

Responsible Sourcing Policy

Sourcing of materials is an essential part of Kentaur's business model, and the present policy is built from the values and policies in Kentaur Group Code of Ethics and the guidelines on corporate due diligence provided by Partnership for Sustainable Textiles, OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector, and the SME Compass by Agentur für Wirtschaft & Entwicklung.

Sourcing implies interaction between Kentaur and its supply chain. Thus, Kentaur's Responsible Sourcing Policy and the outlined procedures within is Kentaur's commitment to secure that the corporation do not contribute to negative social and environmental impacts on its supply chain.

Responsibilities of Sourcing/Compliance team

- The sourcing/compliance team must secure that social and environmental requirements of tier 1 and tier 2 suppliers set by the corporation are fulfilled. Moreover, it applies for tier 2 suppliers to secure that no negative social or environmental impacts occurs further upstream in the supply chain.
- The sourcing/compliance team must ensure that Kentaur is doing its due diligence thoroughly and always have an ongoing dialogue with the suppliers on social and environmental matters and the importance of documenting how measures are taken.
- It is a core task of the sourcing team to maintain and develop the supplier portfolio making sure that we as well as our supply chain always comply with the demands of the market.
- The sourcing team must secure that Kentaur continuously increases the use of preferred materials.

Kentaur's minimum requirements for tier 1 suppliers:

- Signing Kentaur's amfori BSCI Code of Conduct
- Signing Service Level Agreement (SLA).
- amfori BSCI compliance with a minimum audit result on B level.
- OEKO-TEX STeP certification securing sustainable production.

If a supplier does not fulfill the two lower requirements above at the start of the business relationship, Kentaur expects the supplier to fulfill the requirements within one year from signing the SLA contract.

Kentaur's minimum requirements for tier 2 suppliers:

- Signing and complying with Kentaur's amfori BSCI Code of Conduct.
- Must hold an OEKO-TEX STANDARD 100 certification covering the fabrics Kentaur purchase.
- Must have a social and environmental audit/certification controlled by an accredited third party for whom it makes sense.
- Main tier 2 suppliers must have OEKO-TEX STeP certification securing sustainable production.

Kentaur acknowledges that some tier 2 suppliers might work with other internationally accepted social and environmental audit/certification schemes due to requirements from other customers. The list below shows which social and/or environmental standards Kentaur acknowledges currently:

amfori BSCI
amfori BEPI
Bluesign®
Cradle to Cradle Certified™
Der Grüne Knopf
Eco-Management and Audit Scheme (EMAS)
EU Ecolabel
Fairtrade Cotton
Fairtrade Textile Production
Fair Labour Association (FLA)
Fair Wear Foundation (FWF)
Global Organic Textile Standard (GOTS)
Global Recycled Standard (GRS)
ISO 14001
SA8000 – Social Accountability International (SAI)
Sedex Members Ethical Trade Audit (SMETA)
OEKO-TEX STeP
Worldwide Responsible Accredited Production (WRAP)

Qualification process of tier 1 suppliers

Kentaur has few tier 1 suppliers and the collaboration with these suppliers are based on close and long-term relationships. When looking into a potential new tier 1 supplier, Kentaur operates from below procedure:

1. Country risk assessment
2. Visit and Supplier risk assessment
3. Evaluation
4. Final qualification

1. Country Risk assessment

A country risk assessment is conducted on the country in which the potential new supplier is located. Kentaur uses data from various sources when identifying country risks among the amfori Country Due Diligence Tool. This tool focus on risks related to: Voice & Accountability, Political Stability & Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption. Additionally, the tool provides social, environmental and trade risk indicators for the specific countries which are also taken into consideration. Additionally, data from Global Rights Index, and the Textile Risk Expert System of the German Partnership for Sustainable Textiles are used to identify country risks as well.

If there are critical findings in the country risk assessment which will be considered as too high risk for , Kentaur will not proceed the qualification process with the potential supplier. General country risks will be assessed further during the next phase in the qualification process. Country risk assessments are performed and evaluated for tier 1 and tier 2 suppliers located in countries classified as risk countries in the latest version of amfori BSCI's Countries' Risk Classification. The country risk assessments are reviewed once per year unless an occasion requires an update outside the normal revision cycle.

2. Visit and Supplier Risk Assessment

In this phase, the first visit to the supplier's production site will be established and Kentaur's Chief Operating Officer and/or local Kentaur General manager and the Quality Assurance personnel will take part. During this visit Kentaur assesses different parameters such as general impressions, machinery availability, occupational health and safety, production capacity, production planning, quality, language proficiency, and supply chain setup. Social and environmental audit reports are requested and information from the supplier related to eventual findings in the country risk assessment is also collected. This information is used to make the supplier risk assessment.

3. Evaluation

After the visit, Kentaur evaluates the supplier and complete the supplier risk assessment. Eventual findings will be shared with the supplier in order for the supplier to provide a corrective action plan. The results from the country risk assessments and supplier risk assessments are considered in the decision-making process of initiating a new supplier relationship. If Kentaur decides to proceed with the supplier, the final qualification will initiate.

4. Final qualification

The final qualification of a potential new supplier can be divided into 4 steps.

Step 1: Open price negotiation.

Step 2: Supplier makes a test order, price is settled and supplier signs contracts.

Step 3: Supplier makes a bigger 0-series order which is evaluated.

If Kentaur finally decides to initiate a business relation with the supplier, the remaining departments at Kentaur will be informed and involved where necessary.

It takes around 6-12 months for a new supplier to be accepted as part of Kentaur's supply chain.

Qualification process of tier 2 suppliers

The qualification process of tier 2 suppliers is similar to the qualification process of tier 1 suppliers. The main difference is that a SLA contract is not made and Kentaur is not always visiting the tier 2 supplier before initiating a business relationship. The sourcing/compliance team evaluates the tier 2 supplier based on the country risk assessment and supplier risk assessment incorporating insights from audit reports where available. The results are considered in the decision-making process of initiating a business relationship with the supplier.

Termination of supplier relation

It may occur that Kentaur needs to end a supplier relation based on changes in strategic business setup or continuous non-compliance with Kentaur's quality, social and/or environmental requirements. When a supplier relation with tier 1 suppliers is terminated, a senior employee from Kentaur will visit the supplier to attend a pre-arranged settlement meeting. During the settlement meeting, a mutual plan for the termination of relation will be made and will include at least:

- Information explaining the business decision of termination.
- A sufficient lead time, considering Kentaur's volume of orders, between announcement and actual termination.
- Agreement on payment for work already done and raw materials already ordered, if any.
- Kentaur's requirements stated in the signed SLA and amfori BSCI Code of Conduct will be binding and applicable until actual termination.

Normally, the termination process takes 2-3 months.

Date: 29/8 2023

Signature: _____

