



Stanley/Stella

social report

Reporting period (January, 2022 – December, 2022)

stanley/stella

WWW.STANLEYSTELLA.COM

FAIR WEAR MEMBER SINCE DECEMBER, 2011



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Introduction

Founded in 2012 and based in Belgium, Stanley/Stella has been a pioneer in offering stylish, premium-quality, sustainably produced garments, all designed for decoration.

From our beginning, our mission has been to create the highest quality garments possible, at the most sustainable level. We therefore strive to integrate sustainability into everything we do. Every day we make deliberate, conscious decisions about who we work with, how we work & what materials we choose to use.

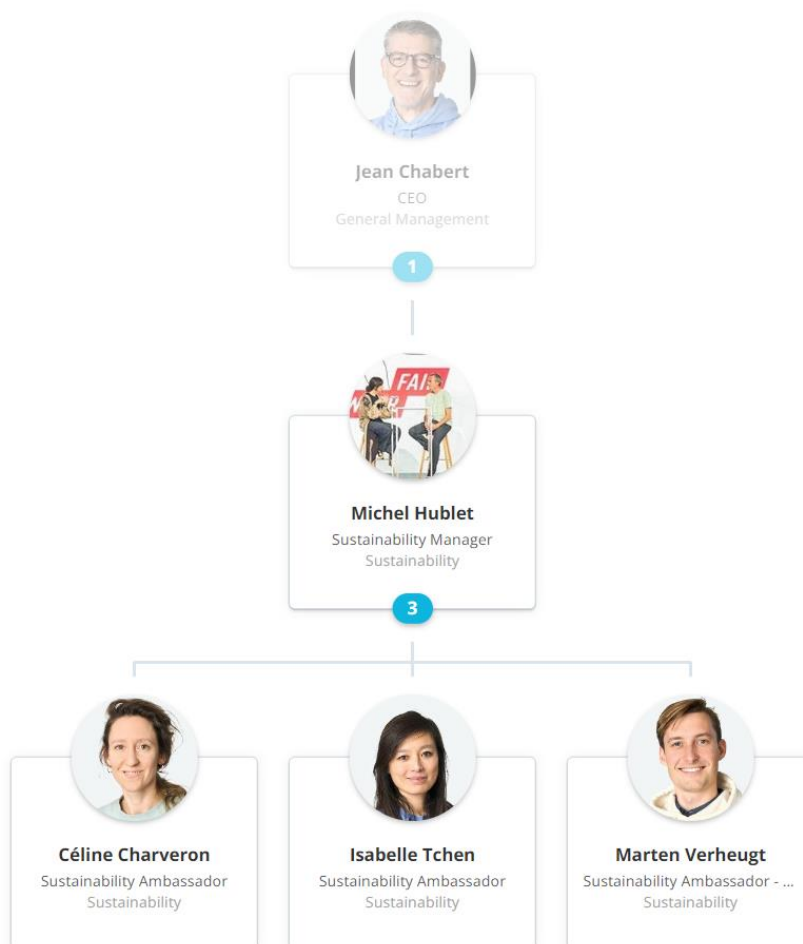
We believe that transparency is fundamental to any sustainable policy, which is why we openly share our working methods with our customers and have publicly released the names and full contact details of the factories we work with. We also believe that the only way to achieve our sustainability goals is to engage in supportive and long-term relationships with our partner factories, all suppliers along the supply chain and customers alike.

In order to limit our impact on the environment and to contribute to the well-being of farmers and their communities, we use GOTS certified organic cotton, as well as GRS certified recycled and reclaimed materials. Exacting in our standards of production, we insist on respect for the planet and its people throughout all our supply chain. Ecological and ethical imperatives drive all our decisions on how we produce our garments, as ultimately our aim is to leave a positive impact on society, the environment and the economy.

Organisational chart

The organisational structure below focuses on one side on the Sustainability Team and the Operations Team based in Brussels and on the other side our Bangladesh Liaison Office (BLO). These are the most involved persons in the social and environmental compliance and projects about it.

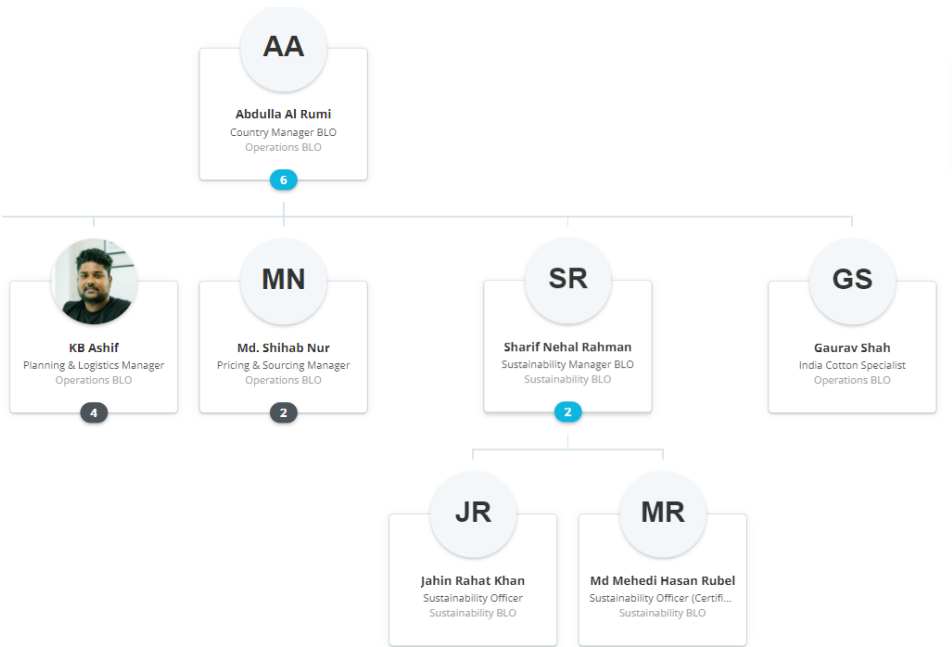
At Brussels headquarters, the sustainability department is directly connected to the CEO. Michel Hublet leads the department since July 2022, and drives Stanley/Stella sustainability strategy along with Céline Charveron (Social), Isabelle Tchen (Environmental product certifications), and Marten Verheugt (Carbon Footprint) all based in Brussels.



At Dhaka (total 32 persons), the sustainability department directly reports to the Country Manager, and consists of 3 persons. In 2023, we have welcomed 1 new additional person fully focused on certifications (GOTS / GRS / OCS / OEKOTEX / PETA). Obviously the Dhaka team is working hand in hand with the Belgium team.

The pricing & sourcing and planning managers are also in direct connection with the Bangladesh Country Manager.

On top of that, our Indian cotton specialist based in India reports to the Bangladesh Country Manager.



Finally, our China Operations Manager based in China closely works with the Sustainability team for the implementation of our sustainability activities on the field and reports to the COO (Chief Operating Officer) based in Brussels.

What is important to note is that sustainability has many different touch points in the company, at different levels. This allows us to ensure that it is present at both strategic but also very concrete and action-driven levels.

Summary: 2022 goals & achievements

"Sustainability is at the core of Stanley Stella strategy and activities; in 2022, we released our Stanley Stella Charter which should be the guiding framework for our whole ecosystem including employees, suppliers and customers. We want it to lead to actions in order to limit our impact on the environment and improve the working and living conditions of our partner factories workers.

Like sustainability, People is one of our core value and our ambition remains to always look at how we can work hand in hand with our suppliers to lead the textile industry to higher environmental and social standards." Michel Hublet, Head of Sustainability.

Our sustainability strategy didn't change since the foundation of Stanley/Stella in 2012, and we will stick to our commitment to produce garments while building a transparent and sustainable ecosystem, with respect to the people and the planet.

During the past financial year, we have been constantly pushing the Fair Wear Code of Labour Practices along all our supply chain. Starting with basic requirements such as getting the agreement and signature from our partners about it before starting a relation with them, but also through regular follow up that we have with them all along the year, including audits, meetings, trainings, and several daily exchanges...

Our long term key projects focus on carbon neutrality, living wage, organic cotton traceability among others. On top of that, we finalized and unveiled our Stanley/Stella Charter to all our stakeholders (including Stanley/Stella employees, our customers, our partner factories, logistics partners...) during our 10th year anniversary in September 2022.

Our commitment to human rights due diligence in our supply chain and processes is clearly mentioned in our Charter, and our Responsible Business Conduct (RBC) policy will soon be released as per Fair Wear Foundation's (FWF) requirements. Also, in accordance with the OECD Guidelines and the FWF Human Rights Due Diligence policy, we have been working on a risk assessment exercise at both country and factory level. We are actually finalising our new Sustainability Audit Report (SAR) tool that includes a risk assessment score. Step 2 will be to share it with our suppliers.

Find below key events of year 2022 :

- **Human Rights Due Diligence assessment and management**

- Audits

In 2022 we initiated a total of five audits, four in Bangladesh and one in China, all conducted by FWF audit team. During the year, we continuously followed up the CAPs, and also worked on following up the audit results and non-compliances from previous audits from the year before. According to the latest FWF Brand Performance check, which reported on 2021 activities, we monitored 89% of our production volume.

- Trainings : FWF Workplace Education Program (WEP)

Although auditing is one of the processes that can improve conditions at the factory level, we also recognize the need for employee education and training in order to make deep sustainable changes. Therefore, for several years, we have involved our suppliers in the FWF WEPVHP (Workplace Education Program on Violence and Harassment Prevention). Stanley/Stella facilitated and paid for trainings at the suppliers. In 2022, we managed to have two advanced training sessions on violence and harassment prevention in Bangladesh at AusBangla and Meghna.

However, we acknowledge that there is still some work to be done in terms of follow up and spreading the implementation of it in a concrete and efficient way. Training about 100 persons in a factory of more than 5000 people is a start, but obviously not enough. We will communicate with FWF for their suggestions regarding this.

- Fire & Safety in Bangladesh

In Bangladesh, we are sourcing from one factory that is not member of BGMEA as not falling into the scope of it (namely AusBangla producing accessories and not garments). Hence, they can not be audited and monitored through the Ready-made garments Sustainability Council (RSC), which normally conduct structural, fire & safety audits in most of the textile factories in Bangladesh. We hence initiated compliance with a structural audit in this factory end of 2021. The fire & electrical part have been finalised in 2022.

- Complaints

We monitored and resolved 1 complaint only in 2022 in Bangladesh. The report of this complaint is publicly available on the FWF website.

- **Living wage**

- CEO presentation in Bangladesh.

This project has been supported by Stanley/Stella's CEO for a long time. In March 2022, our CEO Jean Chabert held a presentation to our main partner factories in Dhaka, with the objective of a mutual real commitment from both sides. Even though factories management was receptive to the presentation, we reckon that the implementation of it is not as easy as the discussion in itself. We also acknowledge that only a collective action including factories, brands and governments will make a difference. We will of course continue our efforts on this project, trying to be as concrete as possible, i.e. finding ways to increase the standard of living of the workers of our partner factories in a very tangible way as this is the key to the success of the project.

- Fair-priced Grocery Shops (FGS).

We initiated this project few years ago, and continued to run it in 2022. Between February 2022 and June 2022, FGS projects have run successfully in 4 different factories (Meghna, Executive High Fashions, AusBangla and Interstoff). Almost 10.000 workers have benefitted from discounts on basic commodities in two phases. Each factory has provided a basket of goods to workers containing daily essential commodities like rice, oil, lentils, salt, sugar and soap, at a discount of almost 50%. Representing a value of roughly 200-400 BDT per worker per phase, for 2 phases, this translates to direct savings for all workers. Although we know that this is not a long-term solution to the tremendous living wage issue, this is still a concrete action which is highly appreciated by the workers of our partner factories, with the benefit to be fair for all.

- Fair Price App

Even though we and our suppliers participated to different Fair Price App webinars, we need to evaluate again the possibilities to use this tool more often, in a concrete way.

Next step is to go more concrete with the tool, and we might investigate about FWF training options for our suppliers too to support them on it.

- **Community engagement**

- Solar water pump in India

This is our first project to support the daily life of communities in India, where most of our organic cotton comes from. The proposed project is now implemented in a small hamlet of Odisha known as Bhejiguda in districts of Balangir, east India. Drinkable water has always been a challenge for this community as the only sources of water in the village are open wells and ponds, during summer both get dried up and the women of the village have to travel far to access drinking water. This is a 1st step in one of the ten points of our Charter (see below more details about it) which demonstrate our engagement to our contribution to the economic and social development of local communities.

- **Sustainable materials**

- Textile Exchange ranking

Based on our raw materials portfolio, product development strategy and production processes, Stanley/Stella has been recognized once again by Textile Exchange as one of the frontrunning 'Leaders Circle' in the apparel industry. We demonstrate every year our commitment to continuous improvement around our sustainable materials sourcing strategy.

What's interesting to note is that Textile Exchange is currently revising the criteria it uses to assess standards systems' human rights performance in their annual survey (namely Preferred Fibers and Materials Matrix). The objective is to assist the member brands in developing strategies or approaches for human rights due diligence (HRDD) in relation to upstream/production tiers of textile supply chains.

- **Stanley/Stella Charter**

In 2022, we finalised our Charter, and revealed it to our main stakeholders during our ten year's anniversary. Our aim is to inspire positive change through our collections and partners, producing more authentic and more responsible clothes that people will be proud to wear and sell. Pieces that initiate change in the textile industry, made in a more human, ethical and ecological way. The full content of our Charter is available on our website (following the below [link](#)), and the main ten points are noted on the next page :



Nature protection

— Preserve soil, water, air and biodiversity through responsible material sourcing, manufacturing, distribution and decoration.



Carbon footprint

— Contribute to global carbon neutrality by leading CO2 reduction activities across our value chain and engaging in compensation initiatives.



Circularity

— Minimise product and packaging waste at production and consumption levels, taking steps towards circular business models.



Working conditions and well-being

— Respect human rights by providing and advocating for safe and good working conditions.



Diversity, inclusion and equity

— Promote diversity in recruitment and business practices, an inclusive professional environment, and equal opportunities for all.



Community engagement

— Contribute to the economic and social development of communities through fair remuneration, education, and our ecosystem engagement.



Accountability and traceability

— Take accountability for our actions across our supply chain through full traceability and human rights and environmental due diligence.



Collaboration

— Stimulate open-minded dialogue and collaborate with our communities and stakeholders within and outside the industry for a bigger and better impact.



Innovation and empowerment

— Reinforce business sustainability through digitalisation and innovative thinking and actions.



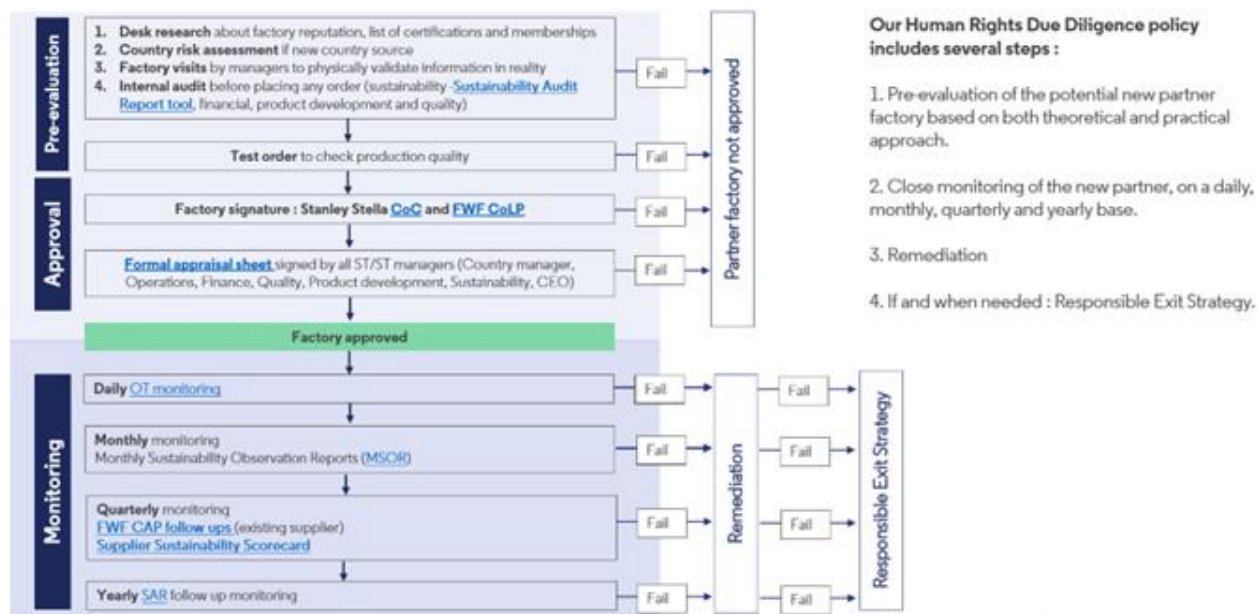
Transparency and authentic communication

— Openly and accurately communicate with our communities and stakeholders about our social and environmental challenges, the actions we are taking, and where our limits lie.

Sourcing strategy

HUMAN RIGHTS DUE DILIGENCE

Our human rights due diligence (HRDD) process includes several steps described as below :



STEP 1 : pre-evaluation of the factory in order to identify actual/potential risks

This step is a crucial one as it includes steps 1, 2 and 3 as defined by the OECD guidelines (namely responsible business conduct policy, identification of actual and potential harm and termination, prevention and mitigation of the harm).

From Stanley/Stella side, before starting any relation with factory, our work will include desk research, country risk assessment, and factory visit to physically validate this new potential factory.

Then factory will complete a self-assessment questionnaire (namely our internal Sustainability Audit Report - SAR) which includes more than 100 criteria on social, environmental, safety, business ethics and license compliance, just to cite the main ones. On the same time, factory shall provide full supplier and factory data, with an overview of their structure and other factories they work with – whether owned or subcontracted.

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Stanley/Stella will also perform this SAR and will review it with factory in order to align on all the requirements and potential Corrective Action Plan (CAP) following to the SAR. This SAR includes a risk assessment score, meaning that each criteria will have a final score that will give us a precise view on where the main risks are, and help us to prioritize our actions.

Of course, if any of the mandatory requirement of the SAR is not met by the supplier, Stanley Stella will not start the business relationship.

Based on the outcomes of the risk scoping and risk assessments, we'll prioritise follow-up actions based on the severity and likelihood of potential or actual harm. We'll formulate an action plan to cease, prevent or mitigate (potential) harm, including a timeline and capacity estimation. This action plan is obviously a dynamic document which is regularly updated through an iterative process.

The final SAR including CAP is approved by both the factory and by Stanley/Stella sustainability team with a mutual agreement to remediate on the potential issues found within a specific timeline.

We'll then perform a test order to check the quality and ensure that it fulfils our requirements.

STEP 2 : factory approval

Factory shall sign our Code of Conduct (CoC) and FWF Code of Labour Practices (CoLP) and commit to its implementation.

Our own Code of Conduct sets the backbone of our company's commitment when it comes to business relationships. It is built on the most relevant International Human Rights Treaties, particularly the Core Conventions of the International Labour Organisation (ILO), and in line with FWF's Code of Labour Practices. Moreover, it is an information tool for making all employees and suppliers aware of their rights and duties.

Our Code of Conduct :

- Prohibition of child labour
- Non discrimination
- Prohibition of forced and compulsory labour and disciplinary measures
- Freedom of association must be guaranteed
- Working hours must be reasonable; overtime exceptional, voluntary and duly paid
- Wages and benefits must be paid as per legal requirements
- Working conditions must be decent and safe

Additionally, our suppliers should implement an effective program and a system to tackle environmental issues in the factory, taking a precautionary approach. Starting in 2023, we will address environmental risks in our supply chain in a deeper and broader manner, and establish processes to better tackle, improve, track and report issues at suppliers.

Factory shall post FWF's Worker Information Sheet (WIS) in different places in the factory. This is a document that contains the main 8 Labour Standards in local language for workers to view, and a hotline number where workers can directly contact FWF to raise complaints which they deem they cannot solve in the factory.

Once the factory have gone through all these different steps, it is officially integrated to Stanley/Stella supply chain, and confirmed by Stanley/Stella's managers including CEO.

STEP 3 : tracking

This step includes steps 4, 5 and 6 as defined by the OECD guidelines (namely track, communicate, provide for or co-operate in remediation when appropriate).

We will monitor and validate progress of our preventive and mitigating actions previously defined. The monitoring is done on daily, monthly, quarterly and yearly base, depending on what is assessed.

- The daily monitoring includes overtime follow-up with a specific tool dedicated to it.
- The monthly monitoring is done by our local Quality Assurance Officers (QAOs).

Together with our local Sustainability Operations Team (SOT), we have developed a systematic approach to increase the number of controls in all factories. These controls are based on systematic checks (which include social, environmental and safety checks) performed during all production runs – the Monthly Sustainability Observation Report (MSOR). This system allows us to have an update on the working conditions in the scoped factories on an monthly basis. MSOR is reported to SOT by factory-stationed QAOs monthly, based on aggregated observations on that month's various days.

- The quarterly monitoring includes FWF CAP follow-up and the Supplier Sustainability Scorecard (SSS).

Right after the FWF audit, we'll go through the audit report with the factory and share with them a checklist linked to the CAP. Meaning that factories know what kind of document they should provide us or action they should take in order to remediate. We'll of course follow-up on that on a quarterly basis. We'll seek to collaborate with other member brands whenever it is possible.

In order to ensure that sourcing strategy includes social and environmental compliances of suppliers, we have been developing the Suppliers Sustainability Scorecard (SSS) which is a tool that gives us an overview of our supplier pool, based on various sustainability criteria, among which our FWF membership and its implication for our suppliers.

This tool has been developed by the Sustainability Team along with the Operations department so that the objective is that sourcing is aware about the compliances to respect.

This tool has been shared with our main suppliers in March 2022, so that we are completely transparent with them. Hence, they know that the objective is to work hand in hand with them in their sustainability performance.

The objective is to update the scores quarterly and to review them at the end of each year.

What is important is that we can see at a glance the general ranking of our supplier portfolio, and we can also see at a glance each of their weaknesses/strengths. We then know where we have to put the focus on our daily work with them, supporting them for positive change.

- The yearly SAR follow-up monitoring.

A sanity check of our suppliers is done every year through the review of the initial SAR, including tracking the action plans that have been noted into it.

Finally, the Fair Wear Complaint Helpline is another great tool that supports the implementation of our HRDD in our partner factories.

Overall, we communicate daily with our different stakeholders about what we are doing, the progress made but also what challenges we encounter along the way. Our Charter is publicly available and we have a dedicated email address to which anyone can reach us for any topic concerning sustainability (sustainability@stanleystella.com).

Last but not least, we work hard to maintain transparent and open communication with our partner factories. However, should they not comply with basic FWF requirements, or be unwilling to do so (which did not happen until now), then Stanley/Stella would resort to ending the business relationship, following a Responsible Exit Strategy.

SOURCING STRATEGY & PRICING

Stanley/Stella's product portfolio includes knitted garments such as t-shirts, polos, sweatshirts, dresses, bottoms, and woven garments such as jackets and woven accessories. We have been working on expanding our range over the years and will continue to do so in the most sustainable way possible, always keeping in mind that both people and planet are in the heart of it, and that we must integrate them into all our developments. Expansions include outerwear, baby wear, bags, hats, beanies within our accessory range, and soon again shirts.

With sustainability at the heart of our DNA, we exclusively develop garments that exclusively contain either organic materials (such as organic cotton) or recycled materials (such as recycled polyester, recycled nylon and recycled cotton).

Planning, sourcing, and purchasing activities are conducted independently by different teams, all under the supervision of the Chief Operating Officer (COO) based in Brussels.

However, common to all is the integration of due diligence and social compliance throughout each of the respective teams, and with all Tier1 suppliers as a start. Indeed, in cooperation with the sustainability team, the operations team is regularly briefed about local living costs, potential hazards and risks, actual working conditions, complaints, audit findings.... so that all together, we are empowered to make informed decisions.

Stanley/Stella's Operations Department is composed of two different teams :

One is based in the company headquarters in Brussels and is responsible for the definition of Stanley/Stella's sourcing strategy in liaison with the Product Development Department.

Each time a new product is developed, the choice of which manufacturer will do which product will be done by the Sourcing Manager along with the Product Development Team. Indeed, the Product Development Team has a precise view on the strengths and weaknesses of each of our partners in term of quality. The Sourcing Manager has a global view on the supplier base, in terms of price point, capacity, delays and sustainability compliances only to cite main criteria among others. They frequently travel together to our partners factories to work closely with the developers of the factories in Bangladesh on the new products and materials. Obviously, as explained before, the HRDD process is included into the selection of a new manufacturer in the case of a new production location, and the sustainability teams have weekly touch points and meetings with the operations department.

In addition to this European team, Stanley/Stella has invested in building a solid team in Bangladesh, our Bangladesh Liaison Office (BLO). This team of more than 30 people allows us to monitor every Stanley/Stella production run in our local factories. Such a team is a key asset to the brand as it allows great control over product quality and the social and environmental compliances of our partner factories.

In China, since February 2022, we now have a full-time China Operations Manager who is responsible for finding potential new partners in China but also ensuring their compliance with our quality standards and sustainable policies. We are also working on a long term plan in order to be able to achieve in China the same level of compliances (quality, social, environmental...) that we have now in Bangladesh, thanks to our Bangladesh Liaison Office.

Sourcing countries

In 2022, Stanley/Stella sourced products (for the CMT part, i.e Cutting, Making, Trimming) from 2 countries only (in % of financial value). 97% coming from Bangladesh (mainly t-shirts, polos, sweatshirts, accessories, bottoms mostly made from organic cotton) and 3 % coming from China (jackets made from recycled polyester and recycled nylon).

Regarding the raw material, Stanley Stella purchased organic cotton from Indian and Turkish ginneries and spinners only, from partners in Bangladesh for recycled cotton and China for recycled polyester and recycled nylon. We have decided in 2022 to diversify our supply chain regarding the raw material organic cotton in order to secure our supplies but also the integrity of the organic cotton and to be able to answer to our customers' requirements.

Relation with producers

We do not own any factory and therefore, our products are manufactured at external facilities.

Stanley/Stella favours direct and long-term business relationships with suppliers and has been working with its core suppliers as long as 10 years. In 2022, more than 2/3 of our total FOB volume came from factories where we hold long-term relationships of at least five years.

However, in order to be able to reply to our customer demand, we have been expanding our supplier sourcing portfolio introducing new suppliers. See below the list of our CMT suppliers with the starting date of our business relation.

In Bangladesh:

Ahsan: since 2012

Dird: since 2012

Interstoff: since 2015

Target Finewear (via Signet) : since 2016

Aus Bangla: since 2017

Meghna: since 2018

GMS: since 2020

CKDL : since 2021

Epyllion : since 2021

Knit Asia Limited : since 2023

In China :

Shuangxi: since 2016

Business with Chinese sources or new countries may further increase/start in the coming years, due to :

- Stanley/Stella's organic growth.
- Stanley/Stella's strategic decision to diversify its product portfolio in outerwear and shirts or any other product categories more eager to be produced in these countries due to knowledge and skills of these countries.

Regarding intermediaries, it is not part of our policy to work through agents. We will always favour direct relations with factories without any intermediates as we think that this is the best way to reach transparency. Working with agents can be done only under certain circumstances and conditions. For instance if we want to develop new products for which we do not have huge forecast quantities, it can happen that we will go through an agent as a start, provided we'll have full traceability on the upstream part of the supply chain with him.

Pricing

The guiding principle at Stanley/Stella is that all partners along the supply chain should make a fair profit. Therefore, it is key for us to foster business relationships that are commercially viable for everyone involved.

Stanley/Stella follows an open cost sheet whenever it is possible, and where we calculate labour costs separately. We clearly identify price elements of product costing, including salaries.

It has never been part of our business practice to look for the cheapest product. The nature and high quality of the materials used for our garments, like organic cotton, in combination with sustainable production methods, is not compatible with production at the lowest price.

PRODUCTION CYCLE

Stanley/Stella is a major player in the B2B industry. We develop and distribute a wide range of “blank” garments to two major markets: the imprint market and the (wholesale) retail market. In 2022 we introduced 56 new styles split between Spring-Summer 22 and Autumn-Winter 22. We create our products to be timeless and long lasting, this is our philosophy. We believe that premium quality and timeless fits are key for a sustainable slow fashion industry and consciously design products to be long-lasting and worn as many times as possible. Providing premium quality that is constantly checked and controlled also means that fewer garments are thrown away or added to the discount pile because they did not conform to the expected quality levels.

Besides that, our customers also include retail brands eager to offer to their own customers products in line with fashion trends. We then offer to our customers some products in “limited edition” (a very small proportion of our offer) which means that these products have been launched with limited stock. Most of the time, these are items that are more linked to specific fashion trends and for which we want to avoid overstock risks, and then waste in case the success would not be as high as expected.

We collaborate with our suppliers in a number of ways to help them support reasonable hours of works in the factories by managing the production cycles including both theoretical and practical view.

General workflow

→The design team starts working on new collection concepts (including new fabrics, dyes, products...) about 1,5 year before the actual collection launch, which is already quite important in terms of development.

→The order confirmation starts at the HQ, about 7 to 8 months before the collection launch. The lead-time applied at that moment includes a theoretical approach mixed with the raw material stock availability at the supplier.

→ The order confirmation is sent to BLO.

→ The BLO team sends it to the supplier and discuss with him the order and delays, in order to include the potential capacities constraints he can have, based on his reality.

Generally all new collection launch orders are confirmed to suppliers on average 7 months before the starting sales date, but products are developed even before that (in general 1,5 years before the starting sales date).

Lead-time rules

We apply fixed lead times as agreed in contracts with our production requests. Any factory closures for public holidays are added to these lead times. Only in exceptional circumstances will we request the supplier to help us with reduced lead times due to stock availability issues in our warehouse. Our production lead times vary from 7 weeks (if raw materials are available at the factory) to 16 weeks (if raw materials need to be imported from abroad).

For specific raw materials, we manage a buffer stock at the factory. As these raw materials are immediately available, it allows us to reduce overall lead times without putting any time pressure on the dyeing and Cutting, Making, Trimming (CMT) processes.

Internal planning meetings

Every month, we have S&OP (Sales and Operations) meetings during which we review our sales forecasts, that are then translated into product needs. We share the global output with each supplier concerned every month.

Communication with our partner factories

Every month we share a 6-month outlook with our suppliers both in unit requirements and raw material requirements. This helps our suppliers to anticipate our needs. If we do ever increase our order volumes and our suppliers have insufficient capacity to meet the standard lead times, then we relieve the pressure by delaying shipments. We communicate with our suppliers to know when they have excess capacity or a shortage of capacity.

FACTORY RELATIONS

In 2022, Stanley/Stella's supplier portfolio was quite stable, as we approved only one new factory in Bangladesh (Knit Asia Limited).

For Stanley/Stella, sustainability is key when assessing new factories. New factories are visited and validated by the Stanley/Stella HQ sourcing team as well as our Bangladesh Liaison Office (BLO). Please report to chapter 2.1 Human Rights Due Diligence to get full insight about our process when it comes to integrating a new factory.

Key checks made with new potential partners include (but are not limited to):

Visiting the factory, collecting and checking certifications & health & safety requirements (GOTS, OCS, GRS, Oeko-Tex 100, BSCI, SEDEX, ACCORD/RSC), our internal Sustainability Audit Report (SAR). A factory's general attitude towards social responsibility is also of great importance to us. The willingness of new factories to invest in Corporate Social Responsibility (CSR) in the long-term is critical. Examples include offering Fair-priced Grocery Shops, showing a positive attitude toward the formation of anti-harassment committees and the transparent monitoring of overtime. With regards to sustainability, Stanley/Stella also focuses on factories that propose innovative solutions like better operational efficiency of ETP's, LEED certified factories, etc.

In addition to sustainability, key aspects of Stanley/Stella's factory assessments are:

- Strategic Considerations (country risk, Stanley/Stella's sourcing strategy)
- Quality assurance (internal audits, tolerances, quality controls)
- Technical aspects (technical specs, patterns, master samples, expertise & know-how, factory set-up)
- Innovation (willingness to develop new products and new techniques)
- Commercial aspects (supplier's customer portfolio management, long-term relationship, commitments vs proven-track performance, development & communication responsiveness, delay penalties & quality compensation)
- Financials (purchasing prices, payment terms & conditions, financial stability)
- Logistics & Planning (production lead time, shipment lead time, flexibility, Minimum Order Quantities (MOQs))
- Legal aspects (purchase general conditions, contracts, GSP scheme, quotas, trade & tariffs regulations, anti-dumping, certifications, etc.)

At the end of 2022, we decided in agreement with the companies managements to stop collaboration with 3 factories in Bangladesh (Dipta, Meghna Knit Composite Limited and GMS Composite) and to shift the productions we had into these units to sister factories , being more advanced in sustainability :

- GMS Composite Limited will be shifted to GMS Textiles Ltd.
- Meghna Knit Composite Ltd will be shifted to Executive Greentex Ltd. and Executive Hi-fashion Ltd.
- Dipta Garments Ltd. will be shifted to Dird Composite Textiles Limited (North).

Each time, we communicated with the factory management about our decision, and explained them the reasoning behind it. We will also obviously follow the Responsible Exit Strategy as required by FWF and will report about it on due time.

INTEGRATION OF MONITORING ACTIVITIES AND SOURCING DECISIONS

In order to ensure that the sourcing strategy considers strongly the social and environmental compliances of our suppliers, we have been developing the Suppliers Sustainability Scorecard (SSS) which is a tool that gives us an overview of our supplier pool, based on various sustainability criteria, among which our FWF membership and its implication for our suppliers.

This tool has been developed by the Sustainability Team along with the Operations Department with the objective that sourcing is aware about the compliances to respect (see point 2.1 Human Rights Due Diligence for more details about it). We will review this tool again in 2023 and restructure it in line with our SAR. But the main principle will remain unchanged with a final ranking per supplier.

As stated in the previous chapter, in 2022 we decided to shift 3 production locations to 3 units being more advanced in sustainability, hence the importance of our monitoring activities in order to influence our sourcing decisions.

Coherent system for monitoring and remediation

At Stanley/Stella we are constantly working towards total transparency as we think this is our best chance to have a positive impact on people and the planet. Stanley/Stella's monitoring process has been significantly enhanced recently and is now more systematic.

In Bangladesh, factories are visited daily by our Quality Assurance Officers and frequently (every month) visited by our Sustainability Operations Team.

In China, we have quite recently extended the responsibilities of our China Operations Manager to Sustainability. Hence, he's now following up closely the factory in terms of social and environmental compliances.

Daily contacts by phone / emails / Teams meetings are also part of the different monitoring activities. During every visit, whether being visits done by our Quality Assurance Officers or Sustainability Team, Stanley/Stella staff is very attentive to even the smallest derogations to social standards that could lead to non-compliance. On top of this close monitoring, CSR topics, OT updates, CAP remediation can be on the agenda of these meetings, depending on the current need. About audit follow ups, Stanley/Stella's Sustainability Officer in the BLO is responsible for monitoring the post-audit follow-up with factory and collecting updated information from the CAP.

Key monitoring activities in partner factories cover the execution of CAP's, the follow up of complaints, and other CSR-related discussions.

Overtime (OT) monitoring

Quality Control teams stationed at the factories report about overtime (OT) from the previous days to the BLO Sustainability Operations Team, via an online platform. Any OT over 2 hours/day, or 12 hours/week is flagged and communication then starts with the factory management for immediate reduction as per Stanley/Stella CoC.

Monthly CSR monitoring reports

MSOR reports are updated every month by the Quality Control team on 33 CSR criteria. If there is an issue, the BLO team will get in touch with the factory management for remediation.

Complaints monitoring

If and when there is any complaint received through FWF's local, internal or external processes, the BLO gets into discussions with FWF and the factory management for proper investigation into complaints and to help achieve a quick and amicable resolution. In 2022, 1 complaint was received and has been solved.

FWF audits and Corrective Action Plans follow up

FWF CAP's and other certification CAP's are regularly followed up on and monitored if and when required. In 2022, we initiated a total of five audits, four in Bangladesh and one in China. We'll audit our suppliers every year through our own SAR and every 3 years through FWF audit teams.

Certifications

The BLO Sustainability Operations Team follows up with the factories on essential certifications like GOTS, OCS, GRS and Oeko-Tex, and others such as SEDEX, BSCI, ACCORD etc.

However, even though we put all our effort on strengthening our monitoring and remediation processes, we acknowledge a certain number of challenges in front of us :

- Enhancing our monitoring activities and HRDD processes in China.
- Enhancing our monitoring activities and HRDD processes at lower tiers of our supply chain.
- Efficiency of the trainings to raise awareness about workers rights in factories.
- Implementation of a living wage in our partner factories.

FACTORIES OVERVIEW

Bangladesh production sites

Ahsan

The percentage of Stanley/Stella's total production sourced from this factory amounted to 18% in 2022. The last Fair Wear verification audit was done in December 2021 and the audit report was generated in February 2022. The monitoring of the improvements continued all along the year 2022.

Dird (Dipta – Dird Composite)

The percentage of Stanley/Stella's total production sourced from this factory amounted to 25 % in 2022 (combined Dipta and Dird Composite). The last Fair Wear monitoring audit for Dipta was done in June 2021 and the follow up on it is now closed, as we have shifted our operations to Dird Composite which will be audited in 2023 by FWF team.

Interstoff

The percentage of Stanley/Stella's total production sourced from this factory amounted to 19 % in 2022. The last Fair Wear monitoring audit was done in November 2021, and the audit report was generated in January 2022. The monitoring of the improvements continued all along the year 2022.

Target Finewear (via the agent Signet)

The percentage of Stanley/Stella's total production sourced from this factory amounted to 1% in 2022. Factory is frequently visited by Signet, the agent through which we work with Target Finewear. Also our QA Officers and Sustainability Operations Team periodically visits the factory, about once a quarter, depending on the production phase...Moreover, we have daily/weekly contacts with Signet. This factory has been audited by FWF for the 1st time in March 2023. The audit remediation is ongoing in 2023.

AusBangla

The percentage of Stanley/Stella's total production sourced from this factory amounted to 2% in 2022. The last Fair Wear monitoring audit was done in July 2021. The monitoring of the improvements continued all along the year 2022.

Meghna (MKCL, EGL and EHL)

The percentage of Stanley/Stella's total production sourced from this factory amounted to 18 % in 2022 (combined MKCL, EGL and EHL).

For EHL, the last Fair Wear monitoring audit was done in April 2021, and for MKCL in September 2021. EGL has been audited in September 2022 and the monitoring of the improvements are still in progress in 2023.

GMS (GMS Textile)

The percentage of Stanley/Stella's total production sourced from this factory amounted to 8 % in 2022 (GMS Textile only). GMS Textile has been audited by FWF for the 1st time in October 2022. The audit remediation is ongoing in 2023.

CKDL

The percentage of Stanley/Stella's total production sourced from this factory amounted to 2 % in 2022. CKDL has been audited by FWF for the 1st time in October 2022. The audit remediation is ongoing in 2023.

Epyllion (Dekko Knitwears Ltd.)

The percentage of Stanley/Stella's total production sourced from this factory amounted to 4 % in 2022. Dekko Knitwears Ltd. has been audited by FWF for the 1st time in October 2022. The audit remediation is ongoing in 2023.

Knit Asia Limited

We just started the business with this factory end of 2022. Estimation of production sourced from this factory is about 3% for 2023. This factory will be audited by FWF audit team in July 2023.

China production site

Shuangxi

The percentage of Stanley/Stella's total production sourced from this factory amounted to 3 % in 2022. This factory has been audited by FWF in September 2022. The audit remediation is ongoing in 2023.

FACTORIES AUDIT FINDINGS OVERVIEW

As previously mentioned, in 2022 we initiated a total of five audits, four in Bangladesh and one in China. The most important audit outcomes as per the FWF labour standards concerned health and safety, remuneration of the workers, and reasonable hours of work.

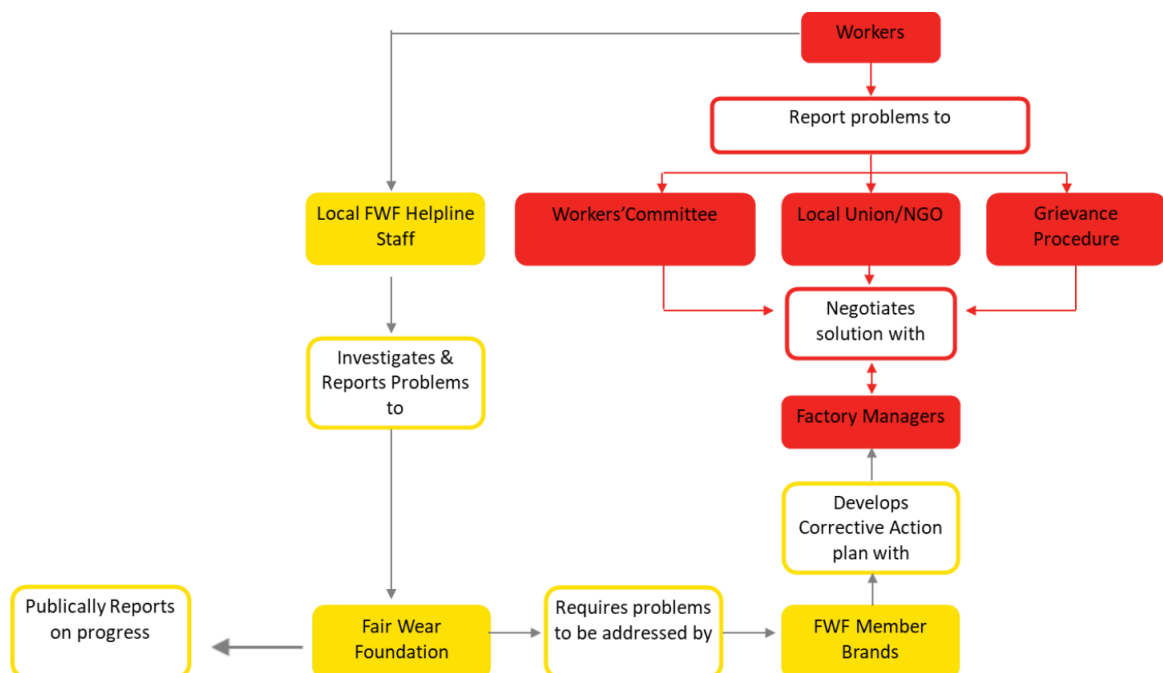
- Half of the required remediations were about **safe & healthy working conditions**. Non compliances concerned chemical management system that was found inappropriate, to fire safety (need of more workers trained, non fully functional fire alarm and detection system), occupational safety (such as providing back support chairs to the workers), but also non compliances related to the internal processes or policies of the factories that were missing or not strong enough.
- Concerning the **remuneration of the workers**, mains findings were that factories should pay on time all wages, including the overall benefits. Also, discussions about living wage in collaboration with other brands should happen more frequently.
- About **working hours**, main remediations required are about updating and enhancing factories policies, but also analysing the root causes of these in order to be able to properly address the issues.
- As regards as gender lens, factory should put more efforts on education and training human resources staff, so that they could be leading the drive about this topic within the factory. Improvement of factories processes and internal systems should also help to better monitor the discrimination within factory.
- The status of the remediation is either completed, in progress or continuous (in case of trainings for instance).

Complaints handling

PROCEDURE

A solid internal complaint system is of foremost importance in a factory as it gives the opportunity to workers to make their voices heard and it gives factory managers a clear feedback on what is going on at worker level and give them a chance to react to it.

The complaint hotline by FWF works as a safety net, ensuring that all complaints are heard and taken care of, if and when the internal grievance handling mechanism falters.



Stanley/Stella, in collaboration with the FWF and its partner factories, has successfully played a central role in resolving complaints and will continue to do so.

Complaints handling can be described as below:

- Workers from Stanley/Stella partner factories are informed of the complaints procedure through the FWF's Worker Information Sheet. This official communication is posted on boards in the factories, located on the different places of the factory.

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- As per the FWF's complaints handling procedure, complaints are first handled internally, due to the FWF's active presence through the currently running WEPs and established Anti-Harassment Committees.
- If a complaint cannot be resolved internally, the BLO is notified to reach out to factory management for immediate feedback and resolution. However, if a complaint goes directly to the Helpline, then FWF informs the member brand directly and asks to start the dialogue instantly.
- At Stanley/Stella, the Sustainability Manager BLO based in Dhaka is the one to handle complaints and discuss them with the suppliers involved.

2022 COMPLAINTS OVERVIEW

In 2022 we received 1 complaint through the FWF helpline that concerns the labour standards "Living wage" and "safe & healthy working conditions". Thanks to jointly effort of member brands, Stanley/Stella, Fair Wear and factory held in factory, the issue was resolved.

Training and capacity building

ACTIVITIES TO INFORM STAFF MEMBERS

Some key activities and events are used to inform and train internal staff but also external partners about sustainability at Stanley/Stella.

- All new staff is offered a CSR training on all related sustainability aspects when starting at Stanley/Stella in order to help them understand key sustainable concepts, Stanley/Stella journey and Stanley/Stella strategy.
- On regular basis, we also have sales/full team meetings in our headquarters during which all employees are additionally updated on upcoming projects and achievements. These events include a plenary session and also specific workshops, and sustainability is always at the agenda of both formats.
- Documentation on the FWF and, more broadly sustainability is available to any Stanley/Stella employee. For any questions, staff can always turn to the Sustainability Team. We also use our monthly internal newsletters to share our activities with staff members.
- Externally, we communicate on sustainability topics to customers and third parties via visits, meetings, e-mailings, our Lookbook, our Sustainability Report, our website but also through training sessions at our headquarters.

ACTIVITIES TO INFORM AGENTS

Agents are informed about Stanley/Stella's sustainability policy. Agents or intermediaries receive the same training and knowledge transfer as manufacturers (see below).

ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS

All our CMT partners are aware of our business practices and our commitment towards FWF principles. The level of knowledge about FWF and its Code of Conduct (CoC) still varies across Stanley/ Stella's pool of suppliers:

- Some suppliers have already been working with the FWF's CoLP for years and have already implemented it. They are actively involved in keeping up with our social and ecological standards and they have all participated in audits and trainings done by FWF and the necessary follow-up work.
- Recently integrated suppliers are informed as soon as the first contact is established and are receiving special training and attention during their integration phase. The FWF CoLP is communicated prior to the first bulk order placement for adoption and explained to the staff during trainings.

Transparency & communication

Since joining the FWF in 2011, Stanley/Stella has communicated extensively about its FWF member status, using the following tools:

- Online tools : we use Stanley/Stella website, our social media channels (Instagram, Facebook, LinkedIn) and our newsletters to inform the employees and our customers and partners about our latest CSR news and activities.
- Offline tools : we also communicate about our FWF membership through our Look book, our Sustainability Report, internal presentations and trainings that happen on an annual base.
- Finally, we also communicate about our FWF membership on our garments (garment labels).

Stakeholder engagement

Among other initiatives, Stanley/Stella supports and/or actively takes part in the following projects, initiatives or organizations:

- Fair Wear Foundation, affiliated member since 2011
- GOTS / GRS / OCS
- Fashion Revolution campaign
- Textile Exchange (supporter member)
- Oeko-Tex
- PETA

Corporate Social Responsibility

Sustainability is part of our DNA since day 1.

To reinforce this assertion, we have created and released the Stanley/Stella Charter end of 2022, which will be our guiding framework that will outline the responsibilities to which we hold ourselves accountable, as a company in the garment industry.

It articulates our commitment to addressing critical environmental, social and governance issues, driven by the common desire to positively impact Stanley/Stella's ecosystem & the industry.

With this charter, our objective is to encompass the totality of our value chain, from raw material supply, to how we produce and conduct our operations with our partners, to how we communicate, and till the product end of life responsibility.

The charter is therefore aiming to condition our behaviour and inspire the entire Stanley/Stella community.