementation of enduring remediation process as well as continuously monitoring of taken corrective actions. Unless risk analysis has not been verified as being lifted, no further orders are being placed at respective factory.

PROCESS FLOW CHART – ZERO TOLERANCE CASE



Appendix II: Escalation Process



Appendix III: Code of Conduct

amfori BSCI Code of Conduct

Our enterprise agrees to respect the following labour principles set out in the amfori BSCI Code of Conduct.

amfori BSCI Principles



The Rights of Freedom of Association and Collective Bargaining

Our enterprise respects the right of workers to form unions or other kinds of workers' associations and to engage in collective bargaining.



Fair remuneration

Our enterprise respects the right of workers to receive fair remuneration.



Occupational health and safety

Our enterprise ensures a healthy and safe working environment, assessing risk and taking all necessary measures to eliminate or reduce it.



Special protection for young workers

Our enterprise provides special protection to any workers that are not yet adults.



No bonded labour

Our enterprise does not engage in any form of forced servitude, trafficked or non-voluntary labour.



Ethical business behaviour

Our enterprise does not tolerate any acts of corruption, extortion, embezzlement or bribery.



No discrimination

Our enterprise provides equal opportunities and does not discriminate against workers.



Decent working hours

Our enterprise observes the law regarding hours of work.



No child labour

Our enterprise does not hire any worker below the legal minimum age.



No precarious employment

Our enterprise hires workers on the basis of documented contracts according to the law.



Protection of the environment

Our enterprise takes the necessary measures to avoid environmental degradation.

amfori BSCI Approach



Code Observance

Our enterprise is obliged to protect workers' rights as mandated by the law and the amfori BSCI Code.



Workers' Involvement and Protection

Our enterprise keeps workers informed about their rights and responsibilities.



Supply Chain Management and Cascade Effect

Our enterprise uses the amfori BSCI Principles to influence other business partners.



Grievance Mechanism

Our enterprise provides a system to collect complaints and suggestions from employees.

www.amfori.org

amfori  **BSCI**
Trade with purpose



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