

babyface[®]



Babyface Annual CSR Report 2020



*The
smile
in your
mind*

We are proud to present the second Babyface CSR annual report in which we like to tell you more about the various steps we took last year to make the Babyface brand more sustainable.

As a brand for baby and children clothing, Babyface wants to contribute to the development and skills of children. Children are the future and we can help them discover the world around them so they can stand on their own two feet and learn who they are and what matters to them. Babyface's policy on sustainability focuses on the development of children around the world and we commit to create a sustainable planet for all.

Together with the Babyface team, we thoroughly enjoy working on the development of this wonderful brand. Last year, we re-established our brand values, which support all the decisions we make and ensure that we continue to focus on our standards and what we believe to be important. All our employees have enlisted for one of more work groups to work on the goals together, to learn from one another, and to initiate new initiatives.

Naturally, 2020 came with new and unprecedented challenges. The COVID-19 pandemic has been a tough call for everyone. Some retailers were forced to close their doors and the health and safety of the factory workers must be safeguarded at all times. By never losing sight of one another and understanding the perspectives of our partners, we can collaborate and improve the pace and possibilities in line with the continuous changing situation. We can only achieve more by doing exactly this.

As we managed to realise our ambition to grow in this changing market and achieve our goals together, I could not be more proud of the Babyface team. I also want to thank our chain partners – our agents, retailers, suppliers, and all the help we get from the Dutch Agreement on Sustainable Garments and Textile, Arisa, SAVE, Modint, and tex.tracer in particular. 2020 has given us many new insights and the challenging market developments encourage us to be even more creative.

Imke Munsterman
Manager Euretco Fashion Women & Kids



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1 ABOUT BABYFACE

Children and their development are our focal points. And this doesn't just apply to the children wearing our clothes but also to the children of the people who produce our clothes. The future we see is a sustainable one. We contribute to a sustainable future by manufacturing our clothing sustainably – by using eco-friendly fabrics and materials and in factories where the employees are treated well and fairly. This is how we ensure that factory workers can also realise a wonderful future for their own children. We want to help these children to contribute positively to their own future. One way of doing this is by helping parents explain to their children why it is so important to take good care of our planet and nature, and how to do this in a playful manner.

Dream big,
explore and discover.

Hello hero,

This report is also for you. Perhaps you can already read a bit or maybe you find it easier to learn by listening. We want to take you on a journey – a trip through a beautiful dream. This report explains what Babyface does to make the world just that little bit better and an even more wonderful place. We also want to help you go on an adventure, to find your limits (and cross them every now and then) and explore and discover who you are and learn how to stand on your own two feet. Be amazed, play, and fill your rucksack with experiences so you can create your own future.





THE BABYFACE VISION & MISSION

VISION We want to make sure that children around the world can explore the world in a playful and comfortable manner and, thus, create their own future.

MISSION We help children embark on an adventure and become more resilient through play while supporting the parents at the same time. As children experience our clothes – by seeing the prints, play games, and read our stories – they will experience how it feels to be a 21st-century explorer.

OUR BRAND VALUES

Care for each other

You can only explore the world from a safe place. A place you can call home and a safe harbour when you're unsure about what to do next. We want to contribute to this safe place with comfortable clothes that last a long time and made of wonderful materials. This is how we make sure that, whenever you're ready, you can learn to crawl, clamber around in playgrounds, and learn how to ride a bicycle. We also want to create a safe place for the people who make your clothes. Together with our suppliers, we guarantee that your clothes are manufactured responsibly and in a safe environment.



Never mind a bit of mischief

What about some small surprises that are sure to make you smile from ear to ear? The grin on your face when you do something that you're not supposed to do, but you do it anyway? Isn't that what makes life fun? This is also reflected in, on, and around our clothes. In the drawings, the packaging, and in the stories we tell. We want you to get a positive view of the world because that's exactly what we have!



Dream big, play and discover

We firmly believe that by trying out new things and going on an adventure, you will find out what you enjoy doing and what kind of person you are. If you dare to dream, you can create your own world. Dream big, play and discover. We will help you do that! We also dream of a wonderful future for you. So when we are making your clothes, we also take good care of nature and our planet.





TOGETHER WE ACHIEVE MORE

We know that more can be achieved by working together. That we can inspire and motivate one another to take bigger steps. Babyface is part of something bigger, which are the retail service organisations Euretco and EK/Servicegroup. We never stop in our efforts to make sure that independent retailers can maintain their strong market position, which we do in the branches fashion, home and living, sports, DIY, and media. In the Netherlands, our affiliated retailers run nearly 2,400 shops, representing an annual consumer revenue of 2 billion euros.

The three hundred passionate Euretco employees work hard to unburden independent business owners, both in their shops and online. Euretco supports entrepreneurs with a wide range of back office services to guarantee the retailers' strong position in the future as well. By doing this, retailers can focus on the primary aspects of running a shop: sales and advice.

The Dutch office is located in Hoevelaken, within walking distance of the train station and directly along the A1 and A28 motorways. .

FROM DESIGN TO DISTRIBUTION

Every single day, our enthusiastic Babyface team works hard on our collections. Together, we look for and test new colours, qualities, and models – all resulting in an innovative image in line with Babyface's mission and vision and current trends. Our designers create multiple baby and children collections per year, with a size range from 50 to 128. We find our inspiration during shopping excursions at home and abroad, and we meet with the designers and the production and sales teams several times per week.

The Babyface articles are sold by our Babyface sales team, agents, and importers in the Netherlands, Belgium, Luxembourg, Germany, Austria, Switzerland, Greece, Italy, Spain, and the US.

The collections are then manufactured in India and China. The production process is managed by our production team, which makes sure that the deliveries are always complete and on time. Our key requirements during the design and production process are quality, comfort, and safety.

The after-sales department, together with the external warehouse, handle the delivery process and ensure that the collections find their way to the retailers. They are also always available for questions and additional orders. .





Leonie van Wijk, International Sales and Brand Manager Baby & Kids, elaborates.

ATINY STORY

We are proud of Babyface and as we are encouraged to explore any potential opportunity to improve, we all contribute to the brand's ambition to grow. And everybody is empowered to do so. This is how we constantly find new initiatives.

The latest addition is a collection that was first delivered in the spring of 2021 and which was hugely successful – 'A Tiny Story'.

Around the world and every single day, 350,000 babies are born and enter the first page of their own Tiny Story. Over the years, they will explore and discover the world around them, a place full of surprises, love, and growth. At the same time, they need to share the world and care for it and for each other.

We believe that the choices we make should lead to creating a better world. A small capsule in natural colours that can be worn by both boys and girls. The clothing items have a minimalistic design and are made of beautiful, soft, and premium-quality fabrics.

The entire collection is made of organic cotton with the STANDARD 100-OEKO-TEX® label so that we contribute to a better world for the little ones.

'A Tiny Story for the little ones we love.'

All Tiny Story articles have a QR code. Customers can scan this code and follow the transparent journey of the article, from the cotton fields to the warehouse.

MARKETING

Based on our re-evaluated DNA report, we also strive to incorporate sustainability in our marketing approach as, per season, we want to inspire consumers by highlighting one of our core sustainability goals. The theme of the summer 2022 collection, for example, is nature and insects. This theme and the articles are reflected in the collection, the showrooms, and in the shops.

To celebrate Babyface's 30-year anniversary, we also added a specially designed collection of water bottles to encourage our customers to reduce the use of disposable plastic.

Every season, we design a wonderful and multifunctional brochure because we feel that the world we live in today demands a sustainable mindset. Not only does it showcase our latest collection but it is also great handicraft material. We plan to do the same for the summer 2022 collection to make sure that our brochure doesn't simply end up in the paper bin after browsing.

Despite all the challenges of the past year, we have achieved so much and we cannot wait to see what the future has in store for us all!

CSR TEAM

To ensure that making sustainable choices comes naturally to everyone and making sustainability part of the organisation's DNA, we have put together a CSR team with colleagues from different departments. The CSR team focuses on implementing sustainable improvements throughout our entire supply chain, including our headquarters.

To make sure that knowledge and expertise are shared, the CSR team not only consists of colleagues working for Babyface and but also includes people working for other Euretco Fashion brands. The CSR team, managed by a fulltime CSR Manager, includes members that are part of the executive board, the marketing & communication departments, and the retail account management departments.

COLLABORATING WITH OUR STAKEHOLDERS

Our stakeholders play a leading role in taking the next steps to more sustainable business operations. This applies to all our chain collaborations. From clients and customers, children, colleagues, retailers, agents, suppliers to NGOs and other initiatives. Every form of collaboration is based on trust, respect, and an open dialogue.



Miriam Geelhoed
Consultant Sales & Production of Modint, elaborates

Modint works closely with the Euretco team to achieve their CSR ambitions. By integrating practical examples offered by Babyface into the knowledge sessions, the team can apply the theory straight away. Last year, we jointly worked on the deployment of more sustainable materials and focused on social risks. This year, our collaboration focuses more on ensuring living wages and procurement best practices. By doing so, our collaboration contributes to the knowledge and skills of the teams that are directly and immediately involved in product development and production. One example is investigating how certain choices and processes in this area impact the rest of the chain. As Modint, we are curious to know how Euretco evolves in this regard, how this affects the entire chain, and how this will be communicated.

MODINT.



tex.tracer



IMVO Convenanten
Convenant Duurzame Kleding en Textiel



Dieuwertje Heyl,
Programme officer Human Rights and Business, elaborates

For the Babyface brand, Euretco collaborates with six other Dutch companies, Arisa, the local social organisation SAVE, Mondiaal FNV, and the Dutch Agreement on Sustainable Garments and Textile to improve the labour conditions in the Tamil Nadu state in India. During this three-year project called "Factory Support Programme: continuous improvement of labour conditions in Tamil Nadu, India", we work on themes such as forced labour, discrimination & gender, child labour, the freedom of association and trade unions, living wage, and health & safety in the workplace.

What characterises Euretco and its partners is the willingness to learn and take real steps to improvement. All four CMT factories in India Euretco Fashion works with have joined the programme. Our local agent and the factory owners also provide local organisation SAVE with all the cooperation and support it needs. We are looking forward to seeing what Babyface and their suppliers can achieve and, in time, it is our ambition to use this programme to also reach other suppliers further down the chain, like spinning mills.

2 OUR AMBITION ON SUSTAINABILITY

2017

THE ROAD TO SUSTAINABILITY IN A NUTSHELL

We first embarked on this journey to make Babyface a more sustainable brand in **2017**. We accept our responsibility and work hard to realise sustainable growth. The first step we took was signing the Dutch Agreement on Sustainable Garments and Textile. This initiative stimulated us to gain more insight into the supply chain and analyse and tackle potential risks.

2018

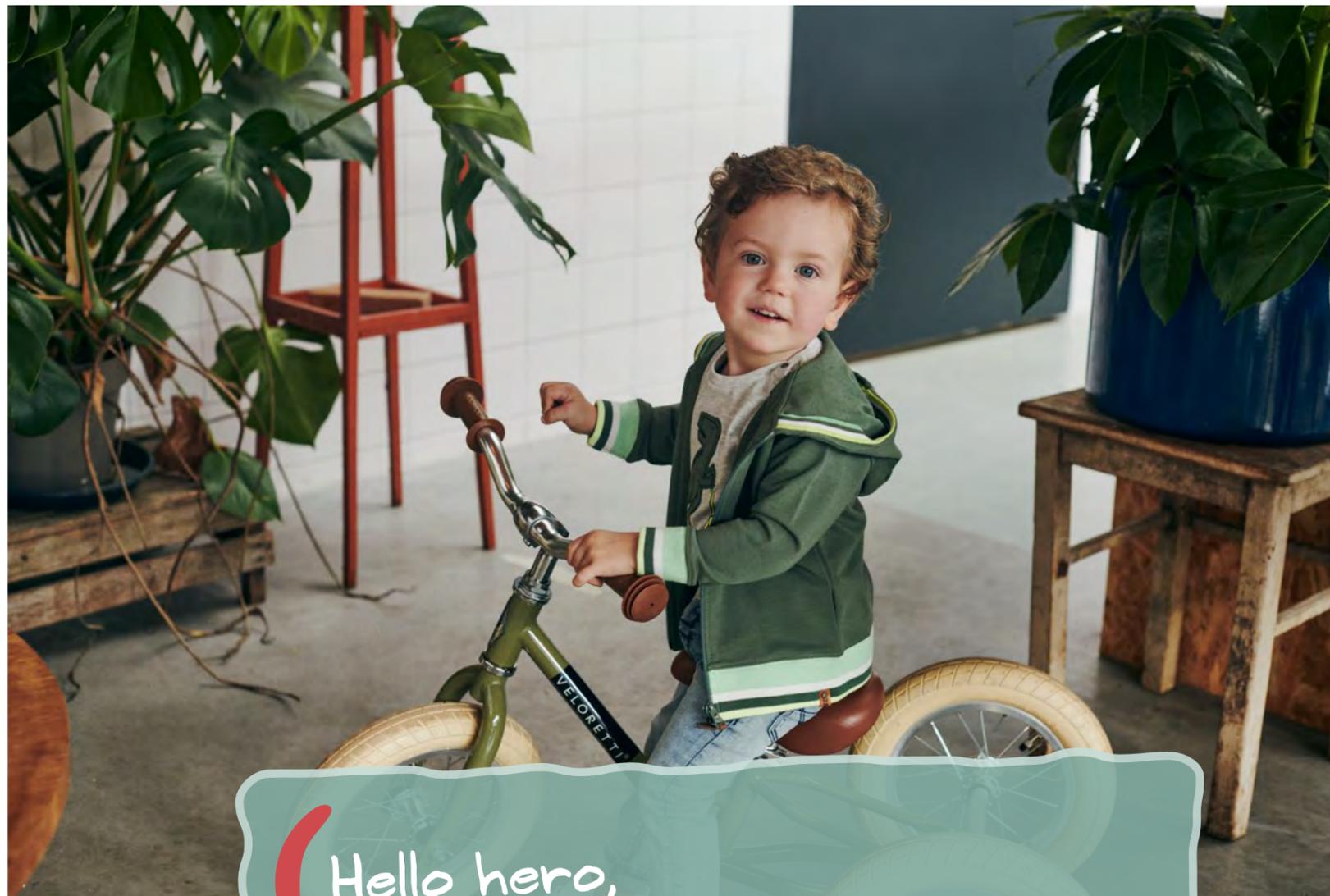
2018 saw the creation of finding internal support and consensus, appointing staff, and making a budget available to properly carry out our sustainability targets and tasks. We had intensive conversations with experts in this field to gain more advice and knowledge. And lastly, we established a company-side CSR policy. Now, everyone who works at Euretco Fashion knows our strategic pillars and which goals we want to realise. Not just for Babyface but also for all the other brands and departments. Such a policy gives guidance and structure.

2019

In **2019**, we started conversations with our suppliers and established new codes of conduct. We critically reviewed our own work methods and sought ways to improve them (including our procurement activities). Moreover, we made an inventory of and prioritised the possible risks related to our supply chain, which is further explained in chapter 4 - Insight into the chain.

2020

This risk analysis has resulted in five key pillars that now form the core of our list of priorities. In **2020**, we started to take concrete steps and set up several projects to achieve the goals concerning the five pillars. The projects we focus on are transparency, living wage, and training programmes to improve the labour conditions in the factories, which we set up together with human rights organisation Arisa and the local social organisation SAVE in India. This annual report will further elaborate on how the projects progress and what we have learned so far.



Hello hero,

a few years ago, we started to think about how we can take better care of the planet we all live on. If we need less water and fewer polluting substances to make the clothes, and by using solar or wind energy, the earth will stay healthy and grow very old. We also want to make sure that the people who make your clothes are happy because they can work in a safe and healthy workplace.

When we started working on this dream, we still had no idea where to begin and how to achieve all this. So we told each other: "We have never done something like this before, but we really think that we can do it." And what about you? Do you sometimes want to do something you have never done before, and which can feel quite daunting? That's very brave!



THE BABYFACE SUSTAINABILITY VALUES

Child development

As a brand for baby and children clothing, Babyface wants to contribute to the **development and skills** of children. Children are our future. This alone is not just reason enough to take care of the world but we also want and can help children to explore and discover the world, to stand on their own two feet, and discover who they are.

Sadly, there is much inequality in the world and there are many children who don't have equal chances to a great future. Both here and in the countries where our products are made. The most important pillars in our sustainability policy are **no child labour** and a **living wage** (for the parents) and **development skills for children**.



Circularity

As said, we want to contribute to a sustainable planet for future generations. This also includes a sustainable consumption of resources, energy, and water. Naturally, using **sustainable materials** is important but we like to take things further. One of our other goals is to reduce the amount of waste and use of **chemicals**. Other aspects include the introduction of reused and recyclable materials, facilitating the **recycling of our own clothing items**, and initiating **new business models**. So step by step, we implement circular business operations into our chain.



Awareness & Education

A sustainable future requires changes that are supported and joined by everyone involved. And this includes you, the consumer, as you play a vital role in the transition towards a more social and greener economy. As our future consumers, we also want to get children involved in this process and topic, in a playful and adventurous manner, so they can learn how to treat and care for others and nature. After all, we are talking about their future.



SUSTAINABLE DEVELOPMENT GOALS

The SDGs are seventeen goals aimed to make the world a better place by 2030. They are a global compass to tackle challenges like poverty, education, and climate changes. The goals were set up by the United Nations in 2015 as a next step to the Millennium Goals.

Babyface wants to contribute to the realisation of these SDGs, which is why we have implemented SDGs 4, 8, 10, 12, 13, and 15 into our sustainability strategy.

WE ACCEPT OUR RESPONSIBILITY

The OECD guidelines are mandatory guidelines that enforce companies to assess to what extent they are involved in the violation of human rights, animal welfare, or have a negative effect on the environment. Such an assessment or inspection is called a due diligence.

By signing this covenant, we are obliged to carry out such a due diligence and accept our responsibility. It also gives us a sound and comprehensive impression of our supply chain. This plan helps Babyface to prevent a negative impact on people, the environment, and animals within our own chain.



The smile in your mind



THE BABYFACE CSR POLICY

Babyface established a CSR policy in 2019. Our operations take place around the world and help to provide jobs, innovation, and economic growth. At the same time, there are risks. By implementing a CSR policy, we commit to identifying risks of violations of any kind and deal with these risks.

We have earmarked nine themes relating to the garment and textile industry and put them on our list of priorities in the collaboration with our stakeholders. These themes require urgent attention. In a random order, they are:

1. Discrimination & gender
2. Child labour
3. Enforced labour
4. Freedom of association and trade unions
5. Living wage
6. Health & safety in the workplace
7. Materials
8. Water, energy, and chemicals
9. Animal welfare

Based on the ILO and OECD guidelines for the garment and footwear industry, we add the further themes:

- Working hours
- Ethical trade and prevention of bribery and corruption
- Banning sexual intimidation and sex and gender-based violence (SGBV) in the workplace.
- The possibility for individuals and groups to express their concerns via a complaint mechanism.

You can read all about our comprehensive policy, including our points of view, in the responsible business conduct that is added in [the appendices](#).

LONG-STANDING COLLABORATIONS

90% of our suppliers and agents have been our collaborative partners for more than ten to fifteen years. We firmly believe in long-standing and close relationships that are based on mutual trust. We always encourage the open dialogue as this enhances and strengthens predictability and stability.

These pleasant and constructive collaborations also ensure that we can increase our impact on improving our products and make them more sustainable, as well as improve the lives of labourers.

BUSINESS RELATIONSHIPS ARE A TWO-WAY AFFAIR

Making Babyface a more sustainable business not only requires the efforts from the suppliers who make our products but also enables us to provide our suppliers with feedback on how we can improve the way we procure our products.

This is done by maintaining a sustainable procurement strategy that involves:

- Working on a stable planning and timely communication so that the supplier knows what to expect.
- A timely communication about alterations to avoid overtime.
- A timely payment of bills and, in part, making advance payments to some suppliers to ensure that

they are reimbursed for incurred costs sooner.

- Requesting insight into price calculations to get a better understanding of the negative effects of price negotiations.
- No more prototypes and fitting samples of current models and basic articles to avoid the obsolete production of clothing samples.
- Critically considering the additional ordering of stocks to prevent surplus and leftover stocks.

A JOINT ACHIEVEMENT

To integrate sustainability into our business operations and work together as a team to achieve our goals, we decided to establish work groups in which two people jointly work on a specific goal. Such goals can focus on sustainable materials, circularity, social labour conditions (aimed at the banning of child labour and realising living wage), reducing CO₂ emissions and the consumption of water, energy, and chemicals, and putting the child at the core of our business. We meet regularly to update each other updates on how we progress.

3 THE FIVE PILLARS

The previous chapter explained our CSR policy and the nine themes for the garment and textile industry, as well as the additional focal points we have established for our company. As it is not feasible to tackle all the nine themes simultaneously, we carried out a risk analysis based on the severity and probability of the risk and the impact it will have on the Babyface brand. Together with the sustainability values that we maintain to contribute positively to our society, we have come to the following five pillars.

CHILD DEVELOPMENT COMES FIRST, REGARDLESS OF WHERE YOU LIVE

1. No child labour
2. Living wage for factory workers

A SUSTAINABLE PLANET FOR OUR CHILDREN

3. Sustainable materials
4. Circularity
5. Reducing CO₂ emission and the consumption of water, energy, and chemicals

1. No child labour

Child labour is a violation of the human rights for children and is legally banned in most countries. In the Netherlands, the law to protect children against child labour became effective in 2019. This means that every company that sells goods to Dutch consumers is obliged by law to prevent that any form of child labour is involved in the manufacturing of goods.

According to the reports from UNICEF, around 152 million children still work as child labourers worldwide, of which 73 million under harsh and dangerous circumstances. Child labour robs children of their childhood and right to education. Besides that, it seriously harms their physical and mental health and development.

The reasons and causes for child labour are manifold, such as poverty, lack of knowledge, lack of a good education, and not adhering to the laws that protect children. Needless to say that this is a complicated issue (source: UNICEF).

Babyface never accepts child labour. Therefore, we work with stakeholders like UNICEF and Arisa to

detect child labour and to stop and prevent it for the future. We also do all we can to make sure that parents receive fair and living wage so that their children don't have to work. To achieve that, the production chain must be transparent because the only way to find out where child labour still exists is to know where our products and resources are coming from.

By procuring cotton and other materials that are GOTS (Global Organic Textile Standard) certified, we already significantly reduce the risk that child labour happens in this transparent chain. This is because the GOTS stipulates high demands on both the use of materials and the labour conditions.

Our company's code of conduct, the Responsible Business Conduct, states that we never accept child labour. Suppliers agree to uphold our standards and we always maintain an open discussion with our suppliers on this topic. We also ask our suppliers to discuss these standards with their own suppliers. India is the first country where we start our investigation into the detection, elimination, and prevention of child labour, for which we collaborate with human rights organisation Arisa.

Hello hero,

We want to be kind to nature and the people who made your Babyface T-shirt. To do so, we need to decide which themes are most important to us. After all, we cannot solve all the problems in the world. One of these very important issues is that children don't have to work because playing and going to school to get a good education is much more fun and important. We also want their mums and dads to earn enough money so they can eat well and buy toys, clothes, and other things they need. Besides that, we want to protect nature so it will be a great and safe place to live and make sure that you can enjoy it for many, many years. That's why we do everything we can not to damage nature. We use as little water and energy as possible and we don't want your clothes to contain any harmful substances. Would you like to lend us a hand in protecting nature? You can already do this by asking your parents to help you clean up discarded waste such as plastic that you find in the streets or by making an insect hotel.





This collaboration is highly educational and we will use this experience and gained knowledge to extend this investigation to China. Should our investigation show that child labour in our production chain in China can be excluded before 2030, then we will do everything we can to do so.

Goals:

- 2021 70% insight into the production chain, including spinning mills.
- 2023 Via the tex.tracer system: insight into the company details of all tiers in the production chain, including the spinning mills, plus the associated social risks per factory.
- 2024 Complete insight into the production chain, including the cotton fields.
- 2025 No child labour throughout the entire Babyface production chain in India.
- 2030 No child labour throughout the entire Babyface production chain worldwide.

2. Living wage for (factory) workers

A living wage is the realistic income a person needs to pay for their basic needs and is often higher than the minimum wages in manufacturing countries. The idea behind paying employees a living wage is that parents can reduce their overtime hours and that children can go to school instead of having to work in factories to support their families (source: duurzaambedrijfsleven.nl).

By collaborating with other covenant signees Modint and NGOs like Arisa, Babyface strives to realise a living wage for the factory workers producing their products.

Goals:

- 2023 The successful implementation of the training programme set up by Arisa and SAVE at four CMT suppliers in India and their own chains (including spinning mills).
- 2022 80% of the suppliers can provide a valid audit and we discuss their progress together with the suppliers.
- 2023 Start living wage project in China.
- 2025 33% of all Babyface clothing items are produced by tier 1 workers who receive a living wage.
- 2030 All CMT factories pay living wages.

3. Sustainable materials

We focus on sustainable materials. The choice of materials greatly affects the environment and the transition to sustainable materials is often easy to realise as this is something that we can influence directly.

Our collections are mostly made of cotton. Still, the cultivation and processing of cotton have a huge negative impact on both the environment and people, especially further down the chain where cotton is handpicked. Here, the risk of finding child labour is higher and we don't yet have full insight into where this takes place. That is why our focus lies on finding more sustainable alternatives for regular cotton, such as organic GOTS cotton, which also guarantee good labour conditions. We also investigate in using recycled cotton to reduce the use of new materials. Again, this means carefully investigating whether the collection and processing of used clothing items in India doesn't involve child labour.

Goals:

- 2022 The Babyface collection contains 50% more sustainable materials.
- 2023 The Babyface collection contains 65% more sustainable materials.
- 2024 The Babyface collection contains 75% more sustainable materials.

4. Circularity

The current system for fashion items follows the linear model of buying, wearing, and discarding. The current pace in which garments are produced and the staggering amounts of clothes ending up on landfills simply cannot go on. Babyface explores new business models to realise circularity for which we look at circular design methods, rental and lending models, circular materials, and extending the lifespan of products.

As the name says, circularity focuses on a closed circuit whereby materials are reused again in the production process, also when they have been worn before. Apart from recycling materials, circularity also means using green energy like solar and wind energy. Besides that, the concept requires a completely new way of thinking whereby reusing materials and using



high-quality materials that will lead to a longer lifespan become part of the design process (source: Ellen MacArthur Foundation).

For us, the way we communicate to explain the concept of sustainability to children and their parents is also part of our ambition to realise circularity. By educating consumers about handling our Babyface clothes sustainably we also stimulate the use of our clothes for as long as possible. This is done by giving proper and clear washing instructions, adding spare buttons for small repairs, and by encouraging parents to pass on clothes and make other children happy with our articles. So also when it comes to extending the user phase, we gladly accept our responsibility.

Goals:

- 2022 Launch of a Babyface jacket collection made of (partly) recycled polyester.
- 2023 100% of the polyester used for the Babyface collections must be recycled polyester.
- 2025 Launch of a circular business model besides the current (linear) strategy.

5. Reducing CO₂ emissions and the consumption of water, energy, and chemical

Babyface wants to contribute to a sustainable planet where our children can live long and happy lives. The climate changes as temperatures are rising. And even though global warming cannot be stopped, we can slow it down by emitting less CO₂.

At the same time, manufacturing garments requires vast amounts of water, energy, and chemicals, mostly during the different processes of the production chain like the dyeing, printing, washing, and finishing of materials. The dyeing and finishing processes for textiles are responsible for 17% to 20% of all water pollution caused by industries (source: globalfashionagenda.com).

Consequently, clean drinking water and water for sanitation and crops will become ever scarcer. Today, more than two billion people are experiencing water stress due to shortages (source: UN 2018). Growing cotton also requires a lot of water.

All these reasons motivate us to investigate how we can reduce the consumption of water, chemicals, and energy during the cotton production and finishing processes.

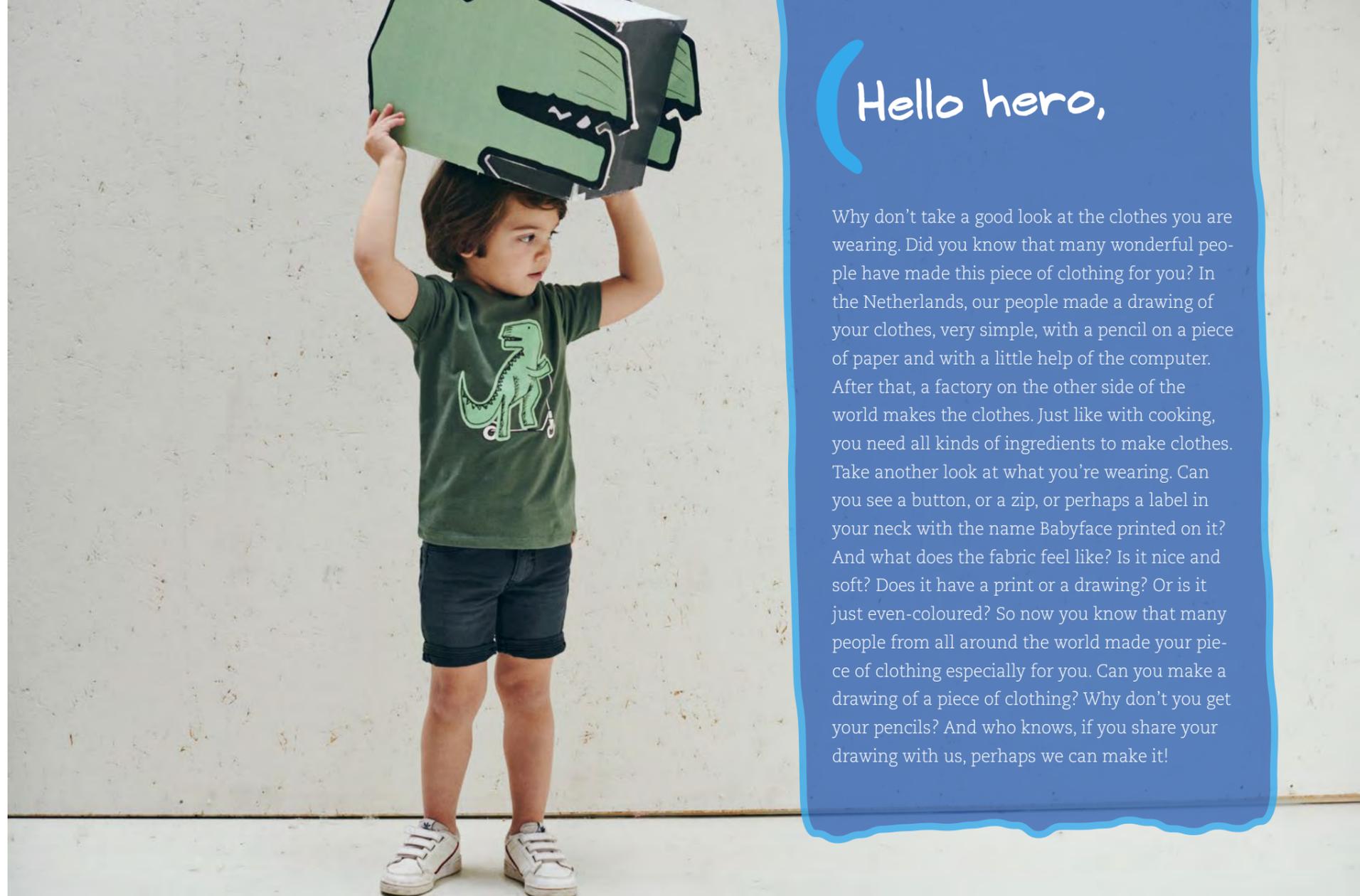
Goals:

- 2023 Start testing first samples shipment on chemicals.
- 2025 Introduction of an MRSL (Manufacturing Restricted Substances List) policy.
- 2025 No more harmful chemicals in our final products and manufacturing processes.
- 2025 Babyface uses CO₂-neutral transportation modes and packaging.
- 2027 70% of all Babyface suppliers have circular wastewater facilities.

4 INSIGHT INTO THE CHAIN

Many people work lovingly on the clothing items to make sure that children can wear them safely and responsibly. Every tier in our production chain adds another beautiful element to our products. However, every chain also poses potential risks that can affect people and the environment.

The Babyface team constantly investigates such risks in our supply chain and tries to find ways to reduce or prevent them. That is why we collaborate with NGOs, local organisations, and other experts to get a reliable and comprehensive view of this chain that will enable us to make viable steps towards improvement. This chapter further elaborates on what we achieve.



Hello hero,

Why don't take a good look at the clothes you are wearing. Did you know that many wonderful people have made this piece of clothing for you? In the Netherlands, our people made a drawing of your clothes, very simple, with a pencil on a piece of paper and with a little help of the computer. After that, a factory on the other side of the world makes the clothes. Just like with cooking, you need all kinds of ingredients to make clothes. Take another look at what you're wearing. Can you see a button, or a zip, or perhaps a label in your neck with the name Babyface printed on it? And what does the fabric feel like? Is it nice and soft? Does it have a print or a drawing? Or is it just even-coloured? So now you know that many people from all around the world made your piece of clothing especially for you. Can you make a drawing of a piece of clothing? Why don't you get your pencils? And who knows, if you share your drawing with us, perhaps we can make it!

TRANSPARENCY THROUGHOUT THE ENTIRE CHAIN

Making a brand more sustainable starts with gaining insight into the entire supply chain as the only way to know where to improve means knowing the potential risks. This is why we aim for 100% chain transparency.

The fashion industry generally is not very transparent. There are many processes to follow to turn a cotton ball into a garment and these processes are carried out by different companies. The Babyface procurement department and the CSR team often only have contact with one of the final tiers in the chain – the CMT factory. This is the factory where garments are assembled, packaged, and prepared for transport.

Thanks to reading insightful audit reports and by talking to suppliers, local organisations, and other experts, we know that violations or malpractices more

often occur further down the chain. So not in the CMT factories Babyface works with but in tiers such as the spinning mills (where the yarns are spun) to the cotton fields.

Consequently, our first step is to find out where our products are sourced and produced all along the chain, up to where cotton is picked. This information, per article level, is requested from all the chain tiers and stored in a management system for which we collaborate with tex.tracer.

Management system via tex.tracer

We started working with tex.tracer in April 2020. Tex.tracer provides a platform that uses blockchain technology and which allows us to verify every step along the supply chain. This means that every step is registered and this information cannot be altered. We can see the production details related to the

procurement of raw materials (like cotton) to the delivery from the warehouse to our clients of any entered article. The requested data, such as company details, certificates, and order data are entered by the chain partner. This information is then verified through geolocation data, time stamps, digital confirmations between the different tiers, and automated checks. If the various types of input differ, the system refuses the data entry. The entered data is stored in a decentralised database that guarantees its privacy, reliability and credibility.

Transparency Pledge

As a commitment to our goal to aim for 100% transparency on the origin of our products and communicate about this openly, we signed the Transparency Pledge in February 2021. We believe in an open and fair communication about all the steps towards more sustainability and know that the



transition to a sustainable fashion system can only be reached by working together. From May 2021, our production locations are listed in the Babyface website and in the Open Apparel Registry.

Malpractices in spinning mills in India

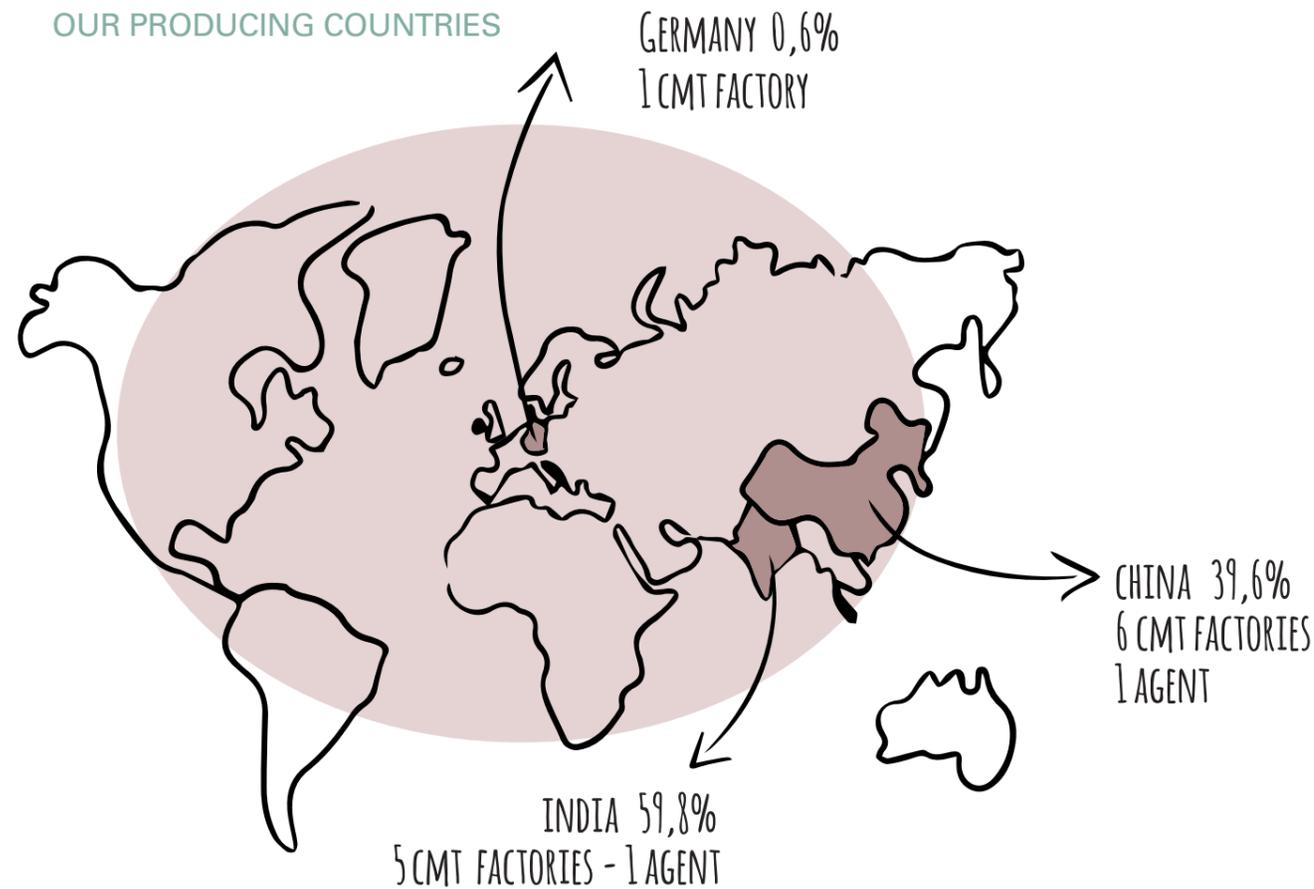
In December 2020, the benefits of the open communication about our production were demonstrated in an actual case. Human rights organisation Arisa and the SOMO Foundation, which investigates the consequences of the activities of multinationals on people and the environment, investigated the labour conditions in Indian spinning mills. As we have been sharing our – anonymised – production locations with the Open Apparel Registry since 2020, Babyface got potentially linked to one of the investigated mills. After communicating this with Arisa and SOMO, it became clear that Babyface was not linked to the investigated mills. Even so, the outcome of the investigation and the way human rights are violated came as a shock to us. We realised that steps such as a strong focus on corporate social responsibility has greatly improved the conditions in the factories that work for Western brands (the so-called CMT factories

where garments are assembled). We also realised that there are still many challenges to tackle to significantly improve the conditions in the tiers further down the chain. We are very happy that organisations like Arisa and SOMO investigate such malpractices and publish the acquired information. This not only raises more awareness with the consumer but also helps companies to gain more insight, apart from their own Due Diligence activities, especially concerning the tiers further down the chain, which the brands don't have contact with directly.

It made us adjust our policy to the effect that we don't just focus on BSCI audits of CMT factories but that we are also going to include the spinning mills in 2022. This will give us more insight into the conditions in these factories. When the COVID-19 situation allows for travelling to these countries again, we will also visit these spinning mills.



OUR PRODUCING COUNTRIES



The bulk of the Babyface collection is produced in India and China. The Babyface tights are produced in Germany.

As Babyface always tries to do, we have been working with our suppliers and agents for over ten years. We believe in an open dialogue and like to build on mutual success stories. This long-standing relationship of trust is also crucial if you want to take real steps toward more sustainability. All our suppliers and agents are more than willing to join Babyface in its goal to make our business more sustainable. Some examples are joint projects with Arisa and SAVE that include training programmes for factory workers in India and setting up a project to realise living wage with one of our suppliers in India.

Risk analysis

In 2019, we carried out an extensive risk analysis by assessing the risks that often occur in the producing countries, the risks that were identified in the CMT suppliers' audit reports and talks, and the negative effects of the substances we use on people and the environment. We then categorised these risks based on their severity and probability. The five ensuing priorities were established in the five pillars Babyface

wants to work on. These pillars are our main goals for the coming years.

More information about the risk assessment throughout our supply chain, the findings, and our approach can be found in the [2019 CSR annual report](#).

New challenges

The world is constantly evolving and this also sheds new lights on the risks within our supply chain. This year, for example, we had to deal with new challenges caused by the COVID-19 pandemic, the horrific forced labour conditions in (predominantly) the Xinjiang region in China, and the shortage of organic cotton. The latter issue will be discussed in the next chapter.

Covid-19

The global pandemic has raised huge challenges. We are more watchful than ever and are in close contact with our agents, suppliers, and retailers. From the start of the COVID-19 outbreak in March 2020, we had to deal with uncertainties and anxiety about the whole situation, and with the fact that factories and shops had to close. Like the rest of the world, we were also navigating uncharted waters. The production of the first two



deliveries of the Babyface 2020 Winter collection had already started (January 2002) and the third delivery had just been sold. The orders for this third delivery had not yet been confirmed to the suppliers and, in consultation with the retailers, they were subsequently cancelled.

Babyface decided to buy the collections that were already in production to cover the costs made by our suppliers because we didn't think it would be right to unilaterally expose other tiers in the chain to such risks.

Together with the buyers and the Executive Board, the CSR team decided to inform all employees once more about the existing agreements. This means that, as Babyface:

- We will not cancel orders when they are already in production or have been finished
- Only take measures in consultation and agreement with our chain partners (no unilateral measures)
- We don't bargain for discounts
- We pay our bills as agreed and timely
- We maintain flexible delivery period to avoid overtime
- We always communicate clearly and in time about orders and payments

The above agreements were also maintained for the 2021 Summer collection that was sold and forwarded around August 2020, and we managed to order the production for all deliveries with our suppliers.

We are in close contact with our agents who update us about the situations in the various producing countries and the conditions in the factories. We duly accept our responsibility to keep monitoring the risks in the supply chain and do everything we can to realise improvements, for which we collaborate with NGOs, local organisations, the Covenant, and other companies. Everything we do is governed by our goal to protect the wages of the workers in the garment and textile industry, to safeguard their health and safety, and to make the entire chain future-proof.

As we speak, the condition in India is getting increasingly more dire. The number of infections is exploding with more than 300,000 new infections within 24 hours. The fact that hospitals can no longer accept new patients and the huge shortage of oxygen is very distressing (source: RTL news 26 April 2021). Our agent in India keeps us informed about the current situation and the effect it has on the factories and their employees. Babyface tries to unburden the suppliers as much as possible when it comes to providing the information we need to kick-off the living wage project and the training programmes for the Factory Support Programme that we initiated with Arisa and SAVE.

Forced labour Xinjiang, China

Forced labour is a gross violation of human rights and a very serious problem. The International Labour Organization (ILO) estimates that around 25 million people worldwide are exposed to forced labour.

Forced labour is also a known problem in the garment and textile industry, for example for the Uyghur people in Chinese factories, for Syrian refugees in Turkey, and for the Rohingya in the Philippines and Myanmar (source: IRBC Covenants).

Babyface also has business activities in China. That is why the issue of forced labour in the Xinjiang region is an urgent one and needs close monitoring. We must also investigate if Babyface is indirectly linked to these practices.

More than 20% of the global cotton production is done in China and more than 80% of Chinese cotton comes from the Xinjiang region. Besides that, articles that are produced in other countries may also contain cotton from China. Moreover, various reports show that Uyghurs are also required to work in other parts of China (source: Modint).

Consequently, the chance that Babyface can be linked to forced labour in cotton garments cannot be ruled out. Babyface is taking the following steps to prevent forced labour in its production chain:

1. Our suppliers need to comply with our codes of conduct as established in the Responsible Business Conduct. This document stipulates that forced labour, as well as penal labour, is forbidden. More information about the Responsible Business Conduct can be found in the appendices under the heading 'Prohibition of Forced and compulsory Labour and Disciplinary Measures ILO Conventions 29 and 105'.
2. When we sent these codes of conducts to our suppliers in late 2019, we also requested to share them with their chain partners. We are currently making an inventory as to if and to what extent this has been done.
3. We actively work on transparency throughout the chain and all tiers have to upload their relevant information to the tex.tracer system. This information is then verified based on GPS coordinates. Photos can only be uploaded from the exact production location. This method shows us where our products are made all along down the chain and it needs to show whether Babyface is linked to cotton sourced from the Xinjiang region.
4. We use independent audit reports based on personal interviews with employees whenever we can. In 2021, we will request audit reports for tiers

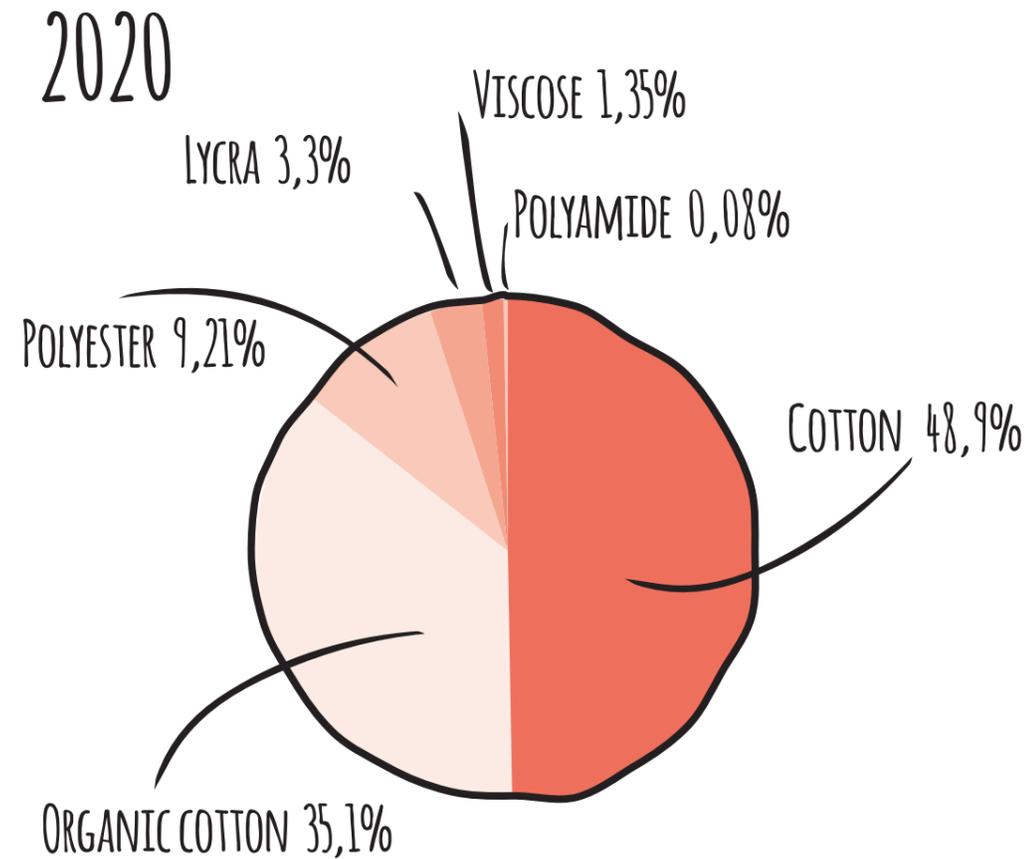
5. Babyface also procures GOTS certified cotton whenever this is available as GOTS also monitors the labour conditions in the factories.
6. By regularly discussing this issue with our stakeholders such as the Dutch Agreement on Sustainable Garments and Textiles, Modint, and other sustainability experts, we keep ourselves updated on all the developments.
7. Via our network, we also do our utmost to gain more insight into the sourcing of cotton and how we can trace it.

All these steps demonstrate that we explore and use all options to identify possible links with forced labour in the Xinjiang region. Should a link be detected, we ask our various stakeholders for expert advice on how to act. We wholeheartedly understand that solving the problem as a whole is a geopolitical matter. After all, it is a Chinese government policy issue and not something that is caused or can be resolved by the garment and textile industry. The discussion must be held with the EU, the United Nations, the International Labour Organization (ILO), the World Trade Organization (WTO), and the Organisation for Economic Cooperation and Development (OECD).



5 THE FABRICS WE USE

Children must be able to play uninhibitedly and so the Babyface team spends a great deal of attention to finding the right fabrics because we want their clothes to be comfortable, sturdy, and safe.



COTTON AS A BASIC MATERIAL

84% of the Babyface collection is made of cotton. Cotton has many beneficial properties that make it such a comfortable material for babies and children. The fabric is breathable, feels soft, absorbs a lot of moisture, has a long lifespan, and it is sturdy. Cotton is also washable at high temperatures.

THE IMPACT OF COTTON

Unfortunately, cotton also has its downsides as it can negatively affect the environment and people. Cotton is considered to be one of the most polluting crops and is produced in over a hundred countries around the world. One thread of cotton can contain unprocessed cotton of more than a thousand cotton farmers.

High water consumption

Cotton plants need a lot of water to grow – the production of 1 kilo of cotton consumes around 10,000 litres of water. After the cotton has been picked, water from lakes, rivers, and water reservoirs is used to clean the cotton balls. In many areas, this huge water consumption causes water scarcity, not just for the population but also for the local nature, which becomes ever more arid.

Use of chemicals

The cotton plants growing on the vast cotton fields attract lots of insects and stimulates the growth of other unwanted plants that can harm the cotton plants. Cotton farmers use all kinds of pesticides



and herbicides to kill those plants and insects. These chemicals, in turn, get drained off and pollute the ground and surface waters.

The unsafe use of agricultural chemicals not only harms nature but is also a health risk for the workers.

Potentially bad labour conditions

Another important aspect is that child labour and bad labour conditions are often topics of great concern in countries where cotton is hand-picked.

MORE SUSTAINABLE MATERIALS

One of our main goals, as described in the five pillars of Babyface, is the use of more sustainable materials. The biggest step we can take to achieve this is exchanging conventional cotton for organic cotton. In 2020, the entire new-born collection was made of organic GOTS certified cotton. We strive to increase the percentage of organic cotton in collections year by year and to seek new innovative methods and fabrics that are suitable for babies and children.

The advantage of organic cotton

The production of organic cotton uses technologies and materials with low environmental impact. For example, the cotton is grown without the use of pesticides and fertilizers and it is spun without adding chemicals. The crop is naturally protected against harmful insects by releasing butterflies. All of these aspects ensure that organic cotton is less harmful for both the environment and for the health of the cotton farmers and workers and their animals.

Other wonderful advantages of organic cotton are its sturdiness and its natural softness. The absence of chemicals makes it very comfortable on the sensitive skin of young children.

Even so, growing organic cotton still requires a high water consumption. Organic cotton is also more susceptible to diseases as no pesticides and herbicides are sprayed. This means that more cotton plants are necessary to get the same crop yield – and, thus, more water to grow them. This can be a problem, especially in dry areas like India.



GOTS certified cotton

The GOTS quality label shows that an article contains at least 70% organic cotton and that all tiers in the supply chain that contributed to the production of the article complies with their established social and



ecological conditions. This makes GOTS one of the leading and most comprehensive quality labels.

Euretco Fashion, the parent company of Babyface, received the GOTS certification in 2020, meaning that when the entire supply chain is GOTS certified, we can use the GOTS logo on our articles. However, when not all tiers in the chain are GOTS certified because a factory is unable or unwilling to invest in getting this certification, we don't use the logo on the article. Still, we can proudly state that our articles are made of organic cotton.

Other quality labels and standards

Besides GOTS certified cotton, the indicated articles also comply with the Oeko-tex and REACH standards.



Oeko-tex standard 100

Products with this quality label are free of harmful

substances. The substances on which products are tested include: illegal substances, regulated substances, known harmful substances, and the healthcare parameters.

REACH

REACH (EC 1907/2006) aims to protect people's health and improve the environment by a better and earlier identification of chemical substances. This is how we can guarantee that items are free of harmful substances that pose a risk to people's health and that babies and children can fully and carefree enjoy our products.

TRANSITION TO A MORE SUSTAINABLE COTTON CULTIVATION

Early 2021, our supplier informed us that Babyface will not be able to buy GOTS certified cotton for the 2021 Winter collection or any other organic cotton without this quality label. This posed an unforeseen obstacle in our promising steps to substantially increase the percentage of organic cotton in our collections.

Shortage of organic cotton

We discussed the issue with the Dutch Agreement for Sustainable Garments and Textile, Control Union (the organisation granting the GOTS certifications), Modint, and Arisa. We also asked around at other companies to check if they were dealing with the same problem and how they were acting on it. During these conversations, it became indeed clear that the supply of organic cotton is a global problem. The global demand for organic cotton is seeing a huge increase whereas it takes a cotton farmer three years on average to make the transition to an organically grown crop. Consequently, it may take a long time before there will be enough organic cotton on the market.

GOTS discovers fraud with fake organic cotton in India

Another problem is that, in the autumn of 2020, the organisation behind GOTS discovered a large-scale fraud with fake organic cotton from India. The investigation carried out by GOTS identified 20,000 tons of regular cotton that was falsely labelled as organic cotton.

This systematic fraud included the use of fake transaction certificates of unprocessed cotton, fake QR codes, and a fictitious cloned Indian government website that verifies the 'organic' cotton fibre. Since this discovery, GOTS has told its authorised institutions to cancel all upstream transaction certificates based on these falsely submitted documents to prevent the sale of these goods with the GOTS label (source: Biojournal, Ecotextile News November 2020).

We have contacted Control Union to find out more about these problems and to learn what they consider



Hello hero,

Your clothes are very likely made of cotton. Cotton grows on cotton plants in areas where the sun shines a lot. The cotton farm workers pick the white, fluffy balls are picked from the plant. By the end of a day, the farmer has large sacks with cotton balls, after which the leaves that were accidentally picked as well are taken out. The white mountain of cotton is bound together and weighed. After that, the cotton goes to the factory where it is checked again and the seeds are removed. These seeds can be used to grow new cotton plants. The bales of cotton that remain go to factories where they make the clothes.

acceptable alternatives for the short term and the options for the long term to (keep) showing the GOTS quality label on our items.

As we are now unable to buy organic GOTS labelled cotton, the challenges to safeguard the social conditions within the supply chain only increase because GOTS not only monitors the number of organic cotton fibres but also the good and safe labour conditions throughout the entire production process. We invited a team member of the human rights organisation Arisa to join the conversation with Control Union. This conversation further explained the role of Control Union and their work method during the inspections. Sadly, we are not allowed to read the findings in the reports, which are also not automatically shared with the factory workers.

Again, this confirms the importance of carrying out our own due diligence and audits to make concrete steps in realising a more sustainable production. This also requires an open dialogue with factory workers. Our collaboration with companies and local organisations like Arisa and SAVE grants us more direct access to the factory workers and enables us to jointly make improvements. Additional quality labels are necessary because of the simple fact that more eyes can see more. Even so, GOTS remains our most valued quality label.

Our sustainable alternative

We never stop investing in more sustainable materials for the Babyface collections. Unfortunately, we do need to adjust our goals relating to the use of GOTS organic cotton, but that doesn't mean that we will waver from our ambition. We adjust our approach and our vision

is stronger than ever. Babyface is not interested in fighting for the last available ball of cotton and against exorbitant market prices – we invest in the transition to more sustainable cotton farming. Only the latter can ultimately solve the root cause of the problem. We are also currently investigating the options to contribute to this. One of the decisions we have made is joining the Better Cotton Initiative (BCI) and we are now starting the registration procedure. We also closely follow the activities undertaken by the Organic Cotton Accelerator although, sadly enough, an affiliation with this organisation will be a too costly investment for us right now. This is why we are now looking into joining this initiative as a collective member with other companies.

Better Cotton (BCI)

The Better Cotton Initiative (BCI) is a non-profit organisation that focuses on the global cotton



production with the goal to implement improved labour conditions and to make the industry more eco-friendly and sustainable for the future. The BCI and its partners educate farmers on an efficient water consumption, soil health and the natural living environment, the reduction of harmful chemicals, and on how to apply the principles of humane labour. Farmers who apply the BCI system are granted a licence to sell better quality cotton (source: bettercotton.org).

ALTERNATIVES FOR COTTON

The buyers and stylists working for Babyface are also constantly on the lookout for new innovations and explore alternative fabrics and more sustainable variants of conventional cotton. They use the Euretco Materials Matrix, which lists the more sustainable variants per type of fabric.

Recycled cotton

Recycling means that the fabric of a piece of clothing or other textile is reused. Second-hand garments that cannot be reused directly can be recycled. All buttons, zips, leather labels and other accessories are removed and the fabric is ground until nothing but fibres are left. This process is called fiberisation. The fibres are then spun into new yarns and these new yarns are knitted or woven to create new clothing.

Our suppliers keep us informed on how we can use recycled cotton. Recycled cotton often looks and feels slightly firmer or coarser than new cotton. As we have not yet found the delicate quality we want, we need to continue our search for our baby and children collections. After all, we only want the softest qualities, especially for new-born babies.

Viscose

Viscose is made of cellulose from wood pulp or cotton, meaning that it is a natural material. Turning this pulp into textile fibres is an artificial process. Viscose is a shiny, supple and delicate fabric. However, these properties also make it less suitable for baby clothes because the fabric for these items should not be too supple and loose. Viscose can be used for the larger sized collections. For the 2020 collection, Babyface introduced items made of viscose.

Compared to cotton, the main benefit of the process of producing viscose is that it needs less water. On the other hand, viscose is made of wood and its strain on the environment depends on the type of trees that are used. We don't want to cut down trees from ecologically vulnerable areas. The production process to turn wood pulp fibres into long yarns also involves a lot of chemicals.

Lyocell, Tencel™ and EcoVero™

A more sustainable variant is viscose that requires less harmful chemicals. The wastewater and the chemicals are collected and reused so they don't end up in the environment. This is how lyocell is made. The brand name for lyocell is Tencel™, given by the Austrian company Lenzing that created this type of fabric. The Tencel™ fibre is made of wood pulp of eucalyptus trees that grow in FSC certified forests (FSC is an official forestry quality label).

A new variant on viscose is EcoVero™ viscose, also developed by Lenzing. The production of this fabric also uses sustainable wood from FSC or PEFC certified forests in Europe. Compared to regular viscose, the production of EcoVero™ emits 50% less CO₂ and consumes only half the amount of energy and water. The current prices for lyocell and Tencel™ are still too high to keep the retail prices for Babyface items commercially viable. We are now setting up a first pilot with a collection made of viscose, with a clear preference for EcoVero™ viscose for the larger sizes to see whether we can use more viscose in the future.

MATERIALS MATRIX



6 WHAT WE ACHIEVED THIS YEAR

This year, the different project groups worked on realising our goals included in the five Babyface pillars. This chapter tells you more about the steps we took this year, our experiences, and the results. Just like children, every day is a learning process, with trial and error.

TRANSPARENCY THROUGHOUT THE CHAIN

Together with tex.tracer, we aim to realise a transparent production chain. We want to know where our clothing items are made. This doesn't just apply to the factory where the articles are assembled, which we collaborate closely with, but also to further along the chain, down to the cotton fields because we know that malpractices and violations of human rights often occur where we don't directly see them. One of our key pillars is the prevention of child labour, but we first need to gain more insight into all the tiers in the chain to know if Babyface can be indirectly linked to child labour.

As described in chapter 4 - [Insight into the chain](#), we want as many chain parties as possible entering their details and relevant information into the tex.tracer platform. Suppliers respond positively to this request and gladly cooperate to get all the information processed by the system. Sometimes, the

information that we need from further down the chain, e.g., where the fabric is sourced from, is harder to trace or these chain partners refuse to share their information as it may be competitively sensitive. We always try to explain our chain partners why transparency is such a big step towards making Babyface a more sustainable brand and that it contributes to making the industry ready for the future.

Transparent communication to our customers

A Tiny Story is a capsule collection within the Summer 2021 Babyface collection. We started this collection in 2020 to give all clothing items a QR code on the article label (the swing tag). When you scan the QR code, you can see the article's entire journey from the cotton field to the warehouse. This is how we raise awareness with our consumers as they can see where their items have been before they are worn.



Hello hero,

Why don't you ask your mum or dad if you can scan the QR code with their phone? With this code, you can see the journey of your piece of clothing around the world. The map shows all the steps and people who have helped to make your clothes. Have you been on a trip as well?





START COLLECTIVE PROJECT TO IMPROVE LABOUR CONDITIONS IN THE TAMIL NADU STATE IN INDIA

In October 2020, Babyface started a collective project to improve the labour conditions in the factories in the Tamil Nadu state in India. This collective project is a collaboration between human rights organisation Arisa, the local organisation SAVE, The Dutch Agreement on Sustainable Garments and Textile, Mondiaal FNV, and the brands Fabienne Chapot, HEMA, O'Neill, Prénatal, The Sting and WE Fashion, and our four factories in India. Our goal is to tackle several social themes such as discrimination & gender, child labour, forced labour, the freedom of association and trade unions, living wage, and health & safety in the workplace. The project will span three years.

Babyface is expected to map out the entire supply chain and improve its own (procurement) best practices. Suppliers are supported to establish properly functioning consultation committees between labourers and management, which can handle complaints and develop preventive measures to reduce or avoid potential risks in the factories. Another goal is to increase the workers' knowledge on labour law so they are better prepared to stand up for their rights.



Asumptha Ramani, General Manager
Top Notch India, elaborates.

My name is Asumptha Ramani, General Manager of Top Notch agency in India. We have been working with Euretco Fashion for more than 25 years. Our business relationship has grown over the years and we have already taken some innovative steps together. Euretco Fashion is a reliable partner and strives for mutual success.

Tirupur is a relatively small city in India with a thriving knitted garment industry. The four factories Babyface works with are all located here. Sustainability has become an important aspect of doing business these days and companies want to implement nature-protecting measures. Babyface's first step was to make a new-born collection of organic cotton. After that, the SAVE project kicked off to improve the labour conditions in the factories. It really means a lot that they care about the well-being of the people who work there. This project requires the collective cooperation involving the factory owners, the support of the factory workers who follow the already existing social government standards, the agent, and the people behind SAVE. Babyface doesn't want to infringe on the relationship it has with all the parties involved and the training programme will be offered on an entirely voluntary basis.

Over the years, I have worked for many brands and, as part of sustainability policies, seen many compliance checks to make the chain more sustainable. However, the way we work with Euretco Fashion and Babyface is different. We first discussed this project intensively and considered the supplier's principles, after which we were able to explain how the project can be implemented. The suppliers fully understand that Babyface has the well-being and future of the company at heart, and that this depends on the well-being of their workers.

The first training session at the factories have now been completed and received enthusiastic responses. The factory owners are fully behind the project. We are looking forward to continuing the entire project and seeing the results in the factories, with the owners, and with ourselves as the agent.

For Babyface, as a brand taking responsibility for the environment and people, the SAVE project can become a unique selling point. Children growing up will get the seed to treat nature respectfully planted in their heads at an early age.

We are overwhelmed by the professional and well-considered way Euretco Fashion and Babyface approached the suppliers. Thank you for letting us be part of this project..



Ada Bakker, Buyer at Babyface, elaborates.

Making sure that it is not just your product that deserves the sustainability label but also the entire process from design to consumer – a great ambition and a noble cause, but how to realise that?

As product developer and buyer for Babyface, and ever since we signed the Dutch Agreement on Sustainable Garments and Textile, I feel that we still have a long way to go. A long way with unknown obstacles. Of trial and error and moving on. But it is also a journey that provides you with endless knowledge and during which you meet people and organisations who help you along, because this is not a journey to

embark on just by yourself. That is why I am very happy with the long-standing and stable relationships we have with our suppliers and agents. The collaboration we receive is based on the sustainability of these relationships so we can realise concrete improvements within the production chain.

For example, mid-February 2021, we introduced the training programme created by Arisa and Save at our agent Top Notch in India. This programme focuses on improvements in the production chain.

Asumptha had some critical questions but they also made it instantly clear that they fully support us and give us the help we need. We also made appointments to visit our four suppliers, together with SAVE, to introduce the programme.

All suppliers responded positively, committed to collaborate, and the first training sessions have already been completed.

SETTING UP A LIVING WAGE PILOT IN INDIA

Paying a living wage for factory workers is one of the five pillars that Babyface considers to be a priority. The wages received by factory

workers in Asian countries is often not enough to cover the workers and their families' basic needs. It should be noted that this does not just apply to Asian countries – this also occurs in several European countries. We are now starting a first pilot at one of our factories in India to make sure that the workers earn enough to sustain themselves and their families, and that their children can go to school instead of having to work.

The decision to start this pilot in India was a well-considered one. At the moment, the factory workers of the four companies in India we work with are following the training programmes set up by Arisa and SAVE. These factories provide us with all kinds of information such as the numbers of temporary contracts, employees working on an indefinite contract, and whether there is a substantial turnover in workers. This is useful information to make the project a success.

A living wage is the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events (Source: Global Living Wage).

The steps we have taken so far are:

1. Adjusting the text about living wage in our responsible business conduct document
2. Discussing the issue with our agent and supplier
3. Calculating the difference between living wage and actually paid wages
4. Gaining insight into the cost price of a garment
5. Phrasing possible approaches

Adjusting the text about living wage in our responsible business conduct

We critically reviewed our statement about living wage in the Responsible Business Conduct document based on the ILO conventions 26 and 131. The paragraph indicates that the factory is obliged to pay at least the prevailing minimum wage and that these wages must be sufficient to pay for the basic needs of the workers and their families.

We know that some factories are not paying the living wage and that we need to exercise our influence to get the wages increased to the acceptable living wage level. As such, we have added the following sentence to the responsible business conduct document:

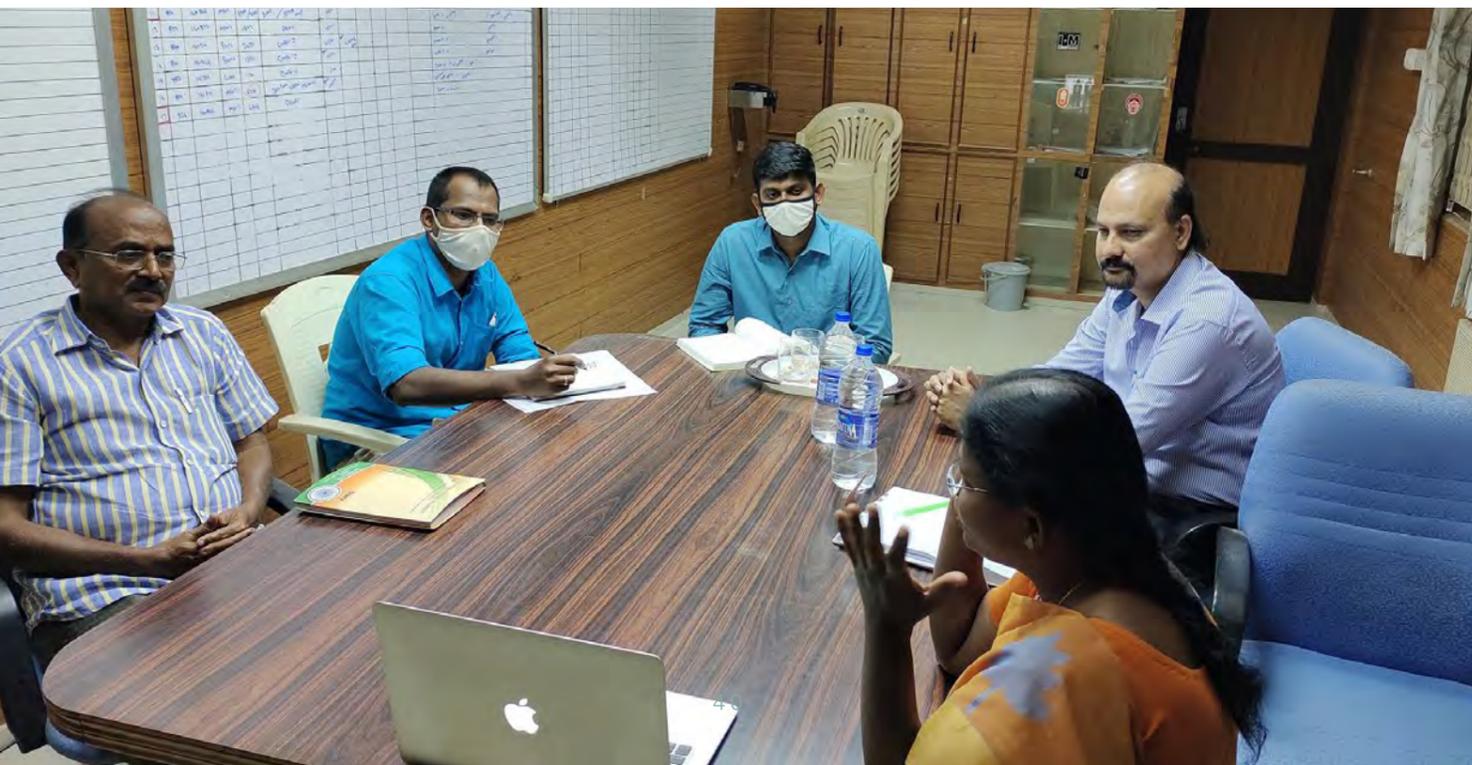
Euretco Fashion undertakes to collaborate with its suppliers to gain more insight into the paid wages and to ensure that employees are paid the living wage so they can provide for the basic needs of themselves and their families.

The full statement about living wage can be found in the Responsible Business Conduct document in the [appendices](#).

Discussing the issue with our agent and supplier

Our first point of contact to discuss this issue is our agent with whom we have been working for many years. She is very happy with the expeditious steps we are taking and agrees with our choice of supplier for the pilot project. This supplier's medium-sized factory is well-organised and the number of employees is large enough to start such a project and learn valuable lessons.

We also got human rights organisation Arisa and the local societal reconstruction organisation SAVE involved. They know and have visited the factory and already finished the first training programmes of the collective project. We will soon continue our talks with Mary Viyakula of SAVE to hear about her findings and get more relevant information that may affect the living wage project.



Calculating the difference between living wage and actually paid wages

Branch organisation Modint offers tailored workshops to gain more insight into the theme of living wage and how to get manufacturers willing to pay living wages. Together with Miriam Geelhoed of Modint, we calculated the difference between the living wage for the garment and textile industry in the Indian Tamil Nadu state and the actually paid wages at our factory.

report. The BSCI report also provides an overview of the average monthly expenses for an average family with two adults and two children.

Gaining insight into the cost price of an article

We came to the conclusion that we don't have sufficient knowledge of the costs of the various components to determine a valid cost price. That said, we know the costs per metre of fabric,



First, we checked the living wages for the garment and textile industry in the Tirupur area in Tamil Nadu, according to the data provided by WageIndicator and The Global Living Wage Coalition. Based on our meetings with SAVE and the Dutch Agreement on Sustainable Garments and Textile, we focus our initial findings on the WageIndicator data based on the so-called 'lower bound' amounts – the required and appropriate living wages in areas where the costs of living are lower, like in rural areas where the costs of living are lower than in a large city.

We then checked the documents offered by the Dutch Agreement on Sustainable Garments and Textile to find the minimum wages in this sector and region, and pulled the information on the lowest paid wages at the factory from the BSCI

for the buttons and other accessories, and we also know how much time it takes to assemble a piece of clothing. This also shows from the PPA/PPSA survey that we sent to all our CMT suppliers and agents.

With the help of Modint, we now know the build-up of the cost price of one of the articles that are made in our pilot factory based on average prices for fabrics, finish, margins, packaging, and other cost-related aspects. After that, we calculated the average time it takes to make one sweater based on the time this takes for workers who directly work on the garment (e.g., the seamstress) as well as indirectly (e.g., the manager), and their level of efficiency.

All these calculated outcomes and the indicated living wage according to the WageIndicator, we



conclude that a gap of around €0.50 per article must be bridged. In other words, the CMT supplier needs €0.50 more per article to pay the factory workers a living wage.

This calculation has been based on averages. When we are going to discuss this more concretely with the supplier, we and the supplier will determine the exact data to establish the precise amount per article to come to a living wage. We also want to get the factory workers involved in the decision-making process to calculate the living wage per article.

Phrasing possible approaches

For the time being, we are investigating the options to bridge the difference of €0.50 per article and discuss them with our Executive Board. After that, we start the discussions with the supplier and agent to realise the positive impact as a joint achievement. Arisa and SAVE will also remain involved to increase the chance of success and to make sure that the extra funds go to the factory workers and their families. .

Possible approaches are:

- Babyface pays for the increased prices and consults with the supplier and the agent to ensure that the increase will not be included in the margins.
- Babyface seeks collaborations with other brands that use the same factory to bridge the difference together.
- Babyface, the supplier, and the workers jointly try to find ways to increase the efficiency per article without increasing the work pressure (e.g., by installing new and faster machines).

- Babyface investigates the willingness of different stakeholders, including the consumer, to pay for part of the amount by increasing the retail prices.

All the above options are further investigated together with the supplier. The outcome may also be a combination of different approaches.

MORE EXPERTISE ON SUSTAINABILITY WITHIN THE ORGANISATION

Making a brand more sustainable is, of course, a team effort. The only way to make a difference is by working together, both internally and externally. To make sure that every employee will be able to realise our goals, Babyface invests in tools to increase their awareness and knowledge level.

One of the initiatives is the launch of the Euretco Fashion Academy, which will happen shortly. This digital academy offers, amongst other things, lessons on sustainability. The academy will be available to affiliated retailers of Euretco Fashion, their buyers, shop assistants, and our own employees.

The lessons will cover sustainable materials, quality labels, the production process, and circularity. The additional knowledge bank includes blogs, podcasts, and videos with inspiring practical examples.

We always encourage our employees to increase their knowledge on sustainability and apart from our online learning tool, they can follow external training programmes and workshops.

ACTION PLAN

This chapter includes the actions that are needed to realise our goals. We critically review the actions for 2020 that we failed to realise and try to find ways to alter them into new actions so that we can keep investing in Babyface's five pillars.

Child development comes first, regardless of where you live

1. No child labour
2. Living wage for factory workers

A sustainable planet for our children

3. Sustainable materials
4. Circularity
5. Reducing CO₂, emission and the consumption of water, energy, and chemicals

NO CHILD LABOUR

Year	Goal	Action
2021	70% insight into the production chain, including spinning mills	2021 - all chain tiers enter their company data in tex.tracer 2021 - the importance of transparency will be discussed with all chain tiers
2023	Via the tex.tracer system, we gain insight into the company details of all tiers in the production chain, including the spinning mills, plus the associated social risks per factory	2021 - we use tex.tracer to look at the scheduling and options to store the requested information in the system
2024	Complete insight into the production chain, including the cotton fields	2022 - contacting the cotton cooperatives that supply the spinning mills to find out from which cotton farmers our cotton is sourced
2025	No child labour throughout the entire Babyface production chain in India	Training the factory workers in India through the collective project with Arisa and SAVE (2021-2023) 2022 - initiating talks with partners further down the chain 2022 - starting the BSCI audits at spinning mills 2023 - offering training programmes to the spinning mills linked to the CMT suppliers that participate in the collective project with Arisa and SAVE
2030	No child labour throughout the entire Babyface production chain	Inviting all suppliers in China to carry out the BSCI audit 2022 - meeting with organisations that pursue more sustainable cotton farming to find out more about how they improve the labour conditions 2022 - investigating the options to collaborate with NGOs and local organisations



LIVING WAGE

Year	Goal	Action
2023	The successful implementation of the training programme set up by Arisa and SAVE at four CMT suppliers in India and their own chains (including spinning mills)	<p>2021 - gaining more insight into our own procurement practices and ways to improve them</p> <p>2021 - offering training sessions for the higher and middle management at the four factories in India</p> <p>2021/2021 - offering training sessions for the factory workers at the four factories in India</p> <p>2021 - further identifying the risks per supplier in India based on acquired information from the first training sessions</p> <p>2021/2022 - identifying the risks per production process</p> <p>From 2023 - annual visits or virtual meetings with the agent, direct and indirect suppliers, and employee representatives to discuss the progress of our goals and actions</p> <p>2023 - setting up a complaints mechanism via the CKT as a regional help desk for workers</p>
2023	Babyface ensures that the workers at one CMT factory in India receive a living wage.	<p>Having talks with Arisa and SAVE in May 2021 to learn more about the pilot for the factory about paying the living wage</p> <p>In Q3 2021 - discussing the options for paying the living wage with the Board of Euretco Fashion</p> <p>2021 - discussing the calculation method to get the actual cost price with the supplier and the agent</p> <p>2021 - contacting other companies that have included the aspect of living wages in their policy to gain more knowledge</p> <p>2021 - contacting other brands that use the same factory talk about working on together on this project</p> <p>2022 - discussing the aspect of living wage and the possible next steps with suppliers and factory workers</p>
2022	80% of the suppliers can provide a valid audit and we discuss their progress together with the suppliers.	<p>Inviting all suppliers in China to carry out the BSCI audit</p> <p>2022 - getting in touch with spinning mills to gain more insight into our chain partners</p> <p>2022 - starting the BSCI audits at spinning mills</p>
2023	Start living wage project in China.	<p>2022 - determining which supplier would be suitable for the pilot, together with the agent</p> <p>2023 - calculating the cost price of the article and the difference between the living wage and paid wages, together with the supplier</p> <p>2023 - investigating options for collaborations with stakeholders and other brands</p>
2025	33% of all Babyface clothing items are produced by tier 1 workers who receive a living wage	Concrete actions follow in 2022
2030	All CMT factories pay living wage.	Concrete actions follow in 2025



Note

We adjusted our goal to pay a living wage at the four CMT suppliers to India to one CMT supplier, for which the pilot project kicks off in 2021. All four CMT suppliers collaborate in the collective project offered by Arisa and SAVE. Due to the dramatic COVID-19 situation in India, we don't want to overburden our agent and suppliers. Therefore, we have agreed to finish the training project first and then start with the living wage project at one supplier. When this has been completed, we can use our experiences and gained insight to speed up the implementation of paying a living wage at the other three suppliers.



MORE SUSTAINABLE MATERIALS

Year	Goal	Action
2022	The Babyface collection contains 50% more sustainable materials	<p>2021 - informing our suppliers that organic (GOTS) cotton is still our preferred material and constantly checking its availability</p> <p>2021 - investigating the options to join forces with other companies to promote the transition to more organic cotton farming by affiliating with specific organisations</p> <p>2021 - checking the availability of EcoVero™ viscose with the suppliers</p> <p>2022 - investigating possible more sustainable alternatives for swing tags, trims, labels, and packaging materials</p>
2023	The Babyface collection contains 65% more sustainable materials	Due to the turbulent developments in this area, actions planned for 2022 will be postponed
2024	The Babyface collection contains 75% more sustainable materials	Due to the turbulent developments in this area, actions planned for 2022 will be postponed

Note

It saddens us that, due to the current market situation, Babyface had to adjust its goals to increase the amount of organic GOTS cotton. More information about this can be found in chapter 5 - [The fabrics we use](#). Our goal is still to increase the amount of sustainable materials and, whenever possible, we want to opt for the most viable option whereby the organic cultivation of cotton and good labour and social conditions are stimulated or guaranteed. We prefer to use materials with such quality labels. We also keep a close eye on the developments and situation.

CIRCULARITY

Year	Goal	Action
2022	Launch of a Babyface jacket collection made of (partly) recycled polyester	2021 - checking the options to buy recycled GRS-certified materials, together with the supplier
2023	100% of the polyester used for the Babyface collections must be recycled polyester	2021 - having conversations about investigating the possible options with all suppliers that use polyester
2025	Launch of a circular business model besides the current (linear) strategy	<p>2021 - two employees will follow a three-day course about circular processes after which a business case will be prepared</p> <p>2021 - we will actively seek collaborations and extend our network to learn more about circular business models</p>

Note

Circularity proves to be a more complicated theme than we initially expected as we realise that the only way to turn the linear business model (partly) into a circular model is by getting the entire chain intensively involved. The LCAs (life cycle analyses) of other brands show that nearly 50% of the environmental impact happens during the user phase. This is the phase in which the consumer uses the garment, washes and irons it, and ultimately discards it. We could start with giving smart maintenance tips and encouraging parents to pass on clothes to their own younger children or other children. However, our goal is an approach for which Babyface takes responsibility by using recycled fabrics. Furthermore, the aspect of recyclability of articles will also be taken into account during the design phase. Another goal is extending the lifespan of articles, for example by offering rental options or return services.

Babyface is currently seeking additional support from circularity experts and companies to help us set up circular models. In June 2021, two of our employees will follow a three-day course and prepare a business case. To acquire more knowledge and turn the first initiatives into practice in a joint project with other partners, our CSR Manager will also join the steering group of the Green Deal Circular Textiles of the Amsterdam Economic Board in 2021.



REDUCING CO₂ EMISSION AND THE CONSUMPTION OF WATER, ENERGY AND CHEMICALS

Year	Goal	Action
2023	Start testing first samples shipment on chemicals	2022 - seeking partners that can test articles on chemicals 2022 - compiling the action plan, which includes the frequency of testing and logistic actions
2025	The introduction of an MRSL (Manufacturing Restricted Substances List) policy.	2023 - contacting Modint to set up a step-by-step plan for an MRSL policy and a roadmap for the implementation
2025	No more harmful chemicals in our final products and manufacturing processes	2021/2022 - taking part in the Modint training sessions about the policy on chemicals 2022 – identifying the environmental risks per production process
2025	Babyface uses CO ₂ -neutral transportation modes and packaging	2023 - investigating the options for transportation by rail or energy-efficient trucks
2027	70% of all Babyface suppliers have circular wastewater facilities	2023 - initiating talks with tier 2 suppliers to learn which suppliers already have circular water facilities and/or whether they are willing and able to invest in such facilities

Note

Last year, the Babyface team discussed the impact of transportation. The calculations for the environmental impact of our means of transportation showed that only 2% of the overall transport is air freight. This may not seem much but the environmental impact is massive as 45% of the total CO₂ emission of our means of transportation is the result of [shipments by air](#). This means that our policy only allows for transportation by air in exceptional situations. In 2020, this happened once when a large backorder was placed.

Apart from that, the Babyface procurement team investigated the options for using natural dyes to reduce the amount of chemicals. We received dyed samples of a jersey fabric in the available colours from several suppliers. Unfortunately, using natural dyes is not yet an option for the Babyface collection. The colouring of fabrics is done in large colour baths and large orders will require multiple colour baths during the dyeing process. This will lead to differences in colour within one size and this is not what we want. Besides that, the colour fastness is not optimal and colours fade or crock. Nevertheless, using natural dyes is high on our wish list and we keep following developments in this area closely.

Our actions concerning the reduction of CO₂ emission and the consumption of water, energy, and chemicals will be resumed after the two projects with Arisa and SAVE, and the living wage project, are completed. The COVID-19 pandemic has made us aware that we should not overburden our suppliers and ourselves and we have to be realistic about the investments the suppliers can make.

ACTIONS RELATED TO COMBATING COVID-19

In order to ensure the health and safety of factory workers as much as possible, we are in close contact with the CMT factories through our agents. We would like to be informed about the current COVID-19 situation in the producing countries. We use the Fair Wear Foundation questionnaire as a guideline for this. Safety measures must be taken on the work floor to limit the risk of infection. These include safe transport to the factory, good ventilation, sufficient distance between workstations, access to face masks and hygienic working conditions and toilets. With regard to our own purchasing practices we have drawn up the following actions:

- 2021. Every buyer has frequent contact with their agents and suppliers and asks about the current situation regarding COVID-19 and how health and safety can be guaranteed as much as possible.
- 2021. Euretco Fashion does not put pressure on deliveries and possible delays that can arise from regional or national lockdowns.
- 2021. Euretco Fashion does not put pressure on suppliers and agents to cooperate in CSR activities that are not directly related to safety and health at work. All focus should be on limiting the number of COVID-19 infections.





List of terms

Sustainability

Sustainability means stimulating people to live their lives more consciously. A balance between people and nature with the goal to ensure that future generations will have the same freedom of choice as we have and to create a world in which everyone can equally share prosperity and well-being.

CSR

Corporate Social Responsibility

Due diligence

An assessment to identify to what extent a company is involved in malpractices related to human rights, the environment, or animal welfare within the production chain

BSCI

BSCI is a code of conduct developed to improve the labour conditions throughout the production chain. BSCI is membership-based but it

also allows us to investigate the labour conditions within our production chain by carrying out audits. Factory scores are based on the BSCI standards.

SA8000

The SA8000 standard is currently the most implemented social certification standard for factories and organisations around the world. It is an instrument for certified organisations to demonstrate their commitment to the fair treatment of factory workers in different industries and in many countries.

SMETA

SMETA is an audit method that provides a compilation of the most ethical audit techniques. The method helps auditors to carry out high-quality audits that include all aspects of both corporate social responsibility and the four pillars

of Labour, Health & Safety, Environment, and Business Ethics.

Responsible Business Conduct (RBC)

The RBC is a code of conduct that describes clear standards and values for chain partners. Our RBC can be found in the appendices.

Tiers

The different layers or links in the supply chain.

Dutch Agreement on Sustainable Garments and Textile

This agreement, or covenant, was established in 2016. The participants commit to detect and prevent discrimination, child labour, and forced labour. They also aim to realise the right to free negotiations by independent trade unions, living wage, and healthy and safe labour conditions for labourers. Other

List of terms

important aspects are making every effort to reduce environmental damages and prevent animal suffering and to reduce the consumption of water, energy, and chemicals and reduce the amounts of chemical waste and wastewater. In all this, such as identifying risks and jointly implementing improvements, transparency is the key word. For more information, go to www.imvoconvenanten.nl.

GOTS

The Global Organic Textile Standard (GOTS) is an international textile processing quality label for organic fibres, which is also based ecological and social criteria, supported by independent certifications of the entire textile chain. The quality label further relates to the processing, production, packaging, labelling, trade, and distribution of all textiles made of at least 70% certified organic, natural fibres. This standard wants to define globally recognised requirements that guarantee the organic nature of textile, from the harvesting of raw materials and resources, via eco-friendly and socially responsible production to the labelling of products with the ultimate goal of offering the end-user credible quality assurance.

Audit

An assessment carried out by an independent organisation or institutions to assess the production location based on pre-established criteria. The audit may result in an improvement plan on the criteria that are not met by the factory owner. Such a plan is called a corrective action plan.

Restricted Substances List (RSL)

This is a list with chemicals that are not allowed, or only in limited

quantities, during the production processes and in the final garments, including accessories, prints, and packaging.

CMT

CMT stands for cut, make, and trim. CMT factories are the final tier in the supply chain for the fashion industry. This is where clothing items are assembled and prepared for transportation.

Subcontractors

Subcontracting means that a production location outsources orders to other factories, either in consultation with the client or not.

NGO

The acronym NGO stands for non-governmental organisation. Such organisations are not related to governments, have no commercial interests, and address political or societal issues or interests.

Oeko-tex standard 100

Products with this quality label are free of harmful substances. The substances on which products are tested include illegal substances, regulated substances, known harmful substances, and the healthcare parameters.

REACH

REACH (EC 1907/2006) aims to protect people's health and improve the environment by a better and earlier identification of the intrinsic properties of chemical substances, with the aim to that articles are free of harmful substances that pose a risk to people's health and that babies and children can fully and carefree enjoy our products.

Stakeholders

Stakeholders are people or

organisations that are directly or indirectly affected by or have a direct or indirect influence on the company's activities.

OECD guidelines

Together with 45 other countries, the Dutch government established CSR standards for multinationals that operate internationally. They offer a framework for companies to deal with issues such as chain responsibility, human rights, child labour, environmental issues, and corruption. The Dutch international CSR policy is based on these OECD guidelines. OECD stands for Organisation for Economic Cooperation and Development.

Living wage

A living wage is the remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.

Life Cycle Analysis (LCA)

The LCA of a product offers a method to determine the total strain of the product on the environment during the entire life cycle (from sourcing raw materials and resources to waste processing).

*The
smile
in your
mind*

Appendices: Responsible Business Conduct

Euretco B.V., May 2021

As a major retail service organisation in Europe, it's our job to pursue a profitable and sustainable retail industry. We care for our collections, the materials and the full supply chain related to our carefully selected garments. We aim for long term relations with our business partners to co-create the most beautiful product, but also to take care of the people involved. We want to get insight in the social and environmental impact of our products and work on improvement where needed. Transparency of production places and circumstances are of great importance.

Euretco has a responsible purchasing policy based on social and environmental criteria for the supply chain based on international standards, conventions and guidelines. Working in compliance with all applicable laws and regulations on human rights, the environment and product safety is of great importance, but international standards are leading if they are more stringent.

We ask all our suppliers and subcontractors, from raw material to end product, to support us in our corporate responsibility program and to work according the standards below.

1. Our common responsibility – Due diligence

Under the UNGPs¹ and OECD Guidelines², enterprises bear a responsibility for preventing and reducing any adverse impact on people and the environment by their own operation or business relationships in the production or supply chain. This means acting in an ethical and transparent way that contributes to the health and welfare of society. This is the baseline for our Due Diligence policy integrated in our corporate responsibility program.

Euretco supports the Conventions of the International Labour Organisation (ILO) and expects suppliers to act in accordance with the conventions of the ILO. These conventions are, along with the relevant UN

Declarations and the OECD guidelines, the basis for our responsible business conduct.

We have identified nine specific themes by mutual agreement and in discussion with stakeholders which currently merit the priority attention of enterprises in the garment and textile sector operating in the Netherlands in terms of international responsible business conduct (RBC). These themes are, in no particular order:

1. Discrimination and gender;
2. Child labour;
3. Forced labour;
4. Freedom of association;
5. Living wage;
6. Safety and health in the workplace;
7. Raw materials;
8. Water pollution and use of chemicals, water and energy;
9. Animal welfare.

We added, based on the ILO and OECD guidelines for the garment and footwear industry:

- Working hours
- Ethical trade, no bribery and corruption
- No Sexual harassment and sexual and gender-based violence (SGBV) in the workplace
- Grievance mechanism

We will do our due diligence and give particular attention on these themes and we expect this as well from our suppliers. This means that, with regard to these themes, suppliers will identify any possible adverse impact in the supply chain, set specific objectives and take measures which are suitable in the light of the insights resulting from their due diligence process.

We ask you to inform us about any possible risk regarding human rights violation, animal abuse and environmental hazards related to our products to cooperate to minimizing these risks. To identify these risks, we prepared a questionnaire and kindly ask you to fill out and send back to us.

Our buying behaviour

We are part of the value chain and therefore we want to take our responsibility regarding sourcing and buying. It is very important to inform us when our buying behaviour does not support the international social and environmental standards set below. We work according to the following buying strategy:

Forecasting:

We will particularly ask for long-term contracts to increase predictability and stability. This will also enable suppliers to plan for investments in machinery, equipment and human resources.

We will:

- work on a stable planning.
- Share forecast and purchasing plan with our supplier and, if possible book, capacity.
- Allow to start production early for NOOS styles
- Communicate changes in your forecast/ purchasing plan on time.

Product development:

- provide clear technical specs and requirements
- Ask our supplier for feedback on new developments
- Review our sampling process with efficiency in mind
- Work with photo's/online video when possible or consider virtual prototyping
- Supply a target price for the product

Price negotiation:

- Get insight in price calculations and the production process
- Calculate in cooperation with our supplier and getting help to get the best quality for the best price.
- Consider material cost, labour, transport, testing, audits and the profit for the supplier

Payment conditions:

- Pay on time
- Pay what we agreed on Order placement, production, lead time
- We have a time & action plan with

deadlines for all contributors (buyer and supplier)

- We agree on realistic lead time
- We make an agreement on late style/ order changes
- We work on understanding the local and cultural differences

2. Social & Environmental Compliancy

The responsible business conduct aims to attain compliance with certain standards. Supplier companies, in addition, must ensure that the responsible business conduct is also observed by subcontractors involved in production processes of final manufacturing stages. Within the scope of options for action and appropriate measures, supplier companies have to aim at the implementation and reporting of the following criteria in a development approach. Euretco declares that we will only work directly with subcontractors³ that are prequalified through the same rigorous processes to those used for direct contractors. Approved subcontracts may be reviewed on a semi-regular (e.g. annual) basis to remain approved. Workers of those sub-contractors should have access to grievance mechanisms, similar to those of direct contractors. We ask for transparency to know where our products are made and to be able to ask questions regarding social and environmental conditions.

2.1 Social Compliancy

Below written the most important ILO conventions related to human rights at the work floor.

Prohibition Child Labour and working conditions of young workers ILO Conventions 10, 79, 138, 142 and 182 and Recommendation 146.

There shall be no use of child labour. "The age for admission to employment shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years." "There shall be no forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and

forced or compulsory labour. [...] Young workers [in the age of 15-18] shall not perform work which, by its nature or the circumstances in which it is carried out, is likely to harm their health, safety or morals." Children and young persons under 18 shall not be employed at night or in hazardous conditions.

Where young workers are employed, business partners should ensure that the kind of work is not likely to be harmful to their health or development; their working hours do not prejudice their attendance at school, their participation in vocational orientation approved by the competent authority or their capacity to benefit from training or instruction programs.

Business partners shall set the necessary mechanisms to prevent, identify and mitigate harm to young workers; with special attention to the access young workers shall have to effective grievance mechanisms and to Occupational Health and Safety trainings schemes and programmes.

Child Labour Due Diligence Bill

By signing this RBC you take part in our Due Diligence Policy and you approve that you will do anything you can to identify, prevent and if necessary address the issue of child labour in our supply chain.

We need to comply with the Dutch Law on Child labour Due Diligence on combating child labour in global supply chains, that comes into force as of January 2020. Dutch companies and their supply chain business partners will have to declare that they have addressed the issue of child labour in their supply chains. This law requires companies to identify, prevent and if necessary address the issue of child labour in their supply chains. We ask our suppliers to cooperate and be transparent about sub-contractors and sub-suppliers and possible risks within the supply chain of our products so we can cooperate in combating child labour. Risk studies show that the severe risks are mainly at cotton farming and wet

processing (like spinning mill) stage.

Euretco's CSR manager, needs to be informed in high risk situations, for example when cotton comes from countries or facilities where forced labour is required and so the risks on child labour occurs. Ask your suppliers about their social management systems, latest audit reports or certifications like WRAP, SA 8000, Fair Trade, GOTS, Better Cotton or Organic Content Standard, or any other standard that entails Child labour.

Prohibition of Forced and compulsory Labour and Disciplinary Measures ILO Conventions 29 and 105.

There shall be no use of forced, including bonded or prison, labour. All forms of forced labour, such as lodging deposits or the retention of identity documents from personnel upon commencing employment, are forbidden as is prisoner labour that violates basic human rights.

Prohibition of Discrimination ILO Conventions 100, 111, 143, 158, 159, 169 and 183.

No discrimination shall be tolerated in hiring, remuneration, access to training, promotion, termination or retirement based on gender, age, religion, race, caste, birth, social background, disability, ethnic and national origin, nationality, membership in workers' organisations including unions, political affiliation or opinions, sexual orientation, family responsibilities, marital status, or any other condition that could give rise to discrimination.

No Sexual harassment and sexual and gender-based violence (SGBV) in the workplace

Our business partners are encouraged to adopt a zero-tolerance policy on sexual and gender-based violence and strict measures against sexual harassment in its own operations. The enterprise should articulate its expectations of suppliers and other business partners to likewise adopt

¹ The UN Guiding Principles on Business and Human Rights are a set of guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations. <http://www.ungpreporting.org/>

² The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards. <http://www.oecd.org/corporate/mne/>

³ Subcontracting to third parties is a fairly common practice at many stages of the garment supply chain. Subcontracting enables an enterprise to respond quickly to short lead times and changes in orders, to specialize in certain tasks. Outsourcing, however, can also decrease transparency in the supply chain and has been demonstrated to increase the risk of human rights and labour abuses and environmental impacts in higher-risk contexts. Therefore the due diligence measures that Euretco should take to mitigate these risks should be increased. Source: OECD due diligence guide

a policy on sexual harassment and sexual and gender-based violence. Enterprises are encouraged to include the following in their internal policies

- a commitment to foster an environment at work free from harassment, bullying and violence
- clear consequences for breaking the enterprise's standards
- a commitment to hear grievances, to provide a "reprisal-free" complaints mechanism (e.g. operational-level-grievance mechanism) and to maintain the confidentiality of workers or employees who raise complaints

Freedom of Association and the Right to Collective Bargaining ILO Conventions 11, 87, 98, 135 and 154

The right of all workers to form and join trade unions and bargain collectively shall be recognised. The company shall, in those situations in which the right to freedom of association and collective bargaining are restricted under law, facilitate parallel means of independent and free association and bargaining for all workers. Workers' representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to carry out their representation functions.

Payment of a living wage ILO Conventions 26 and 131

Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the employee to receive less than the minimum wage. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period.

Euretco works with its suppliers to make salaries transparent and to establish living wages that are paid to employees to

provide for the basic needs of the employee and his family. Together, we formulate measurable goals and draw up an action plan.

Working Hours ILO Conventions 1 and 14 and ILO Recommendation 116.

Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.

Safe and healthy working conditions ILO Convention 155

A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Appropriate attention shall be paid to occupational hazards specific to this branch of the industry and assure that a safe and hygienic work environment is provided for. Effective regulations shall be implemented to prevent accidents and minimise health risks as much as possible. Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.

No Sandblasting

Euretco does not accept the sandblasting process being used for our products, since this is affecting the health of workers.

Legally binding employment relations

Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers shall be given the opportunity

to participate in education and training programmes.

Ethical trade: no bribery and corruption

Enterprises should consider the good practices put forth in the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance, which includes:

- Strong, explicit and visible support and commitment from senior management to the company's internal controls, ethics and compliance programmes or measures for preventing and detecting bribery, including the bribery of foreign public officials;
- A clearly articulated and visible corporate policy prohibiting bribery, including the bribery of foreign public officials; and
- Oversight of ethics and compliance programmes or measures regarding bribery, including the bribery of foreign public officials, including the authority to report matters directly to independent monitoring bodies such as internal audit committees of boards of directors or of supervisory boards, is the duty of one or more senior corporate officers, with an adequate level of autonomy from management, resources and authority.

Grievance mechanism

Euretco needs a commitment to hear grievances from workers, to provide a "reprisal-free" complaints mechanism (e.g. operational-level-grievance mechanism) and to maintain the confidentiality of workers or employees who raise complaints. For example Amfori has an online grievance mechanism at their website. It provides a platform for individuals and organizations to submit a grievance if they feel they have been negatively affected by amfori's activities. The amfori secretariat will review the External Grievance Mechanism process where necessary to continuously improve the grievance handling procedure. We ask Amfori to remind workers of their rights and this online grievance mechanism.⁴

2.2 Environmental Responsibility

Suppliers should assess significant environmental impact of operations and establish effective policies and procedures that reflect their environmental responsibility. They will see to implement

adequate measures to prevent or minimise adverse effects on the community, natural resources and the overall environment.

Euretco asks suppliers to have procedures and standards for the use of water and energy, handling and disposal of chemicals and other dangerous materials, waste management, emissions and effluent treatment. The procedures and standards must meet at least the minimum legal requirements.

No use of energy of non-renewable sources and minimizing Green house Gas (GHG) emissions

Suppliers shall keep records of the current energy sources and emissions and reduce the use of energy of non-renewable sources. Targets will be set to work with green energy sources and thus reduce emissions to air.

The consumption of energy of non-renewable origin is one of the main causes of greenhouse gas emissions. The production of textile and garments is an energy intensive process. Measuring GHG emissions is a critical first step to reducing the carbon footprint of an enterprise's activities. It helps an enterprise to assess its impact on the climate and to design cost-effective emission reduction plans.

- Establish an energy management plan at the site-level that includes company-wide coordinated measures for energy management. We ask our suppliers to measure, report and minimize their energy consumption and GHG wherever possible.
- Also, we do encourage our suppliers to make use of renewable energy sources like wind- and solar energy. We ask our supplier to research and use technologies which use less energy, like LED lightning.
- Implement best available techniques (BAT) as defined by Best Available Techniques Reference Documents for the sector or sub-sector 3⁵.

Implement energy efficiency measures (e.g. energy conservation technology, optimization of steam generation and pressurized air, waste heat recovery

from waste water and waste gas, process optimization, etc.)

- Implement energy conservation measures (e.g. implementation of energy saving through improvements in the process and reaction conditions)
- Increase efficiencies and quality so as to reduce need for re-processing due to failures
- Install and operate accurate meters and/or measuring software as a fundamental step to benchmarking performance and to initiating efficiency improvement

Limitations to water use and clean waste water

The supplier shall measure water use and determine whether it can source from water stressed areas responsibly – for example, by promoting water efficiency and/or reducing process dependence on fresh water amongst its suppliers. Waste water must be treated and tested before releasing to the environment. The supplier shall comply to national waste water legislation.

Throughout the production of textiles, a lot of water is used. In general, most water is used for cotton cultivation (2/3 or more of the total volume). Textile processing uses far less water but causes most water pollution. This puts great pressure on the availability and the quality of water in areas where cultivation and processing take place. Water use, the source and waste water in the wet processing also deserves serious attention, because of the local pollution impact.

- We ask our suppliers to deliver a (waste) water policy, testing procedure and/or a copy of one of the standards. We ask our suppliers to provide, (LCA) data on water, energy and chemicals and emissions. Use the ZDHC (Waste Water) guidelines and the Unido water calculator: <https://watercalculator.dnvgl.com/Home/Form>.
- We want to be informed about the water source (rain, groundwater, lake, etc)
- We would like to offer suppliers more information on a cleaner production process through the ZDHC, OECD guidance or MODINT Factsheets which we could provide to you.

No hazardous Chemicals

No hazardous chemicals shall be used in processing stage and released in water or air. Employees shall be protected and equipped with the right safety measures and appropriate training. Chemicals shall be stored and labeled accurately.

Chemicals are used everywhere in the production of goods. Apart from the pesticides and fertilizers in the natural fiber production, the 'big' issue, mainly in the textile chain, is the use of chemicals in bleaching, dyeing, printing and finishing and how it effects workers, water and air effluents.

- Design phase: The base of the use of chemicals use lies in the design choices. We ask our business partners to inform us if any design decision leads to the use of hazardous chemicals.
- Manage and report production phase: From there it is important for our company to know which specific chemicals are used (chemical inventory) and how they are used in the processing. The use of harmful chemicals during these stages of production could be harmful for the environment and the workers and may leave traces in the final product and thus appear to the consumer.
- Make a Chemical Risk assessment: An environmental or human health risk assessment includes hazard identification, hazard characterization, exposure assessment and risk characterization. The first two steps are regarded as the process of hazard assessment. The methodology of the environmental risk assessment should align with OECD guidance. See OECD Environmental Risk Assessment Toolkit⁶.

The methodology of the health risk assessment should align with the World Health Organization guidance. See International Programme on Chemical Safety, WHO Human Health Risk Assessment Toolkit: Chemical Hazards⁷. Health risks are also addressed in Module 5, Occupational Health and Safety.

Restricted Substances List (RSL)/

⁴ <https://www.amfori.org/sites/default/files/amfori%20External%20Grievance%20Mechanism%20policy-.pdf>

⁵ <https://eippcb.jrc.ec.europa.eu/reference/>

Manufacturing Restricted Substances List (MRSL)

The restricted substances list (RSL) in annex 1 is intended to inform our suppliers on international (upcoming) regulations restricting or banning the use of chemicals in apparel products including accessories attached to garments for example zip fasteners, buttons, etc. and packaging materials. The RSL takes most of the world's regulations into account (incl. REACH, POP), as well as harmful chemicals listed by NGO's.

- We ask our suppliers to purchase materials without harmful substances. Please inform your fabric- or yarn supplier about the RSL and risk matrix where chemicals are related to certain raw materials and processing steps and inform Euretco about test results based on risk assessments.
- If the supplier buys directly from chemical agencies make sure it are firms with a CR management system.
- Make use of the (ZDHC)MRSL (https://www.roadmaptozero.com/mrsl_online). It is there to provide suppliers with a harmonized approach to managing chemicals during the processing of raw materials into the readymade fabric within our supply chain. The MRSL achieves this by providing a clear list of priority chemicals and specifying the maximum concentration limit of each substance within commercial chemical formulations.
- We ask our suppliers to inform us about wet processing management (of sub suppliers) to eliminate hazardous chemicals from our products, to keep a chemical inventory and to work with Material Safety Data Sheets for workers. Inform us when you/sub suppliers cooperates with ZDHC, SAC (Higg Index) or Amfori BEPI.
- Implement best available techniques (BAT) as defined by Best Available Techniques Reference Documents for the sector or subsector. See Integrated Pollution Prevention and Control, Best Available Techniques Reference Document for the Textiles Industry, 2003)⁶.

Valid Processing standards

A valid health OEKO-TEX® Standard 100

product certificate covers most of legal requirements of this RSL. Processing standards are of higher value, like: GOTS, Blue Sign or Step (or similar). These standards, in the annex, make sure that that no harmful chemicals are used in processing.

- When commercially acceptable, we ask our suppliers to work as much as possible with one of the following or similar standards and to provide us with a copy of the scope and transaction certificates.
- It is important to work with accredited audit organisations (e.g. by textile exchange.)

Raw Material Policy

Euretco wants to lower the impact of her raw materials. Cotton is one of the most polluting fibres and very important for our collections, therefore we want to work with the better, low impact options.

- We ask our suppliers to keep records on the content and source of our raw materials
- To source for sustainable or preferred raw materials (indicated in annex 3) and offer alternatives to conventional materials.
- It is important to measure, reduce and reuse material waste where possible.

In annex 4 we listed standards and certifications, related to sustainable raw materials like organic- or recycled cotton, which aims to reduce the impact during cultivation and/or processing of textile fibres. The standards and certifications cover the fibre production phase which impacts water-, chemical- and energy use, effluents and possibly labour conditions. They do not cover the finishing substances used, e.g. dyes that are included in the processing standards.

- We ask our suppliers to offer available sustainable raw materials and to use/ ask for one of the following or similar standards and to provide us with a copy of the scope and transaction certificates or other proof of compliancy.

Valid raw material certifications

In annex 4 we listed standards and certifications, related to sustainable raw materials like organic cotton, aim to

reduce the impact during cultivation and processing of textile fibres. The standards and certifications cover the fibre production phase that has impact on water, chemical and energy use and labour conditions. They do not cover the finishing substances used, e.g. dyes that are included in the processing standards.

- We ask our suppliers to use one of the following or similar standards and to provide us with a copy of the scope- and transaction certificates.

Animal welfare

We ask suppliers of wool, silk, leather, down and feathers and any other animal derived fibre:

- To prevent, reduce and eradicate animal suffering in the production or supply chain.
- To provide animal welfare guarantees when products of animal origin are used.
- To follow below provision guidelines where animals are concerned in our supply chain:
 1. Freedom from Hunger and Thirst - by ready access to fresh water and a diet to maintain full health and vigour.
 2. Freedom from Discomfort - by providing an appropriate environment including shelter and a comfortable resting area.
 3. Freedom from Pain, Injury or Disease - by prevention or rapid diagnosis and treatment.
 4. Freedom to Express Normal Behaviour - by providing sufficient space, proper facilities and company of the animal's own kind.
 5. Freedom from Fear and Distress - by ensuring conditions and treatment which avoid mental suffering.

Endangered Species Policy

Euretco does not accept any raw materials from any endangered species as listed on the IUCN Red List⁹, as critical endangered, near threatened, endangered, extinct in the wild, or vulnerable on the IUCN Red List. Therefore, suppliers must provide animal welfare guarantees when products of animal origin are used.

Euretco does not accept Real exotic animal skins (incl. snake, alligator, crocodile, lizard and ostrich).

Fur -Euretco does not accept animal fur

Silk - Euretco does not accept silk from moth that have been boiled alive.

Animal hair (e.g. Cashmere, Angora, Mohair) - Euretco does NOT permit that hairs are collected from animals in an animal-unfriendly manner (see guideline above).

- We ask our suppliers to provide a third party certificate that proofs good animal husbandry.

Leather - Real leather and suede from sheep, pigs, goats and cattle reared for meat production & synthetic leather are accepted. All other leather variations are NOT permitted!

- We prefer leather processed through facilities rate by Gold, Silver, Bronze by the Leather Working Group or facilities STeP by OEKO-TEX certified.

Down Feathers Policy - Euretco does not accept Down/Feathers from live-plucked birds and from force fed birds. Euretco only accepts Down/Feathers from meat production and prefers Down/Feathers that are certified to the Textile Exchange Responsible Down Standard.

- Our business partners must submit a declaration or certificate guarantee that all Down filled garment/items are Non-live plucked down.

Wool & Mulesing Policy - We endorse the IWTO- standards for animal welfare and demand that the Five Freedoms for Animal Welfare must be respected. Mulesing is a surgical procedure carried out on (mainly Merino) sheep to prevent flystrike.

- Euretco only accepts wool from sheep that have not been mulesed and prefers wool that is certified to the textile Exchange Responsible Wool Standard. Recycled wool, certified according to the recycled wool standard could be a solution to prevent mulesing.

Man-made Cellulosic Fibres Policy -

Euretco does not accept products (Viscose, Rayon, Modal and Lyocell) deriving from illegally logged sources, ancient and endangered forests, as listed in the IUCN

Red list as critical endangered, near threatened, endangered, extinct in the wild, or vulnerable. Euretco prefers sustainably certified wood products (e.g. FSC)

Packaging - Since plastic is non-biodegradable, recycling is a part of global efforts to reduce plastic in the waste stream, especially the approximately eight million metric tonnes of waste plastic that enter the earth's ocean every year. Soft Plastics are also recycled such as polyethylene film and bags.

- We ask our supplier to actively research and offer options which are a better choice for the environment: Reusable, recycled and/or reduction of packing materials.

Plastic - We ask our suppliers to use preferred plastics for our products and packaging like recycled plastics and biodegradable plastics (see GRS certification) of e.g. PLA (corn sugars).

Cardboard - We ask our suppliers to use recycled or FSC/PEFC certified cardboard. We aim to only use cardboard and paper packaging which consists of 100% recycled paper fibre.

Waste reduction - We ask our suppliers to reduce (raw) material waste as much as possible and preferably join a recycling program (packaging waste, material cutting waste etc.)

3. Management System, Monitoring, documentation, verification

The supplier company shall define and implement a management system to ensure that the requirements of the Responsible Business Conduct can be met. Management is responsible for the correct implementation and continuous improvement by taking corrective measures, as well as the communication of the requirements of the RBC to all employees and subcontractors. It shall also address employees' concerns of non-compliance with this Code of Conduct. Euretco will be informed about non-compliances and follow up.

- If the buying behaviour of Euretco impacts the compliancy to this RBC we will be informed immediately.

In our accompanied questionnaire we will ask you to provide us with sufficient information to prove the origin and sustainability of our products. If you have any questions please let us know.

The requirements in the Responsible Business Conduct are requirements that we want to achieve together. These are our common goals. We are open for discussion if suppliers are not capable to meet these requirements. We are certain that many of our suppliers have even higher demands of themselves. Therefore, we want you to provide us with the relevant certifications and reports to confirm this. By signing this RBC statement, you commit yourself to it.

The undersigned hereby confirms that: We have read the Responsible Business Conduct (RBC) and accept the terms required of us as suppliers and will inform and cooperate with our subcontractors and sub suppliers working on products of Euretco. We will inform Euretco and discuss non- compliances and the issues involved in their product's supply chain.

⁶ <https://www.oecd.org/env/ehs/risk-assessment/environmental-risk-assessment-toolkit.htm> ⁷ https://www.who.int/ipcs/methods/harmonization/areas/ra_toolkit/en/ ⁸ https://eippcb.jrc.ec.europa.eu/reference/BREF/txt_bref_0703.pdf

⁹ IUCN Red List: Union for Conservation of Nature's Red List of Threatened Species has evolved to become the world's most comprehensive information source on the global conservation status of animal, fungi and plant species. See <https://www.iucnredlist.org/>

Babyface wants to be transparent about the steps we are taking towards sustainability and how we are doing. We hope that this annual report has helped towards that end. If you would like more information about Babyface products and our journey towards sustainable business, we would be happy for you to contact us.



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