



# DECLARATION OF PRINCIPLES

***BayCity***  
Textilhandels GmbH

March 2025 / VERSION 2.3

# PREAMBEL

Corporate responsibility toward people and the environment is a high priority for Bay City Textilhandels GmbH (hereinafter referred to as "Bay City").

Through our sustainable actions within the value chain, we continuously improve social, ecological, and economic criteria in the long term. As a forward-thinking company, Bay City is constantly working on enhancing and developing its Corporate Responsibility (CR) policies.

To achieve our goals, we rely on partnership-based cooperation that aligns with international principles and conventions. Our actions are based on the United Nations Guiding Principles on Business and Human Rights (2011), 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 policy statement, we define these guidelines for socially responsible and fair business practices. We focus on the core CR topics of social responsibility, environmental protection, and transparency, and we expect our business partners to collaborate in achieving shared goals as part of a long-term partnership. This policy statement is structured 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, March 2025*

Jan-Peter Schmidt  
CEO Bay City Textilhandels GmbH

# 1. Internal Code of Conduct

In the following, we explain our self-concept as the foundation of our daily actions. These expectations are binding and are communicated and made available to every employee. Further information on operational procedures is provided in the employee handbook, which every employee can access and is continuously updated.

## 1.1. Human Rights and Labour Law

Our fundamental understanding in our interactions with all employees and business partners is based on fairness, respect, and the protection of privacy. Any form of discrimination or unfair treatment based on gender, ethnic origin, religion, disability, or age will not be tolerated at any time.

Likewise, we firmly oppose any form of bullying and potential sexual harassment, regardless of a person's position or relationship. Those affected have the right to openly and freely address their concerns with their supervisor or a trusted person without fear of negative consequences.

In addition to an internal complaint/idea box, employees have access to an independent and external whistleblowing system, which they can turn to in confidence.

## 1.2. Avoiding Conflicts of Interest

### 1.2.1 Conflicts of Interest due to secondary Employment

Each employee makes their full working capacity available to the company. Any secondary employment, whether paid or unpaid, requires prior written approval from the employer. Approval must be granted if the secondary employment does not conflict with the employer's interests.

### 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 gifts or benefits of any kind to individuals or companies with whom Bay City maintains or seeks to establish a business relationship, and which influence or may influence the business decisions of the recipient, is strictly prohibited. Likewise, the acceptance or solicitation of gifts or benefits of any kind is generally forbidden.

The offering and acceptance of gifts or benefits are only permitted if the employer does not determine that such advantages belong to or must be made available to the company, and if they occur within the framework of proper business conduct, meaning that no applicable laws are violated and they represent:

- i. Generally and ethically acceptable customary business practices (e.g., small gifts of minor value that do not require secrecy and do not create a sense of obligation for the recipient, or meal invitations that are expected due to regular social relationships between business partners), or
- ii. A customary local gratuity.

### 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 sensitized 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 and health of employees are of high priority. The company receives professional advice, support, and training on fire protection and occupational safety from external security experts. The same applies to employee health care, which includes a free annual flu vaccination, vision tests, and individual travel protection for stays outside of Europe. In the event of pandemics, we ensure the safety and health of our employees through swift adjustments to operational processes as part of our risk management strategy.

#### 1.7. Raising Awareness / CR Training of Employees

The company promotes awareness of its CR activities among employees as well. Relevant training on topics and internal principles regarding collaboration with contractors in relation to corporate due diligence is provided and further deepened.

Additionally, activities, memberships, and certifications are explained on the company website for external stakeholders.

## 2. External Code of Conduct - Compliance Guidelines

Our business partners in the procurement area commit to adhering to and implementing social and environmental minimum standards by signing our General Terms and Conditions (GTC) and communicating these core principles to their supply chain. Our Code of Conduct is a prerequisite for any business relationship and leads to the termination of the business relationship in case of non-compliance. More details are outlined in our Zero-Tolerance Policy, including the process flow (see Annex I), as well as the established Escalation Process (see Annex II).

The review and adjustment of our procurement practices, in line with the current economic situation, is an important part of our corporate actions and the associated due diligence.

To support our business partners in their actions, we have developed appropriate tools that outline the requirements and how they can be implemented:

- Internal audits
- Due Diligence Policy

The mentioned requirements are regularly reviewed and adjusted and updated considering current circumstances.

Respect for and implementation of human rights, as well as the safety of workers in the textile and apparel industry, is of the highest priority for us.

We support the protection of workers and the safeguarding of their rights, among other measures, through our membership in the industry initiative amfori BSCI since 2010. Compliance with these principles (see Annex III "amfori BSCI Code of Conduct") is verified through regular audits by independent institutes in 13 key areas, known as "Performance Areas" (PA). We proactively support our suppliers in preparing for audits and also assist them in follow-up actions and the implementation of required measures.

In Bangladesh, one of our sourcing markets with high risks related to 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 (International ACCORD) / RMG Sustainability Council (RSC) since 2013. The core element of this international industry initiative is identifying and assessing deficiencies in building safety (e.g., structure, fire, and electrical safety) and supporting their remediation. Based on this, we support the expansion of International ACCORD's activities in Pakistan as another production country for our company.

For the majority of our orders, we require our suppliers to provide a detailed overview of the necessary information regarding the entire supply chain (e.g., spinning mill, fabric factory, printing house, etc.) as well as the sources of ingredients to ensure transparency in the supply chain. Subcontracted work may only be carried out in pool factories that comply with Bay City's compliance guidelines. For orders through agents, they must ensure that the required standards are met by their suppliers as well.

We are also intensively addressing the issue of living wages and are working on a meaningful and effective strategy that reflects the current economic situation, while also giving our manufacturing companies an opportunity to reduce the gap between the legal minimum wage and a living wage for employees.

### 3. Environmental Policy

We - Bay City - are committed to protecting our environment and are aware of the responsibility to create a livable future for current and future generations. We are committed to sustainable and resource-conserving actions and invest in a clean future.

With the following measures, we are already contributing to active environmental protection:

- Innovative heating technology with a combined heat and power plant (CHP) for CO<sub>2</sub>-saving heating.
- Partial coverage of electricity needs through solar power, as well as switching lighting from halogen to energy-saving LED technology and partial use of motion sensors for lighting.
- Energy monitoring: sustainable control through the evaluation of all consumption meters, in collaboration with Climate Partner for accurate measurement and subsequent actions within our internal carbon footprint.
- Preference for video and telephone conferences to reduce long travel distances.
- Subsidies for the use of public transport for commuting, as well as integrating e-cars into our fleet with an in-house charging station.
- Provision of beverages such as sustainably produced coffee and filtered, carbonated tap water to reduce the use of reusable bottles.
- Replacing (birthday) flower bouquets with tree planting in cooperation with the Klimapatenschaft organization, aiming for a positive water balance.
- Use of sustainable and chemically safe products in production to conserve water and protect human and animal health.
- Efficient loading of shipping containers in manufacturing countries.

## 4. Product Development

Product-related, resource-efficient development and the protection of people, animals, and the environment are our top priorities. By using credible certifications when selecting sustainable materials and their production, we continuously develop our sustainable product range and have achieved growth despite the economic challenges of recent years.



The following points form the foundation of this process:

1. Instead of using newly manufactured synthetic fibers based on natural resources such as petroleum, we have successfully increased the proportion of recycled synthetic fibers certified according to the Global Recycled Standard (GRS) and the Recycle Claim Standard (RCS) significantly from 2023 onwards.
2. Since 2014, the proportion of clothing made from cotton certified under the Global Organic Textile Standard (GOTS) has also been increasing. For products that do not meet the strict criteria, we strive to use controlled organic cotton and label it accordingly with the Organic Content Standard (OCS) certification.
3. We are very proud that in 2021 and 2022, we were able to bring more than 1 million Cradle to Cradle Certified® products to the market.

4. When using cellulosic fibers, we prefer to use sustainable viscose fibers from LENZING™ (ECO VERO™ and TENCEL™).
5. In addition to OEKO-TEX® Standard 100 for all materials and components, new alternative materials, such as plant-based or biodegradable options, are included in development projects, and their potential use for products and packaging is being evaluated.
6. To continue making a meaningful contribution in the field of packaging, we use FSC™-certified paper for the majority of our products. This promotes ecologically responsible, socially beneficial, and economically viable forest management.

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 the strictest quality and ethical guidelines (including the exclusion of live plucking) and is continuously being replaced by alternative materials that do not compromise on quality, such as (recycled) polyester for our padding.
2. The use of animal fibers, whose sourcing is considered critical, is carried out with consideration for international animal welfare standards. When shearing merino sheep in Australia, we ensure the prohibition of "mulesing." We have decided to drastically reduce the use of animal fibers and prioritize sourcing from alternative supply countries, where applicable.
3. The use of luxury fibers such as cashmere and angora is either excluded due to critical farming conditions, or we ensure 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 programs 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. The use of alternatives such as ozone fading, laser technology, enzyme treatment, or bleaching with hydrogen peroxide is already possible within our supply chain.
3. In this context, the handling and use of textile auxiliaries and dyes are strictly regulated. We work with suppliers who inventory their chemicals and regularly check compliance with our strict chemical restrictions using modern software solutions (e.g., The BHive®), optimizing them in collaboration with our internal experts.
4. Compliance with the DETOX requirements is ensured through regular wastewater and sludge tests conducted by accredited testing laboratories in our partner facilities with wet processes. The results are discussed with the suppliers, and improvement measures are agreed upon.

## 5. Vulnerable Groups and Risk Areas, Risk Analysis

To responsibly consider the impacts of our business activities on people and the environment, and to implement appropriate measures into our procurement practices, we regularly conduct so-called risk analyses.

With a focus on continuous improvement, our risk analyses for respecting and implementing human rights are primarily based on the OECD guidelines for multinational enterprises and the conventions of the ILO. Accordingly, we consider, in addition 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., also the potentially vulnerable groups, such as women, ethnic and/or religious minorities, national and international migrants, indigenous populations, LGBTQI, home workers, and members of affected communities. Our clearly defined and actively pursued goal is the continuous reduction and eventual avoidance of negative impacts on people and the environment. This must also be considered in times of pandemics, during which vulnerable groups may be disproportionately disadvantaged.

## 6. Complaint Mechanism

As part of our membership in the International ACCORD, we can utilize the existing grievance mechanism for our production facilities in Bangladesh and, more recently, in Pakistan. We maintain close communication with local employees and other International ACCORD members to address and resolve any issues that arise.

We also use the "Speak For Change" grievance mechanism from amfori BSCI in Bangladesh and Cambodia. Currently, there is no active, comprehensive grievance mechanism in place in China. Based on our experience, it is not effective for each brand to develop its own grievance mechanism. There must be an overall concept to which many brands can join, so that appropriate measures can be initiated and remedies applied together. Within the framework of an existing working group by amfori BSCI, there are plans to create a general grievance

mechanism and implement it in other production countries. Other customer-specific systems, such as BKMS® or the WoVo-App, are also available in various countries.

Through an additional survey using a form created by us, we can ensure that an internal grievance mechanism is already in place at the factory and is being handled according to the required standards. Regular monitoring of these tasks allows us to control the functionality of the system and, if necessary, make improvements.

In the case of confirmed child labor, a reporting process is triggered. The organization Centre for Child-Rights and Corporate Social Responsibility (CCR CSR) supports us with a contact person to appropriately analyze and handle the incident.

We can look back with satisfaction at what we have already achieved,

but we continuously set new goals,

which we pursue with great dedication and interest and implement in the long term.

## Appendix I: ZERO TOLERANCE POLICY

February 2021

### 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):

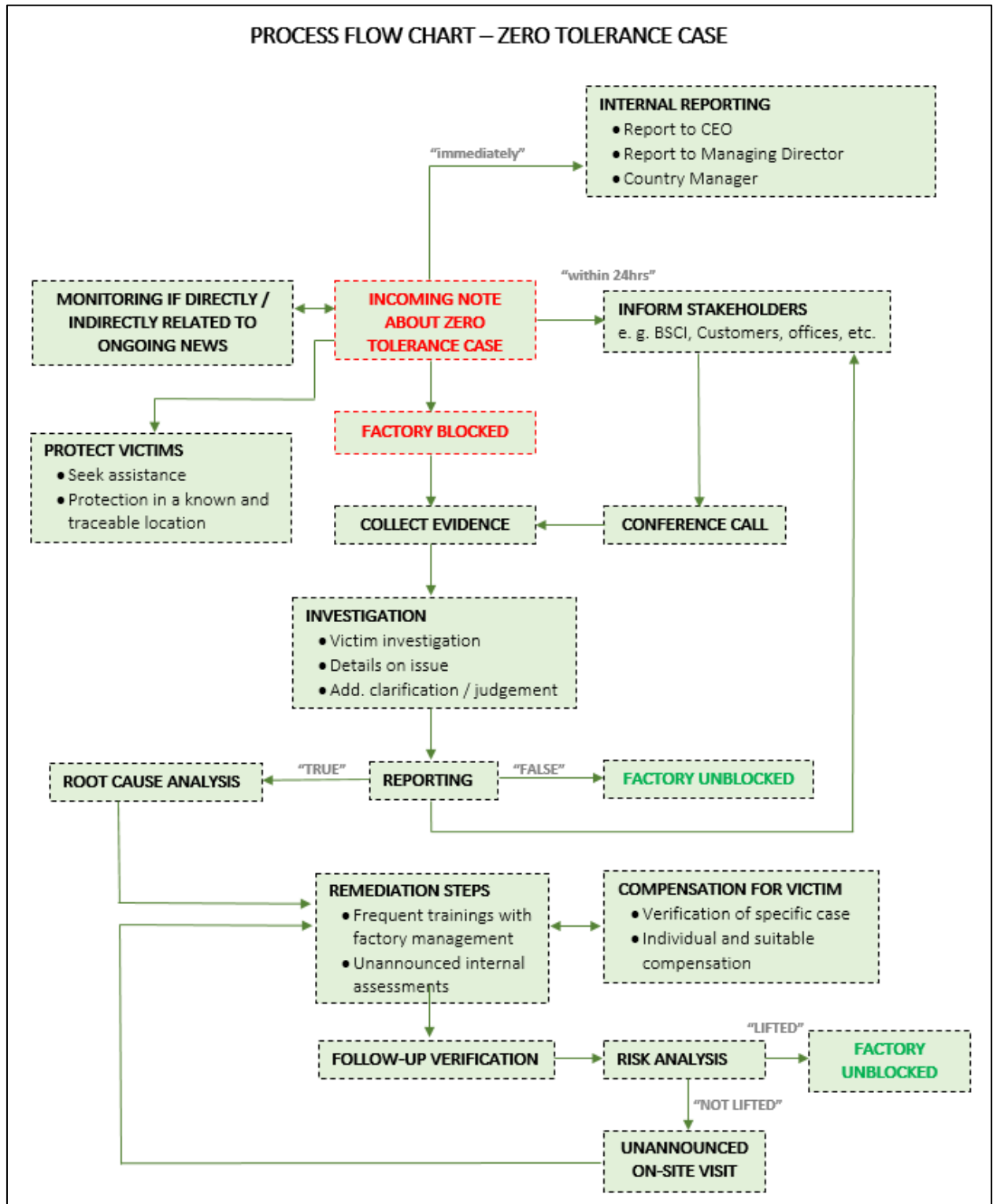
- **Child Labour** – Factory employs workers who are younger than 15 years old (or the legal minimum age defined in the country) or workers younger than 18 who are subjected to forced labour.
- **Bonded Labour** – Factory does not allow workers to leave the workplace or forces them to work overtime against 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).
- **Un-authorized Sub-contracting** – Factory has engaged any other sub-contracting factory for production without our knowledge and approval. This is a violation against our transparency and dignity policy.

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

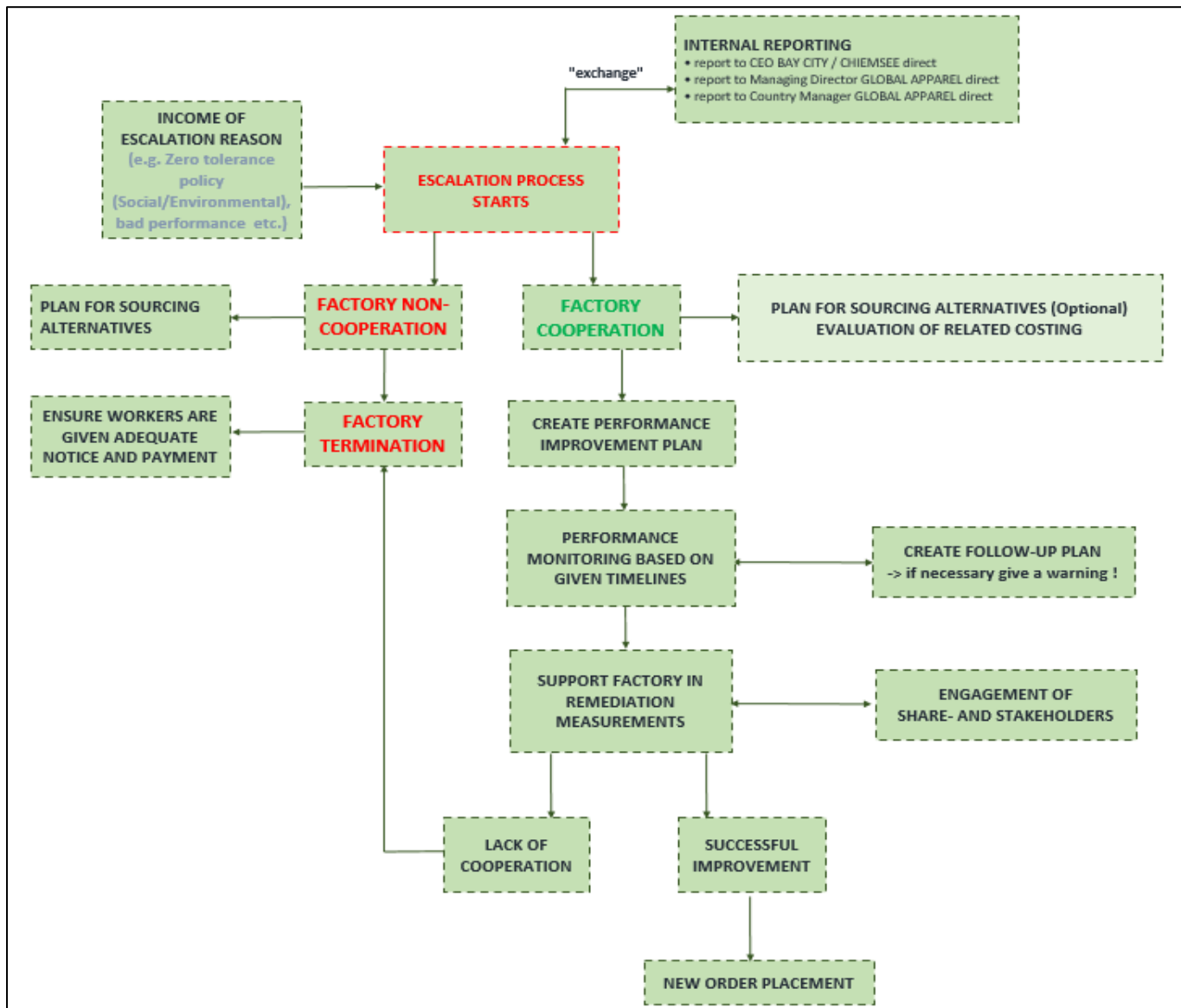
- Missing or dis-functional Effluent Treatment Plan (ETP)
- Dis-functional or incomplete bypass drainage line
- Contamination of soil through chemicals and industrial wastage

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

### BSCI Code of Conduct


Our enterprise agrees to respect the following principles to exercise human rights due diligence and environmental protection in as set out in the amfori BSCI Code of Conduct.

#### amfori BSCI Principles




##### Social Management System and Cascade Effect

Our enterprise endorses the amfori BSCI Code of Conduct Principles through all the functions of our company and embeds the principles in our system.




##### No Child Labour

Our enterprise does not employ, directly or indirectly, any worker below the legal minimum age.




##### Special Protection for Young Workers

Our enterprise provides special protection to young workers against conditions of work which are prejudicial to their health, safety, morals, and development.




##### The Rights of Freedom of Association and Collective Bargaining

Our enterprise respects the right of workers to form and join trade unions –and bargain collectively.




##### No Precarious Employment

Our enterprise does not engage in, or through business partners, complicit to, any form of servitude, forced, bonded, indentured, trafficked or nonvoluntary labour and adheres to international principles of responsible recruitment.




##### No Discrimination, Violence or Harassment

Our enterprise treats all workers with respect and dignity, ensure that workers are not subject to any form of violence, harassment, and inhumane or degrading treatment in the workplace and does not discriminate against workers.




##### No Bonded, Forced Labour or Human Trafficking

Our enterprise does not engage in, or through business partners, be complicit to, any form of servitude, forced, bonded, indentured, trafficked or nonvoluntary labour, including state-imposed forced labour.




##### Fair Remuneration

Our enterprise respects the right of workers to receive fair remuneration and works progressively towards the payment of a living wage.




##### Protection of the Environment

Our enterprise implements adequate measures to prevent, mitigate and remediate adverse impacts on the surrounding communities, natural resources, climate, and the overall environment.




##### Decent Working Hours

Our enterprise observes the law regarding working hours and adheres to the international references for specific exceptions.



##### Ethical Business Behaviour


Our enterprise does not take part in any act of corruption, extortion, or embezzlement, nor in any form of bribery.




##### Occupational Health and Safety


Our enterprise ensures a healthy and safe working environment, identifying potential and actual risks to the health and safety of workers and taking all necessary measures to eliminate and reduce them.

#### amfori BSCI Values





##### Code Observance






##### Protection of Vulnerable Persons






##### Grievance Mechanism



[www.amfori.org/content/amfori-bsci-platform](http://www.amfori.org/content/amfori-bsci-platform)

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Trade with purpose

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