Stanley/Stella

Human Rights and Environmental Due Diligence (HREDD) Policy

STANLEY/STELLA

V3 – 10/2024

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1. Introduction

Stanley/Stella is an innovative Belgian apparel company producing premium quality blank garments that are designed to be decorated. Sustainability is at the core of our DNA, driving us to continually push for positive change that results in happier people and a healthier planet.

As a member of Fair Wear Foundation (FWF) since we began our operations in 2012, we work to improve labour conditions in our partner factories while striving for the continued and sustainable growth of our company.

2. Purpose of this policy

This Human Rights and Environmental Due Diligence (HREDD) policy is one of the cornerstones of our commitment to ethical business practices and sustainability. It serves as a framework to help us manage the social and environmental risks across the entire Stanley/Stella supply chain through effective business strategies, operations and evaluations. This policy has adopted the definition of HREDD used in the United Nations Guiding Principles (UNGPs) on Business and Human Rights and is aligned with the OECD Due Diligence Guidance for Responsible Business Conduct. It therefore encompasses human rights, including workers' and industrial relations, environment, bribery and corruption, disclosure, and consumer interests, as defined by the Organisation for Economic Co-operation and Development (OECD).

Our HREDD policy is not a static document. It will evolve based on the priorities we set for achieving our goal of improving social and environmental sustainability across our supply chain.

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3. Our commitments

This HREDD policy outlines our commitments to upholding human rights and environmental due diligence, in line with FWF guidance based on international standards. It also clarifies how these commitments are embedded into our company structure, which is instrumental in keeping our company accountable and dedicated to social, ethical and environmental principles. Our commitments are as follows:

- To holistically integrate HREDD processes into our business practices.
- To uphold FWF guidance, based on international standards, on country risks, sector risks and sub-sector risks relevant to our business.
- To support the implementation of the FWF Code of Labour Practices (CoLP).
- To establish responsible purchasing practices that prevent and mitigate negative impacts in our partnership models, including collaborative planning, fair payment terms, and sustainable costing.
- To build leverage through our sourcing strategy to bring about meaningful improvements in working conditions.

Our HREDD policy is embedded into our business strategies and operations, and is anchored in the Stanley/Stella Charter, which represents what we stand for as a company in the garment industry. The Charter, launched in 2022, articulates our commitment to addressing critical environmental, social, and governance (ESG) issues in our area of influence, and outlines the ten core principles that guide our behaviour and inspire the entire Stanley/Stella community to care about our planet and its people.

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4. Scope of this policy

Our HREDD policy covers adverse human rights and environmental impacts that Stanley/Stella may cause or contribute to through our activities, or which may be directly linked to our operations, products, or services through our business relationships. These impacts will vary in complexity with the size of the business with whom we have a relationship, the nature and context of its operations, and the position of that supplier, or business partner, in our supply chain.

5. Foundations of the due diligence process & key principles

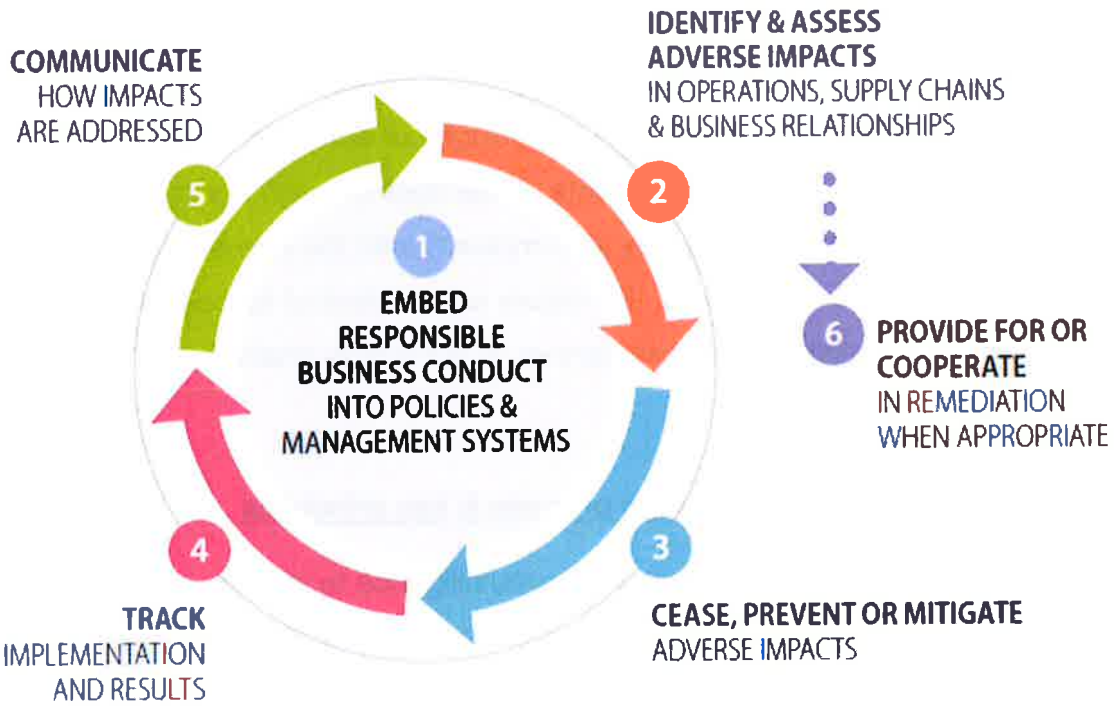
We carry out human rights and environmental diligence to identify, prevent, mitigate, and account for how we address adverse human rights and environmental impacts. The process includes:

- assessing actual and potential human rights and environmental risks
- assessing actual and potential human rights and environmental impacts
- integrating and acting upon the findings of assessments, including remediation
- tracking implementation and results
- communicating how impacts are addressed

The figure below illustrates the comprehensive HREDD framework we adhere to, which is based on the OECD Due Diligence Guidance for Responsible Business Conduct:

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Social dialogue and collaboration

Effective HREDD processes rely on robust social dialogue, and this is an integral part of our approach. By recognising, understanding, and communicating the need for improved human rights and environmental conditions with our suppliers' management teams and workers, risks can be swiftly, amicably, and effectively prevented, and adverse impacts can be remediated.

We ensure that social dialogue is structurally included in the various processes and tools we have established for monitoring and evaluation. This is described in more detail in the following sections of this HREDD policy.

In terms of collaboration, where we share suppliers with other brands or buyers we are always willing to work together with them on risk identification, prevention, mitigation and remediation.

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Sourcing model & practice

We periodically conduct risk scoping exercises to assess our sourcing model and practices and identify any aspects that could potentially cause or contribute to adverse impacts related to HREDD. Risk scoping allows specific risks to be identified and assessed, making it possible to develop and implement effective tools for ongoing monitoring and remediation.

This process examines human rights and environmental risks at various levels, including the country, sector, factory, business model, sourcing model, and product level. It considers known sector risks and takes relevant risk factors into account.

To be able to confidently identify risks in our supply chain, we need to have a deep understanding of each supplier and the role they play. This is why we map our supply chain from Tier 1 to Tier 4, continuously updating it to deepen our knowledge and gain further insights.

Our sourcing strategy, combined with our overall sustainability risk assessment processes and practices, is essential for monitoring country-specific risks and verifying suppliers' capabilities and capacities. This comprehensive approach lays the groundwork for establishing long-term business relationships, managing expectations, and achieving defined goals.

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Responsible Purchasing Practices

The objective of our Responsible Purchasing Practices (RPP) is to incorporate ethical, human rights, and environmental considerations in our procurement processes, ensuring a sustainable and accountable supply chain.

We strive to integrate the five core principles as defined by the Common Framework for Responsible Purchasing Practices, which has been developed through collaboration with different industry stakeholders, including Fair Wear Foundation. Specifically, this means that we aim to include the following five principles in our procurement processes:

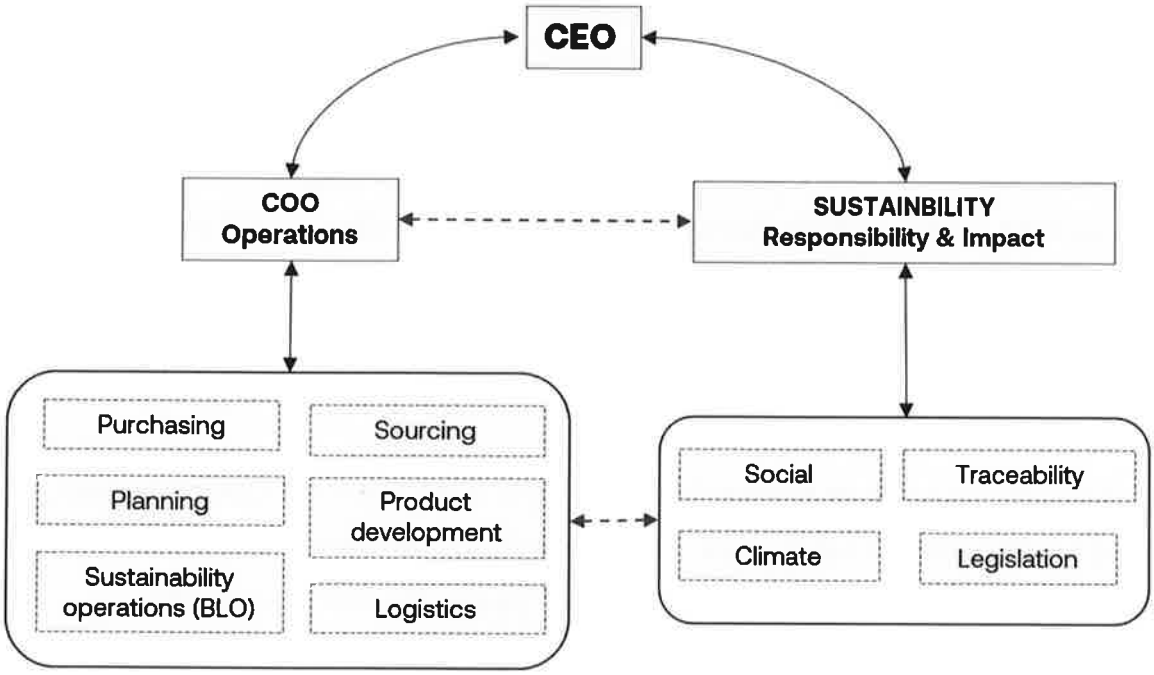
- Principle 1: Integration and reporting
- Principle 2: Equal partnership
- Principle 3: Collaborative production planning
- Principle 4: Fair payment terms
- Principle 5: Sustainable costing

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Internal collaboration

Within Stanley/Stella, a cross-location and cross-functional team takes responsibility for ensuring adherence to our HREDD policy. The team comprises Sustainability Ambassadors led by the Head of Sustainability in our Brussels headquarters (HQ), our Sustainability Operations team in our Brussels HQ and Bangladesh Liaison Office (BLO), two colleagues in our China Liaison Office (CLO), one colleague in India and one in Tukey. These teams work closely together, with colleagues in daily contact to ensure smooth collaboration and align business needs with responsible practices on the ground.



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Factory risk calculation and prioritisation

The magnitude of identified and scoped risks is calculated based on the probability of an event occurring and the severity of the consequences if that event occurs. For each criteria defined in the Sustainability Audit Report (SAR), the risk magnitude is given using the simplified formula:

Risk = Likelihood x Severity

Evaluating likelihood

For a potential business partner, the 'likelihood' is estimated, while for an existing business partner, the likelihood is evaluated annually, within the scopes explained previously. Evaluating the likelihood of a risk takes various factors into consideration, including historical trends, a case study, current status, future strategies or plans, and expert judgment by our Sustainability Operations team. It also draws on elements such as FWF audits, complaints received via the FWF helpline, and the SAR, as well as other sources like the Monthly Sustainability Observation Report (MSOR) and the overtime tracker (OT).

Evaluating severity

The 'severity' of a risk is strictly defined by our Sustainability Operations team and based on their expert judgments. Severity of potential harm is based on the scale, scope, and irremediable character of the risk, as per the OECD guidelines:

Scale refers to the seriousness of the adverse impact.

Scope concerns the reach of the impact, for example, the number of individuals that are or would be affected, or the extent of environmental damage.

Irremediable character refers to any limits on the ability to restore the individuals or environment affected to a situation equivalent to the situation before the adverse impact.

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Generally, likelihood and severity are given values between 1 and 5, with the overall risk result having a value between 1 and 25.

A higher overall value therefore means a higher risk magnitude. The implications of risks, determined through the risk matrix, are then characterised as follows:

Risk Rating 16-25 (Red) = Immediate Remediation (IR)

Risk Rating 8-15 (Orange) = CAP Implementation (CAPI)

Risk Rating 1-7 (Green) = Maintaining Progress (MP)

Criteria categorised as Immediate Remediation (IR) require urgent action, those categorised as CAP Implementation (CAPI) require a time-bound plan for remediation, while criteria categorised as Maintaining Progress (MP) require an established system for continuous improvement.

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Business ethics

Our HREDD processes are underpinned by our firm belief that seeking, accepting or offering unauthorised tangible or intangible advantages to business partners or those involved in business decisions can lead to improper, illegal or unethical behaviour. Bribes can take the form of money, gifts, loans, fees, hospitality, services, discounts, the award of a contract or any other advantage or benefit.

At the same time, we recognise that giving or receiving gifts or hospitality can be a part of building and maintaining business relationships. This policy therefore does not prohibit the giving or accepting of reasonable and proportionate hospitality, provided there is a legitimate purpose. Gifts of low value may also be given to, or accepted from existing customers, suppliers and business partners.

However, gifts or hospitality that are excessively lavish, extravagant, or could be seen as an inducement, are not appropriate. Gifts must not include cash or cash equivalents, nor may they be given in secret.

Suppliers with whom we have a business relationship must not pressure, or be pressured by their business partners to violate our stance on business ethics. We are committed to investigating any bribery-related incidents that may arise and promptly taking the most appropriate action.

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5.1 Before starting a business relationship

This section outlines the steps our Sustainability team follows when planning to onboard a new T1 supplier to our supply chain.

Some of these steps also apply when we consider starting a relationship with a supplier further along our supply chain. Point 5.1.1, Country risk assessment, also applies when onboarding T2, T3 and T4 suppliers, while point 5.1.2.d, Stanley/Stella Code of Conduct (CoC), also applies to other nominated partners in our supply chain.

5.1.1 Country risk assessment

The country risk assessment is a comprehensive document that covers the current situation of the countries where Stanley/Stella operates or plans to operate. It includes country governance as well as social and environmental risks at the country level, raw material level, and sector level (i.e. garment manufacturing).

This assessment is used by our top management to make informed business decisions, and is reviewed yearly.

5.1.2 Supplier onboarding process

a. Sourcing dialogues

Sourcing decisions are based on various criteria, taking into account financial, human rights, environmental, and ethical considerations. Clear discussions about Stanley/Stella policies and potential HREDD risks are conducted during prospective business meetings.

b. Factory Risks Assessment (FRA)

This preliminary evaluation physically assesses a factory's social and environmental practices. The FRA helps identify critical issues and determine eligibility to become a potential future supplier.

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The current version of the FRA has 29 criteria divided into three categories: Stanley/Stella mandatory requirements, human rights and labour risks, and environmental risks and climate. These criteria are components of our comprehensive Sustainability Audit Report (SAR).

c. Onboarding Sustainability Audit Report (SAR)

Identified risks are further evaluated through the SAR, which involves a self-assessment by the factory and an evaluation by Stanley/Stella. The exercise looks at 141 criteria, each of which is given a risk score. This provides a precise view of where the main risks lie and helps prioritise actions and follow-up. A Corrective Action Plan (CAP), with root causes identified, is then developed in collaboration with the supplier to ensure compliance with HREDD standards, including a timeline and a responsible person.

d. Stanley/Stella Code of Conduct (CoC)

The CoC sets minimum standards aligned with national and international laws. Compliance is mandatory for the onboarding of a new supplier, with non-compliance leading to reassessment.

Adherence to this CoC is also evaluated during later risk assessments and as part of periodic monitoring for improvements/remediations.

e. FWF Code of Labour Practices (CoLP)

As an FWF member, we adhere to the eight labour standards derived from ILO Conventions and the UN's Declaration on Human Rights. Supplier compliance is assessed during onboarding and is monitored periodically.

The eight labour standards are:

1) Employment is freely chosen

2) Freedom of association and the right to collective bargaining

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3) There is no discrimination in employment

4) No exploitation of child labour

5) Payment of living wage

6) Reasonable hours of work

7) Safe and healthy working conditions

8) Legally binding employment relationship

f. FWF CoLP Questionnaire

In addition to the SAR, risks identified during sourcing dialogues are assessed through the CoLP questionnaire, which potential suppliers complete to ensure they meet FWF standards.

This comprehensive tool helps determine if a potential business partner is in a position to endorse and eventually support the FWF CoLP.

Once the supplier has gone through all these different steps, and in addition to considerations handled by other departments (e.g. product development, planning, quality, finance), it can then officially be integrated into our supply chain, and confirmed by Stanley/Stella management, including the CEO.

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5.2 During a business relationship

This section outlines the steps our Sustainability team follows during a business relationship with the T1 suppliers in our supply chain.

a. Annual Sustainability Audit Report (SAR)

Initially used during the supplier onboarding process, an SAR is then conducted at each supplier location on an annual basis. Throughout our business relationship, the SAR is followed up quarterly to ensure continuous monitoring and improvement. This report is a core document for assessing any supplier's compliance with our HREDD standards.

For potential suppliers, compliance is evaluated against industry standards, whereas for an existing supplier, compliance is monitored and evaluated yearly based on the previous year's SAR for that supplier to guide incremental improvements in sustainability performance. The SAR is reviewed periodically to ensure that it reflects evolving industry realities and sustainability practices.

b. Quarterly Suppliers' Sustainability Scorecard (SSS)

This evaluation tool reflects suppliers' sustainability and HREDD performance using specific scoring criteria across different fields. The Sustainability Operations team updates suppliers' scores on a quarterly basis. However, criteria are reviewed over different timeframes, for instance: OT Tracker (daily monitoring), Monthly Sustainability Observation Report, FWF audit CAPs (quarterly), SAR CAPs (quarterly), timely issuance of GOTS transaction certificates (quarterly)).

The SSS is also used as a monitoring tool and as a means to support business decisions. The evaluation and scoring system incorporates adherence to labour standards as a key factor in allocating orders among suppliers.

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c. Monthly Sustainability Observation Report (MSOR)

Prepared by Quality Assurance Officers (QAOs), the MSOR provides monthly assessments of sustainability and HREDD compliance. This systematic approach includes social, environmental, and safety checks during production runs to assess working conditions in partner factories on a monthly basis.

To continually drive improvements in sustainability performance, the MSOR findings are communicated to factory management on a monthly basis to allow them to swiftly remediate any issues. Our Sustainability Operations team carries out monthly follow-up.

The current version has 48 criteria across three categories: social, environment, and ethics. These criteria are scored, allowing for the performance scores to be easily consolidated by supplier. The MSOR is reviewed periodically to ensure that it reflects evolving industry realities and sustainability practices.

d. Daily OT Tracker

The OT Tracker is an online monitoring tool updated regularly by QAOs stationed at factories in Bangladesh that tracks daily working hours on sewing lines that are manufacturing products for Stanley/Stella. It identifies excessive overtime for immediate remediation by factory management, and is monitored by our Sustainability Operations team based in Bangladesh.

e. FWF audits and CAP follow-up

As an FWF member, we commission FWF to carry out external audits to assess human rights risks and monitor HRDD progress in factories. CAPs are reviewed and remediated in collaboration with factory management and participation committee members until they can be closed.

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f. FWF complaints helpline

Grievance mechanisms put in place by factories themselves should always be used as a first resort to try to resolve complaints. When these factory-level systems are not working as intended, the Fair Wear complaints helpline is available as a 'safety net' or backup system.

This initiative therefore ensures that factory workers have access to a well-functioning grievance mechanism, with our Sustainability Operations team coordinating with suppliers to address issues raised. Suppliers commit to cooperating with Stanley/Stella until final remediation.

As part of this initiative, factories must display the FWF Worker Information Sheet (WIS) in different places on their premises. This document shows the eight FWF labour standards in the local language as well as a hotline number where workers can contact FWF directly to raise complaints that they deem cannot be solved in the factory.

g. Responsible growth with suppliers

Building leverage with our suppliers is carefully balanced in order to protect both Stanley/Stella and our suppliers from over-dependence and potential vulnerabilities. To ensure sustainable growth, our sourcing rules allow a maximum allocation of 25% to 30% of Stanley/Stella's Free on Board (FOB) value per factory site and 25% to 30% of leverage at each factory site. Our Suppliers' Sustainability Scorecard (SSS) also supports sourcing decisions.

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5.3 Ending a business relationship

Responsible Exit Strategy

Our goal will always be to have a consolidated supply chain with long-term business relationships. Nonetheless, we acknowledge that, for a variety of reasons, it may become necessary for a business relationship to end. Whatever the reason, we remain committed to identifying and minimising any adverse effects of exiting a business relationship by following the FWF Responsible Exit Strategy Guidelines.

We follow the steps below to end a business relationship in a responsible way, taking into account the impact on workers' lives:

A/ Prior to exiting: Internal communication and risk assessment

- Supplier evaluation: Evaluation of the supplier's situation at various levels (e.g. financial, production capacity, quality, HREDD compliance) through the risk-based approach mentioned previously. This also includes reviewing our history with the supplier and any discussions about improvement plans.

- Operations alignment: Alignment with our Operations department on a potential factory exit list, including a clear explanation of the reason for exiting.

- Social impact assessment: Evaluation of the potential social impact of ending the relationship with the supplier, with the possible involvement of relevant stakeholders such as unions and NGOs where relevant and necessary.

- Phase-out plan: Definition of a phase-out plan for production orders. This includes a timeline with the anticipated final order placement and final shipment dates for all products manufactured in the factory, along with a strategy for reallocating orders to other factories. Our Operations department assesses if our exit timeline is feasible for maintaining factory capacity.

- FWF reporting: Informing the FWF team about the Stanley/Stella decision and providing the necessary information and reporting.

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B/ Exiting the factory: Communication with suppliers

Formal communication by our Operations department to the supplier about:

- the discontinuation of the business relationship between Stanley/Stella and the supplier as of a specific date.

- the production order forecast, indicating the planned reduction of business over a specified timeframe. If we are made aware of negative impacts on workers as a consequence of the exit, our Sustainability Operations team will ensure that employees receive all benefits and severance payments owed to them.

C/ Minimum timeframe for a responsible exit

The timeframe for exiting a factory should be proportional to the percentage volume that Stanley/Stella contributes to the factory's operations.

However, the factory must always receive written notice of the final decision at least six months before the effective exit date.

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6. Document control & improvement

The policy will be preserved as record and retained until modification. The policy will be reviewed yearly and may be subject to modification upon review.

7. Conclusion

This HREDD policy serves as a guiding principle for addressing human rights and environmental issues and is integrated into our sourcing strategy.



Date: 15/10/2024

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Jean Chabert, Managing Director representing Chabert Management SA

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