

## Responsible Business Conduct

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“The basis of all our actions and our principles, is our conviction that the modern future and the modern industrialization, the coexistence of people in general, only works if everything is based on 4 columns which are firstly raw materials, secondly the human factor, the third column is the use of chemistry and the fourth are energy relevant things such as transport. Therefore, this all is a central point in Paptex’ actions and we try our best to optimize these four points more and to make them better, so that all four columns meet high standards and that they grow forward equally, and no negative impact is displayed. This is visible in everything we do, not only in my private life but my entrepreneurial principles as well. Acting ethically fair is the company’s main principle.”

Stefan Grabher, *CEO Paptex Textilhandels GmbH*

## Introduction

“We all have the right to employment, to be free to choose our work, and to be paid a fair salary that allows us to live and support our family. Everyone who does the same work should have the right to equal pay, without discrimination. We have the right to come together and form trade union groups to defend our interests as workers”, [1] is the 23<sup>rd</sup> article of the UN human rights declaration. We are all free to choose our work, we are all to be paid a fair salary and have the right to equal pay without discrimination as well as form trade unions. This and all the other 30 clauses of the human rights is what we as the company Paptex Textilhandels GmbH stand for. Hence, we disapprove of forced labour and child labour and place great importance on equal paid wages no matter the gender, religion, culture, ethic and disregarding disabilities. Sexism, racism, ableism and every other form of discrimination is strongly against our believes as a Fair Wear member and nothing we promote.

Our commitment as a company does not only apply to the equality and well-being of our workers but also to the sensible and respectful approach and handling of the environment. Since Paptex Textilhandels GmbH is a sustainable company, nature and environment are equally important to us as our workers. We want to make the world a better home for future generations and do not participate in worsening it with any kind of unnecessary pollution or exploitation.

This document aims to show our company’s principles and values. The present Paptex Textilhandels GmbH Responsible Business Conduct consists of four major sections:

- Our values
- Our commitment to nature
- Our commitment to our workers
- Our supplier chains

“Our values” contain the company’s main goals, responsibilities, our current state, reforms we have made and improvements we want to make. “Our commitment to nature” describes our values and standards regarding sustainability and the environment as well as our environmental impact and exploitation. Moreover, “Our commitment to our workers” contains information about our responsibility to our workers and our compliances with human rights and labour rights as well as the importance of gender, ethics and religious equality. Furthermore, “Our supplier chains” shows how our values are reflected in our choice of suppliers and their values.

This Responsible Business Conduct is adopted by the top management and includes an operationalisation of the policy, how it is rooted into different departments and decision-making processes.

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## 1 Our Values

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The world we live in is hectic and fast paced. A place to regain energy and feel at home and comfortable is crucial to maintain a happy and healthy lifestyle. Therefore, we value such a place and want to make it higher in quality. On the one hand, we want to give our customers a higher quality of life but on the other hand we also want to enhance the quality of living of our workers and therefore believe in what Fair Wear stands for as for example the Code of Labour Practices as for example equal and fair wages. We are a sensible company that takes its responsibility regarding our planet seriously and hence believes in sustainability. Since textile companies nowadays have worldwide divisions of labour without which companies are simply non-existing, our company also produces its goods in more than one country. However, for that reason we feel an even bigger responsibility to the biological cultivation of raw materials, sustainable finishing, and biodegradability. Our values are aligned with GOTS, Cradle to Cradle certified®, Fair Wear, regional collaboration, abundance of social standards, climate neutrality, veganism, ethical decency and ecology.

## 2 Our commitment to nature

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We believe in our four principles of sustainable production and are committed to a more sustainable textile industry. On the one hand our commitment to nature is visible in our values and on the other hand we also seek official accountability as for example in our Cradle to Cradle® and GOTS certificates. We want to provide high quality products but also bring more sustainability on the international market.

### Sustainability

We as the company Paptex Textilhandels GmbH care about the planet and its future, hence, we cherish sustainability. Our cherishment is visible in our products and all our certificates as GOTS and Cradle to Cradle®.

The **global organic textile standard (GOTS)** is a globally approved certificate and the leading standard for the manufacture of textiles that are made of biological produced natural fibres. Paptex Textilhandels GmbH is taking steps to becoming an exclusively organic textile company. The majority of our bed linens are GOTS certified and most of our products and customer's products in general are GOTS certified. The organic cotton used for our products comes from Aegean region. Paptex Textilhandels GmbH is part of GOTS since 2010, however, our quality control is done by another independent certificate.

Our **Cradle to Cradle®** products are all made of organic cotton. Furthermore, our Cradle to Cradle® products have been granted the Cradle to Cradle GOLD® certificate on our bed linen and terry towels in 2019 which are both produced in Türkiye. The Cradle to Cradle certificate assures that the whole process from the manufacturing of the organic cotton material to the sewing thread to the product label and weave to colour pigmentations is totally biodegradable. This means that everything can be put back in the biological cycle without leaving any traces.

The products of our own brands “Mary Rose”, “Marys” and “Notburga Tyrler” as well as the products we sell to bigger furniture brands all underlie strict social and environmental standards and furthermore, are all GOTS certified.

### The environment and our environmental impact

We want to minimise our environmental footprint and therefore Paptex Textilhandels GmbH supports **Turn to Zero**. This means that we want to fully compensate our own CO2 emissions and participate in opposing actions against the greenhouse effect without compensation payments but only actions. As a step in the right direction, we want to establish photovoltaics on the roofs of our sewing partner company in Türkiye to produce zero-pollution organic textiles. Furthermore, we try our best to work with regional suppliers and producers in order to maximise and protect the added value in our own country to strengthen companies here in Austria. For instance, all our pillows are a 100% filled in Austria and they are all filled, packed and send by people from an integration project.

Our Cradle to Cradle certified® GOLD products are - in contrast to many other textiles - **vegan**. This is because textiles in general are rarely completely free of materials of animal origin, since such processing aids do not have to be declared, the impression is given that textiles are vegan. With our Cradle to Cradle® products, we do not use any materials of animal origin and have thus been awarded the international V-Label. The V-Label is under the umbrella of The European Vegetarian Union (EVU). It is a standardised voluntary European certification scheme with the aim of easy identification of vegetarian and vegan products and services. Through the V-Label, companies promote transparency and clarity.

### 3 Our commitment to our workers

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We work on creating awareness for fairness in the production and shipment process. This awareness includes, among other things, limitation of working hours, free choice of workplace, no discrimination, no excessive overtime or exploitation, a written work contract, freedom of association, the right of collective bargaining, safe and healthy working conditions and to pay to secure one's livelihood. The **Fair Wear Foundation (FWF)** stands for exactly this which the Code of Labour Practices (CoLP) emphasises, and we support the implementations of these which is the improvement of working conditions in the clothing and textile industry. We stand behind this organisation 100 % and work towards fairness becoming the norm in our industry rather than the exception. The human component is imperative to our working values; we are constantly working on implementing and improving social standards and as well as willing to collaborate with other FW members. We were the first home textiles member brand which is part of the FWF. Nearly all of our productions are under monitoring and all of our main suppliers are audited on a regular basis and Paptex Textilhandels GmbH itself is audited every year. One of our goals is to make those nearly 100 percent a true 100 percent.

Paptex Textilhandels GmbH as a member of amfori **BSCI** (Business Social Compliance Initiative) obligates to the compliance of social standards in its factories where our products are made. Our main goal is to improve the working conditions in factories inside and outside Europe and to ensure a safe environment where legal regulations are met. External auditing institutions monitor everything and make sure the code of conduct is stucked by.

#### Forced and Child Labour Rights

Forced labour is a global crime resulting in an abhorrent abuse of dignity and human rights which disproportionately affect women and children. As a company engaged in the procurement and sale of goods, Paptex Textilhandels GmbH believes that it is our responsibility to ensure that all our products are free from child or forced labour. We have a zero tolerance on forced labour including unacceptably hazardous work, physical punishment, abuse, or involuntary servitude of any worker in its global operations and facilities. Paptex Textilhandels GmbH will take a number of proactive steps of ensuring that these practices do not exist at any level of our company through regular monitoring and compliance and staff briefing. Furthermore, our business partners will not engage in activities and/or be involved with entities that violate human rights. If any violation of these principles becomes known to us and is not corrected, it will result in the discontinuing of the business relationship.

We want to make an active contribution to a global issue and give a voice to those persons and populations affected. The victims of forced labour should be recognized at local, national and international levels.

## Gender Equality and Human Rights

Most of the garment workers in the textile industry are woman. For these women, development is closely linked to their work conditions, fair wages, good work environment and access to health insurance among others. However, women in this industry are at a constant risk including occupational segregation, gender-based discrimination upon recruitment, gender wage gap, sexual harassment, excessive overtime, lack of Trade Union representatives, among others. We want to protect women's human rights and eliminate discrimination against women to achieve gender equality. Additionally, we contain our gender lens in all our policies. Paptex Textilhandels GmbH is committed to providing diverse and equal employment opportunities to everyone, regardless of their gender, race, ethnic origin, disability, age, nationality, sexuality, religion or belief, marital status or social status. Therefore, our partners and suppliers are also expected to fulfil our requirements.

All employees, whether part time, full-time or temporary, will be treated fairly, equally and with respect. Every employee is entitled to a dignified and respectful working environment. No intimidation, bullying or harassment will be tolerated. The selection for employment, promotion, training and any other benefits will be solely based on aptitude and ability. No employment contract shall be terminated on basis of their gender, race, ethnic origin, disability, age, nationality, sexuality, religion or belief, marital status or social status. In general, our approach is that we try to prevent breaches in general, if it happens anyway, we remediate, and if remediation is not possible it will lead to a contract termination. One of our steps to prevent gender inequality and put the focus on human rights and their adherence are our annual audits as well as constant contact with our suppliers, onsite visits and long and permanent partnerships which help us to build a trusted environment.

## Wages and working hours

We aim to provide at least minimum wages; however, our goal is to pay all our workers living wages so that they have sufficient means to pay for their needs. As a step in between we try to reach target wages which we set with our suppliers, and we also try to integrate the worker representatives as well.

Unfortunately, this is not that easy because our ambitious attempts are often stopped by rising inflation as well as lack of resources as energy and raw material because of which the prices are rising. COVID-19 did slow down this process too.

Furthermore, excessive working hours as well as excessive overtime are something we do not promote. Working hours should comply with industry standards as well as applicable laws. Every seven-day period workers should have at least one day off. Additionally, they should not work more than 48 hours per week. Moreover, overtime should be voluntary and should not be more than 12 hours a week.

## 4 Our Supply Chain

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We only work with three high risk countries, namely Türkiye, China and Romania. Additionally, we have factories in Austria and Germany. We choose partners where we can have direct contact, and which are similar in size as ours. Our best relationships are the ones where we have established honest connections. Furthermore, we work with most of the stringent certifications.

We take accountability through audits at ours and at our partners locations. Basically, audits are here to look deeper in our business and how everything works. Our regular audits which are defined by for example GOTS, FW or C2C, are there to find crucial things that are in need of improvement which we then discuss and try to do so. Our sustainability and CSR management is in responsibility of tracking these improvements. Furthermore, every single one of our production sides accommodates a worker sheet which contains contact information for workers that are in need of any help or want to raise a problem. Fair Wear created a helpline for all workers to communicate if they face any violation of the eight labour standards. The helpline can be found on the worker information sheet. In case there is a complaint, Fair Wear launches an investigation and requires the brand to work on it with the factory. This process usually involves the factories' management and workers representatives. To maintain transparency, every complaint is posted on the Fair Wear website.

Where national law and these international human rights standards differ, Paptex follows the higher standard; where they are in conflict, Paptex respects internationally recognized human rights to the greatest extent possible.

We also maintain our partners accountable through our monitoring system since we care about responsible production. Paptex Textilhandels GmbH is committed to a fair sourcing strategy that will not only change the way sustainable business is approached but seen too. Our strategy is to find and achieve holistic, cross-thematic solutions and changes. It is an inclusive approach and explicitly addresses how to organise social dialogue: member brands of Fair Wear do not just improve workers' human rights but also involve collective worker voice when working on prevention of risks and remediation of adverse impacts. This means that voices of those who are affected by adverse human rights impact are structurally included. Freedom of association and collective bargaining are 'enabling rights.' When these rights are respected, they pave the way for garment workers and their employers to address and implement other standards.

Real, sustainable change takes time, and we are trying to positively change what we can with our partners and within.



## Sourcing Strategy

We as the company Paptex Textilhandels GmbH care about a two-way trust between our partners and us. Therefore, we conduct human rights due diligence at all our production locations before we place any orders. It is necessary for us that our values as written down in our RBC policy are followed as for example the payment of at least minimum wage. However, the end goal is a salary of the living wage and to do the preliminary work for achieving this. All our policies have to be signed before we start our production. Audits, workshops/trainings and regular on-site visits are conducted all the time and have to be respected. Moreover, we use policies related to the risks and let the supplier sign it. Before we source in a new production location, we have an on-site visit. Our mantra is to maintain long-term partnerships. We want to have the direct contact to the management and can work together to fulfil goals which we decide in equal agreement. We try to be up to date, and we want to be able to influence working conditions (sufficient leverage) and be granted direct contact with the management. Furthermore, the commitment of accepting the Fair Wear Code of Labour Practice is needed. This means that the Fair Wear questionnaire and the transparency policy to accept the disclosing to the FW homepage is signed, and Fair Wear Worker information sheets (WIS) are posted. The CEO has the final say regarding sourcing decisions. These decisions are influenced by the potential compliance of new suppliers with Fair Wear's Code of Labour Practices. It is the companies' strategy to maintain a transparent and stable supply chain.

Our selection criteria before awarding a contract contains important steps and concerns. We have a sampling and quality control and review if the concerning company has and protects our framework conditions. Furthermore, we set value on a seriously taken partnership where we have influence. We also ask ourselves if the companies' structure suits our company's structure (SMEs, direct communication with management). Moreover, we go through our health and safety checklist and see if our possible business partner fulfils it. If those things seem alright, we send the Fair Wear trust relationship questionnaire to our potential supplier and orders are only placed once the questionnaire is completed. Additionally, we do regular inspections if employee information sheets are drawn up in the national language, the minimum wage is paid, no unknown subcontractors are used and whether the information sheets are clearly visible or not.

Real, sustainable change takes time, and we are trying to positively change what we can with our partners and within. We therefore make use of a supplier evaluation system. The suppliers are rated based on their compliance with Fair Wear's Code of Labour Practices (CoLP) in addition to other elements such as the communication with the factory. On an annual basis, the outcomes of the evaluations are shared with suppliers by means of scorecards. If a supplier performs well, the member brand will consider higher orders and (further) joint investments in the production location. When a supplier is underperforming in terms of social compliance, this could lead to lower orders and eventually an exit by Paptex.

Furthermore, responsible pricing is an essential part of our sourcing strategy as well. The prices for material, packaging and accessories are set by the supplier and we normally accept the given price. However, if a customer wants to negotiate, the negotiations are based on raw material, stock, and process optimization, never on wages or at the worker's expense. We try to reduce the product prices by using cheaper materials or applications, by stocking larger quantities and saving on packaging and presentation. If we still cannot reach the

targeted price, either our customer accepts the set price, or we do not offer the product. We do not succumb to price pressure.

If we cannot work with a factory anymore, we use our own exit strategy. A complete exit is our last resort and before that there are multiple steps. Downsizing for example is one of these; maintaining some leverage is a better option than completely leaving the factory. However, if we decide to leave a factory, we give fair notice as for example phasing out the plan to begin at least one season later. Moreover, we also determine the social impact of our decisions and consider their impact upon the workers as well. We try to monitor that workers who are laid off receive their due and ensure all workers are covered.

We work with most of the stringent certifications and take accountability through audits at ours and at our partners locations. We also maintain our partners accountable through our monitoring system.

## Monitoring

Our monitoring system is constantly evolving. In 2021, we began to change our Country Risk Assessment tool, going from a simple “newsletter format” to a more comprehensive tool based on risk analysis by country and by supplier. We are sourcing information about each country, but also specific to each region. Through our supplier evaluation, audits and visits we evaluate each supplier directly and evaluate the latent risks for each one.

Paptex Textilhandels GmbH adjusted its supplier evaluation; a system to monitor daily business and our supplier’s progress and challenges towards social compliance. In 2021 we added a COVID-19 addendum to get a better understanding of what’s happening at factory level and how our suppliers are dealing with the pandemic. We redesigned our evaluation and added mandatory requirements like paying at least minimum wage and illegal workers or refugees and child labour as an urgent matter that requires immediate remediation, or it can cause the immediate termination of our contract to them.

The rest of the criteria is based on the general status of the production location regarding social compliance and CAP resolution. We also developed a subcontractor evaluation for our Turkish subcontractors to oversee and make sure that they also comply with the established requirements. We expect to collect important information that we can use to react on time to any situation that may arise. Each supplier will get their evaluation and their specific results with comments. Our supplier evaluation helps us not only to evaluate our suppliers, but also to make more conscious decisions on our partnerships and sourcing strategy. Generally, we learned that our suppliers are going through many issues other than just regarding social compliance. The political and economic situations in the world are bringing huge risks to our businesses. However, we try to work on what we can; trying to give our suppliers the chance to take control over their productions but still demanding at least the minimal requirements.

It is important for us to know where our products are made and therefore, we rely on transparency. To avoid having a non-transparent supply chain we ask for commitment from our suppliers. If they make use of subcontractors (for cutting, sewing, packaging, handmade embroidery, or hand-printing etc.) they have to inform us as well as if they decide to use

subcontractors in future or at peak-season. They must inform us beforehand, so we can find solutions together. The aim is to have full CMT (cut, make/sew, trim/final QC and pack) process at one factory only.

## Factories

Transparency with our partners and trust from both parties are crucial to receive accurate information. Long term partnerships are favoured as well as factories with a similar size to ours. We try to discuss everything respectfully and directly with our suppliers and visit them on a regular basis. All our production locations and subcontractors are identified and regularly informed about any updates regarding Fair Wear and other organisations. With our monitoring system and information gathered from previous audits, personal visits or by phone or e-mail, we keep track of the status of our supplier's engagement regarding the Code of Labour Practices (CoLP). Even if we are not able to visit our suppliers, we can track their progress and efforts, their challenges or lack of involvement. To achieve sustainable improvement, we must have the factory's management on board. When we are in tune, we can together experience the benefits that arise from complying with the standards. Because of our sustainable and certified products, we try to achieve a positive change that helps the workers as well as the environment. Moreover, we want our factories to also benefit and evolve in a more sustainable direction. Additionally, we provide the technological means so they can further make a beneficial progress. Our sustainability management has a checklist which it uses to decide with which factories to work with. This checklist is our basis and includes our environmental as well as our ethical principles. If this checklist is fulfilled, our sustainability management and our CEO decide whether to work with the factory or not based on further factors.

## References

1. What is the Universal Declaration of Human Rights?. (2017, October 27). Amnesty International UK. <https://www.amnesty.org.uk/universal-declaration-human-rights-UDHR>