

Strategy for Promoting Living Wages in Garment Manufacturing

Kentaur A/S is committed to promoting living wages within the garment manufacturing industry. We believe that fair wages are essential for the well-being of workers, sustainable business practices, and fostering positive social relationships within the supply chain. To achieve this goal, we have developed a strategy that encompasses building internal capabilities, understanding the relationship between our purchase prices and wages, setting specific targets for improvements, funding options, and creating an enabling environment for social dialogue. Additionally, where relevant, we actively engage in initiatives and collaborations to improve systemic conditions for higher wages.

1. Building Internal Capabilities and Structures:

We recognize that successfully implementing a living wage strategy requires a robust internal framework. To achieve this, we will:

- a. **Establish a Living Wage Task Force:** This task force will be responsible for spearheading and overseeing the implementation of the living wage initiative across our supply chain mainly focused on garment manufacturing level with own production sites as a top priority.
- b. **Conduct Training and Awareness Programs:** We will provide training to our employees, particularly those involved in price negotiations with suppliers, to ensure they understand the importance of living wages and are equipped to drive meaningful change.
- c. **Develop a Monitoring and Reporting System:** To track progress and measure the impact of our efforts, we will use a monitoring mechanism that includes living wage gap analyses and third-party audits. We will report on our progress in our annual Sustainability Report.

2. Understanding the Relationship Between Purchase Prices and Wages:

To gain a comprehensive understanding of the relationship between our purchase prices and wages paid to workers, we will:

- a. **Conduct Gap Analysis:** We will conduct a thorough gap analysis to identify discrepancies between current wage levels and living wage benchmarks at garment manufacturing level. We work with living wage benchmarks published by third-party auditors, NGOs and our own living wage analyses based on representative local studies.

- b. Engage in Worker Interviews and Dialogue: To grasp the ground-level realities, we will communicate directly with workers through interviews and dialogue to understand their needs and concerns.
- c. Collaborate with NGOs and Industry Experts: We will collaborate with external organizations and experts with experience in wage analysis and labor economics to gain deeper insights into wage structures.

3. Setting Specific Targets and Improvements at Supplier Level:

Based on the gap analysis, we will set specific targets and improvements for our suppliers to achieve:

- a. Gradual Wage Increment: Our goal is to work with suppliers to achieve incremental wage increases over time, moving closer to the living wage standards.
- b. Transparent Wage Negotiations: Encourage suppliers to engage in transparent wage negotiations with workers and establish clear guidelines for wage adjustments.

4. Funding Options and Equitable Cost Distribution:

We acknowledge that achieving living wages may involve additional costs. To ensure equitable cost distribution:

- a. Fair Price Negotiations: We will engage in fair price negotiations with suppliers, taking into account the need for improved wages.
- b. Collaboration for Funding: Explore partnerships with other stakeholders, including brands, NGOs, and governments, to collectively contribute to funding for higher wages.

5. Ensuring Real Wage Increases and Mitigating Side-Effects:

We are committed to ensuring that measures taken result in real wage increases and that potential side-effects are addressed:

- a. Monitoring Wage Increases: We will continuously monitor the impact of wage adjustments to verify their effectiveness in improving workers' livelihoods.
- b. Safeguarding against Side-Effects: Implement measures to mitigate any potential negative side-effects of wage increases, such as inflation or reduced working hours.

6. Contributing to Positive Social Dialogue and Relationships:

To foster improved social dialogue and relationships within suppliers' facilities:

- a. **Grievance Mechanisms:** Kentaur has established a Supply Chain Grievance Mechanism to address workers' concerns and resolve disputes. Read more about our grievance mechanism here: [Code of Ethics \(kentaur.com\)](https://kentaur.com). Additionally, we make sure that effective local grievance mechanisms placed at the factories does also exist. This is monitored via third-party audits.
- b. **Worker Representation:** We encourage the formation and empowerment of worker committees or unions for collective bargaining and representation and monitor this via third-party audits.

7. Engaging in Initiatives and Collaborations:

We actively participate in industry-wide initiatives and collaborate with stakeholders to improve systemic conditions for higher wages. This includes partnering with reputable organizations, initiatives, and multi-stakeholder platforms that share our vision for fair and sustainable wages.

Kentaur's strategy to promote living wages in garment manufacturing demonstrates our commitment to ethical business practices, worker well-being, and positive social impact. By building internal capabilities, setting specific targets, exploring funding options, and fostering social dialogue, we aim to play a transformative role in advancing fair wages across our supply chain. Through collaboration and proactive engagement with industry stakeholders, we strive to create a lasting positive impact on workers' lives and contribute to a more equitable and sustainable garment industry.

Date:

Signature:


Bernt Dahl
CEO & Founder