

Due Diligence Report

(Natex of Scandinavia A/S)

At Natex of Scandinavia A/S, our goal is to actively identify, prevent, and address the most critical risks and challenges in our supply chain. To do this, we focus on supporting workers, collaborating with factory management, improving industry standards, and strengthening our own business practices.

Guidelines:

Our supply chain policies are guided by international standards, including the OECD Guidelines and the UN Guiding Principles on Business and Human Rights. These policies reflect our commitment to respecting human rights, supporting fair labor practices, and addressing any harm we may cause or contribute to. Regularly updated with insights from risk assessments and industry expertise, our policies are shared with suppliers and integrated into our daily operations.

Child Labor Policy

Child labor not acceptable (in production/for suppliers/sub-suppliers)

- Hazard: Stops children from going to school, destroy mental and physical health
- Age below 15 is not acceptable (suppliers), defined according to country rules
- Age 18 (should take light work)
- Handling: If child labor happens in the factory, the child will need to be removed from the workplace and given a viable alternative. Alternative (pay for school fee) or others

Code of Conduct:

(ethics and behaviors throughout the supply chain)

Suppliers should ensure that they have a nominated contact person within their company, who is responsible for communicating this Code of Conduct and all related requirements throughout their supply chain.

Human and Labor Rights:

- Prevention of forced labor (suppliers should not hire illegal workers, labor should have access to toilets, water and religious facilities when at work),
- Working hours should be in the legal limits, compensation of work, overtime compensation etc.

Human Rights Risk	Severity of harm	Priority country
Gender-based violence	High/low	-
Forced/Child Labor	High/low	-
Wages/Working time	High/low	-

Health and Safety:

- Training: All employees shall undergo effective training and information sessions regarding health and safety precautions in the workplace.
- Prevention of Injury (Suppliers must do a thorough risk assessment of all areas of the facility and ensure that employees are not working in a dangerous environment).
- Fire Safety and Emergency Precautions
- Protection from Chemical Exposure (There should be a Material Safety Data Sheet (MSDS) listing all chemicals on site)

Environmental Protection:

All national and regional environmental laws must be followed, and suppliers must set up an environmental management plan to minimize the effect of business activities on the environment.

- Chemical Restriction: All national and regional environmental laws must be followed, and suppliers must set up an environmental management plan to minimize the effect of business activities on the environment.
- Water and Waste Management: Suppliers should use water responsibly, and work to minimize their water footprint. Also recycle water as much they can.
- Energy Efficiency, Air Emissions (GHG): reduce, monitor and control.
- Ethics (suppliers’ source raw materials and fabrics responsibly, show integrity in business)

Country	Risk	Major Concern
-	High/medium/low	Water/Chemical/Wastewater/Air/GHG

Environmental Management Requirement

- Higg FEM
- An Environmental Management System (EMS) is a process to identify, track and manage the environmental impacts of your facility over time.
- Energy production and energy use are the largest man-made sources of air pollution and greenhouse-gas (GHG) emissions. Natex has a target to reduce energy consumption in our owned and operated buildings by 2025. Also to work with suppliers who use renewable energy more in their operations.

- Energy use and emissions (Set a normalized **baseline** for energy use) And identify which factors (which processes, machines or operations) contribute most to energy use on site)
- **Wastewater:** Natex requires all regional legal standards to be met as well as compliance with ZDHC Wastewater Guidelines as the aligned industry standard by suppliers.
- NATEX requires our factories to reduce greenhouse gas emissions by reducing the total amount of energy used at their facility and/or by switching to cleaner fuel sources.
- **Expectation:** Evidence of new equipment purchases or efficiency improvements that demonstrate energy reductions, Energy recovery (or reusing waste heat), Reduce GHG Emissions by switching to lower carbon energy sources or renewable sources.
- **Wastewater:** Estimation of wastewater discharges, recycle/reuse wastewater, ETPs
- MRSL, ZDHC, Oeko -tex, GRS, GOTS certificate
- Restricted substance list for chemicals
- Waste Management: track all hazardous and non-hazardous waste streams, Record and report the volume generated and disposal method for all hazardous and non-hazardous waste streams. Segregate, properly store, and train workers in the handling of all hazardous and non-hazardous waste streams
- Suppliers should be able to provide us with audits reports/environmental data which is required to do life cycle analysis of our products to know the carbon emissions in making of our products.

Gender Identity-Based Violence Policy

Gender identity-based violence is any form of violence directed against an individual or group of individuals based on their sex, gender identity, or expression. Recognizing the heightened risk of acts of violence such as harassment and abuse in various forms in the global apparel supply chain.

Wages

Wage risk represents the potential threats or challenges faced by workers concerning their earnings. This includes risks associated with insufficient or unfair wages, non-payment or delayed payment of wages, wage discrimination, and violations of agreed-upon wage standards and working conditions

Risk Monitoring:

At Natex of Scandinavia, we actively monitor and address risks in key areas, including:

- **Product Safety:** Ensuring all products meet compliance standards.
- **Greenhouse Gas (GHG) Emissions:** Tracking and minimizing emissions across the supply chain.

- **Human Rights Risks:** Preventing and mitigating potential violations.
- **Water Usage and Wastewater Management:** Promoting efficient water use and safe wastewater practices.

Product Safety

- Each style is rigorously tested for compliance before shipment.
- If a style fails, the supplier is notified and required to rework the order to meet Natex's standards. The revised product is then re-tested.
- Suppliers consistently failing chemical tests are placed under observation and must conduct additional testing until performance improves and standards are met.

Sustainability Initiatives

- Our dedicated sustainability team ensures carbon emissions remain below benchmark levels across the production process, from raw material sourcing to packaging and shipping.
- To strengthen compliance, we've expanded our team to include local experts who visit supplier factories to:
 - Verify adherence to sustainability standards.
 - Ensure factories avoid hazardous chemicals.
 - Collect accurate data on water usage, energy consumption, and other key metrics.
- These efforts ensure that our products are sustainably produced and help us identify potential areas for improvement in the future.
- We continuously introduce new sustainable materials, including innovative yarns and fabrics made from waste without using additional water, chemicals, or dyes during the recycling process.

Testing and Compliance

- Natex operates an in-house testing center to verify product quality and compliance.
- Certified orders undergo additional random checks to maintain high standards.

Addressing Violations

- Reported violations trigger thorough investigations led by local teams, which involve:
 - On-site factory assessments.
 - Interviews with workers to understand workplace conditions.
 - Document reviews to ensure suppliers follow Natex protocols.
- Factories found in violation are required to participate in targeted training programs. These programs aim to equip factory management and workers with the tools and knowledge needed to address specific risks and sustain corrective actions.

Continuous Monitoring and Improvement

- We conduct regular assessments of our suppliers to ensure they comply with our supply chain policies.
- These evaluations help us identify and address any emerging risks or areas of concern promptly.

Transparency and Accountability

Transparency is central to our due diligence process and reflects our commitment to responsible practices. This includes:

- **Stakeholder Engagement:** Strengthening relationships with stakeholders through open communication and collaboration.
- **Risk Monitoring:** Enhancing the tracking of risk indicators to proactively address emerging issues.
- **Reporting Improvements:** Improving the reporting of our due diligence processes to reflect our commitment to sustainable and ethical practices aligning with international standards such as the OECD Guidelines and the UN Guiding Principles on Business and Human Rights and the International Labour Organization's (ILO) Core Labour Standards.

Commitment to a Sustainable Future

At Natex, our approach to due diligence goes beyond compliance; it is about building a supply chain that respects people and the planet. We continuously strive to improve, address risks, and implement sustainable solutions that contribute to a resilient, ethical, and environmentally conscious textile industry.