



B E S T S E C R E T

Policy statement of Best Secret Group SE

Policy statement

January 2024

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1. Preamble/Introduction

We at Best Secret Group SE, including its subsidiaries (hereinafter collectively referred to as the "BestSecret Group"), are convinced that our task is not confine our focus solely on our economic success. We must also consider the impact our actions have or could have on our employees, the employees of our suppliers and other affected parties. This applies in particular to those groups of people who are typically at higher risk of human rights abuses or environmental impacts because they are socially excluded or disadvantaged, or who typically find it more difficult to have their concerns heard or to assert their rights (e.g., children, women, people with disabilities, ethnic or religious minorities, etc.). Introducing and implementing measures to identify human rights and environmental risks in our supply chain and taking action to minimize risks or end violations is therefore one of our key concerns.

The textile industry has a particular obligation in this respect. We want to make our contribution in this regard. We therefore urge all our employees, as well as our suppliers, to read this policy statement and consider how the insights gained from the risk analysis can be used to further promote human rights compliance and environmental protection in our supply chain. In the past, we have already followed the relevant international agreements, such as the United Nations Declaration on Universal Human Rights, the Guiding Principles on Business and Human Rights of the United Nations and the standards of the International Labour Organization. We want to continue this.

Dr. Moritz Hahn

Axel Salzmann

Dr. Andreas Reichhart

Management Board of Best Secret Group SE

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2. Human rights-related and environmental expectations of own employees and suppliers

BestSecret Group is committed to respecting human rights and protecting the environment. We do not tolerate any violations of these principles in our own business area and within the scope of our influence, we strive to ensure or obtain appropriate working conditions and environmental protection from our suppliers.

The expectations of our employees are embedded in our Code of Conduct (accessible via [BestSecret-Group's Compliance Website](#)). All employees are required to be aware of these principles and act accordingly.

In addition, we expect our suppliers to commit to the comparable principles that can be found in the Supplier Code of Conduct (accessible via [BestSecret-Group's Compliance Website](#)). We encourage them to develop and embed appropriate and effective processes to detect and address risks and violations of human rights and environmental obligations.

3. Our approach to implement human rights and environmental due diligence obligations

BestSecret Group has implemented a specific process to identify and manage human rights and environmental risks in its own business area and at suppliers. The procedure consists of an ongoing process of individual, complementary steps, and measures with the aim of reducing risks to human rights and the environment along our supply chain.

3.1 Responsibilities for the risk management system

The basis of our risk management system for improving the human rights situation and the situation regarding environmental concerns is a clear and unambiguous assignment of roles and responsibilities for both the operational implementation of due diligence and the monitoring of risk management.

Overall responsibility for human rights and environmental due diligence lies with the Management Board. Horizontally, responsibility has been delegated to the CFO department. The Compliance department is responsible for the operational implementation of the due diligence obligations and is supported in terms of content by the relevant departments. Compliance, Risk Management and Internal Audit define the methodology for implementing the requirements of the German Supply Chain Due Diligence Act, including how risk analyses are to be conducted and how results are documented. The responsibility for conducting risk analyses has been delegated to so-called Risk Owners, who are supported locally by Risk Experts. The Compliance department, as Risk Manager, compiles the results of the risk analysis and ensures adherence with the overall process. Compliance is also responsible for overseeing the complaints procedure. The Risk Owners develop and implement preventive and remedial measures in their respective areas of responsibility. The (Local) Supply & Indirect Procurement departments are responsible for carrying out risk analyses and, if necessary, preventive, and remedial measures at suppliers. In its role as Risk Manager, Compliance also consolidates the identified risks and monitors the process.

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Responsibilities have been assigned to manage the risks in the individual companies and specialist or business areas of BestSecret Group. They are responsible for identifying and assessing risks in their respective areas of responsibility and, if necessary, implement preventive or remedial measures.

The monitoring of risk management is ensured throughout the group by a human rights officer. At BestSecret Group, this position is held by the Head of Internal Audit. He informs the management board about the SCDDA risk management at least once a year and, if necessary, on an ad hoc basis.

3.2 Risk analysis

To be as aware as possible of the risks in BestSecret Group's own business area and those of our suppliers, we carry out an annual risk analysis. In addition, risk analyses are carried out on an ad-hoc basis. An event-driven risk analysis will be triggered by a substantial change in our business activities or by actual evidence of a possible violation of a human rights or environmental obligation.

3.2.1 Process of the regular risk analysis in the own business area

To carry out the risk analysis in their respective own business unit, suitable persons have been identified. These persons have worked together with the specialist departments, which have the expertise for the risk category assigned to them, to create a risk catalogue with exemplary risk scenarios. The risk catalogue serves as a starting point for the identification of concrete risks; it is continuously reviewed for completeness and adjusted if necessary.

Identified, specific risks are evaluated according to the criteria of probability of occurrence and severity of the violation, whereby we apply a uniform evaluation method for the risk analysis in our own business area and at suppliers. This also considers preventive measures that have already been implemented. The identified and concretely assessed risks are systematically documented and recorded in a risk management tool.

3.2.2 Process of regular risk analysis for direct suppliers

The risk analysis for direct suppliers, in example business partners (especially suppliers) with whom BestSecret Group has a direct contractual relationship, is carried out in two steps:

- 1) In a first step, suppliers with an increased risk exposure (high-risk suppliers) are identified from the population of all direct suppliers using recognized country and industry indices.
- 2) In a second step, further information is gathered on the identified high-risk suppliers to carry out a concrete risk identification and assessment. This information is initially gathered using questionnaires. If necessary, further steps are taken to gather information, such as specific enquiries (via e-mail) and interviews or on-site visits. Based on the information obtained, specific risks are identified for each high-risk supplier using the risk catalogue. The identified risks are evaluated based on the criteria of probability of occurrence and severity of the violation.

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Afterwards, the risks are systematically documented in the risk management tool.

3.2.3 Process of the ad hoc based risk analysis

In addition to the annual risk analysis, BestSecret Group also carries out risk analyses on an ad hoc basis to identify human rights and environmental risks:

- 1) An ad hoc based risk analysis is always carried out if a significantly changed or significantly expanded risk situation in the supply chain regarding human rights or environmental issues is to be expected. This may be the case, for example, due to the introduction of a new product, a new project, a change in business activities, a changed business environment or the acquisition (or establishment) of companies. Such an event must be reported immediately to the responsible Risk Owner. If such an event is potentially relevant to the risk exposure around human rights and/or environmental issues, a risk analysis is carried out according to the same criteria as in the regular risk analysis and, if necessary, preventive, or remedial measures are implemented.
- 2) An ad hoc based risk analysis is also carried out if there are actual indications that human rights or environmental risks exist at an indirect supplier. Indirect suppliers of BestSecret Group are those suppliers with whom BestSecret Group has no direct contractual relationship, but who are nevertheless part of our value chain (e.g., subcontractors of a direct supplier or their business partners - as far as they are known to us). Corresponding indications can arise from information provided through the complaints procedure, our own findings or information from authorities, NGOs, or interest groups. Such information is immediately reported to the responsible Risk Owner and - depending on the type of supplier concerned - to Supply or Indirect Procurement. They examine the information available to them to determine whether a human rights violation or the violation of an environmental obligation by the indirect supplier appears possible. If this is the case, a risk analysis is carried out at the indirect supplier concerned and corrective measures are taken if necessary.

3.3 Preventive measures

To mitigate human rights and environmental risks, we have established preventive measures both in our own business area and regarding our suppliers.

In our **own business area**, we have implemented the following preventive measures:

- **Trainings:** We foster respect for human rights and environmental concerns within BestSecret Group through regular target group-oriented trainings for our employees. We hereby ensure that the relevant employees are aware of human rights and environmental obligations and our associated values. In addition, we provide specialized training in the relevant departments to ensure that responsible employees have the necessary know-how regarding the tasks assigned to them within the framework of risk management.

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- **Procurement strategies and practices:** When selecting suppliers, we consider our human rights and environmental expectations and apply appropriate sourcing strategies and practices that prevent or minimize potential risks in our supply chain.

We take a close look at the specific situation of our **direct suppliers**. We implement the following risk-based preventive measures:

- **Contractual assurances:** We aim to include in our contractual arrangements provisions that commit our direct suppliers to respecting human rights and environmental expectations in their own business operations and at the same time adequately address human rights and environmental expectations along their own supply chain towards their suppliers.
- **Supplier Code of Conduct:** Furthermore, our Supplier Code of Conduct communicates our expectations and values regarding human rights and environmental concerns to our direct suppliers. In the context of contract negotiations, we strive for the acceptance of this Supplier Code of Conduct or comparable, own commitments of our direct suppliers.

For our indirect suppliers, we take appropriate measures on a case-by-case basis if there are actual indications of high risks of even violations, and it therefore appears necessary.

At least once a year, as well as on an ad hoc basis, we review the effectiveness of our measures to prevent or minimize identified risks and to ensure compliance with human rights and environmental protection are effective.

3.4 Remedial actions

If we discover that a violation of a human rights-related or an environment-related obligation has already occurred or is imminent, we will take immediate remedial action to prevent, stop or minimize the extent of the violation.

Remedial actions outside our own business area are taken in consultation with our suppliers. If the actions implemented do not lead to the intended success and we identify systematic violations of elementary human rights or environmental obligations, the termination of the business relationship with this supplier may be considered as the last resort. This can only be a last resort, however. Our priority is always to empower the supplier or improve the individual situation of the person concerned.

In our own business area, we ensure that identified violations are stopped immediately.

We review at least once a year, as well as on an ad hoc basis, whether our measures lead to the end of the human rights or environmental violation and are effective.

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3.5 Complaint mechanism

Our complaint mechanism allows anyone to confidentially report risks or existing violations of human rights or environmental obligations in the supply chain. Every report made in good faith helps us to identify human rights and environmental risks in the supply chain at an early stage and to prevent them from occurring, or to stop or mitigate violations that have already occurred. It is therefore important to report observations of potential risks.

More detailed information on the complaint mechanism can be found in our Rules of Procedure, which can be found at [BestSecret-Group's Compliance Website](#).

We review the effectiveness of our complaint mechanism at least once a year and on an ad hoc basis, if needed.

3.6 Documentation and reporting obligation

We document the fulfilment of our due diligence obligations continuously. Based on this documentation, we prepare an annual report on the fulfilment of our due diligence obligations in the respective previous financial year. This report is published at the latest four months after the end of the financial year at [BestSecret-Group's Compliance Website](#) and is made available free of charge for a period of seven years.

4. Priority risks identified and actions taken

Entrepreneurial activities can be associated with risks for human rights and the environment. Based on our risk analysis, we consider the following human rights and environmental risks to be priorities for BestSecret Group and therefore focus our efforts on these areas to counteract the attainment of these risks.

- **Priority risks in our own business area**

Even before the Supply Chain Due Diligence Act came into force, human rights and environmental issues were effectively regulated in BestSecret Group's own business area and we had already implemented extensive and effective mitigation measures to respect and protect human rights and environmental legal positions. Therefore, no high risks were identified in the risk analysis.

- **Priority risks at direct suppliers**

For our direct suppliers, we have identified ensuring fair working conditions as a relevant topic in our risk analysis. Our focus is on appropriate measures for occupational health and safety, equal treatment, and fair payment.

However, we have not identified any high risks in our risk analysis.

- **Priority risks at indirect suppliers**

Until now there have been no indications that would have required a risk analysis at an indirect supplier.

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5. About this policy statement/continuous development

This policy statement describes our approach to implement our corporate due diligence to improve the human rights situation and respect for environmental issues in our supply chain. The measures and processes we implement for this purpose are subject to our continuous review, in particular regarding our business activities and applicable national and international standards. We also review this policy statement itself on an annual and ad hoc basis and will update it promptly if necessary.

6. Contact

If you have any questions in relation to this policy statement or further questions about human rights and the environment, please contact compliance@bestsecret.com.

If you have any information about human rights or environmental risks in our own business or at suppliers, please send it to our complaint mechanism, which has been set up for this purpose. You can reach this at <https://whistleblowing.bestsecret.com/>. The Rules of Procedure are available at [BestSecret-Group's Compliance Website](#).