



Code of Conduct for Manufacturers and Suppliers

Version 2021 - 2.0

English Language

TEDDY
GROUP DRESSING PEOPLE TO MAKE
OUR DREAM COME TRUE

TEDDY COC Version 2021 - 2.0

OUR DREAM

Our dream is to build up a large, global company with a huge turnover. This turnover would allow the company to expand and create jobs, and part of its annual net profits would be used to help the less fortunate, through social work both in Italy and abroad.

Our dream is to build up a company in which people, both young and more mature, manage to give their lives meaning through their work.

Our dream is to build up a company where for every five so-called “normal” employees, there is one with problems, and that the five so-called “normal” employees will assist those who are less fortunate in their work and help them live a normal life. Only through work people can earn dignity.

Our dream is to create a courageous managerial group, which is responsible, competent, fearlessly faces the future, and manages to transmit such values to those who follow in their footsteps.

*Vittorio Tadei,
founder of TEDDY Group*

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CHAPTER 0 FOREWORD

By dressing people, we build a Dream. This is what we do every day. We love what we do, we believe that fashion and beauty can convey emotions to everyone and consequently we want them to be accessible to everyone.

We dress people and we do it to build the Teddy Dream, day after day. A dream passed down to us by our founder, the driving force behind all our actions and the source of all our values. A Dream we want to make bigger and bigger, doing what we do best, i.e., dressing people.

The above statement forces us to reflect closely on the impact which fast fashion has on the world economy, both from a social and environmental point of view, taking into account our size and our business potential and in what way we can generate a positive change in society.

For these reasons, we have decided to write this “Code of Conduct” which clearly defines the basic principles governing the way we do business, our relations with our partners and the ecosystem in which we operate.

This Code regulates the entrepreneurial relations with our business partners and therefore applies to all the operating units, subsidiaries, affiliated companies and sub-contractors of our partners, whether they work on products commissioned by us or not. It is not our intention to work with partners who adopt our standards only if required to do so; however, we want them to share our same philosophy, at least with reference to the mandatory principles set out in this Code. Hereinafter, the term “Partner” will be used according to the definition expressed in this paragraph.

It must therefore be clear that the requirements set out in the “Code of Conduct” do not apply only to supplies to TEDDY SpA, but to the entire supply and / or production chain that our partners carry out in their own operating structures.

The “Code of Conduct” also includes the operational protocols that are referred to in this document and that are provided to the supplier together with the “Code of Conduct”.

TEDDY developed this document based on the main internationally recognized standards such as UN Global Compact, SA8000, ILO (International Labor Organization).

If some of the provisions contained in the “Code of Conduct” are in contrast with the national laws in force in the supplier’s country, the latter shall prevail.

CHAPTER 1

LABOUR

TEDDY expressly requires its Partners to comply with the same principles and requirements of this section, according to the international standards to which this document refers.

1.1. Child labour

Our partners shall not use child labour. “Child labour” refers to the employment of a young person under the age of 15 (or 14, if this limit is provided for by local law) or, if older:

- a) under the minimum age required by local law for recruitment purposes;
- b) under the age at which compulsory education is completed under local laws.

Suppliers employing young people who do not fall within the aforementioned definition of “child labour” shall observe all laws, collective labour agreements and any regulation applicable to existing employment relationships with those workers.

Regardless of the above, the minimum age for carrying out work considered dangerous or work at night is 18.

In the event that TEDDY discovers “minor” workers employed by the Partner in its operational processes in breach of this paragraph, the Partner must immediately remove them from the workforce.

1.2. Non-discrimination

Suppliers shall not discriminate in hiring and employment practices, including salary, health care, social security treatment, advancement, discipline, termination, on the basis of race, religion, age, nationality, social or ethnic origin, sexual preference, sex, political opinion or any disability that is not incompatible with the role to be played.

The only criterion for ranking workers must be their ability and willingness to perform the job for which they are candidates.

In order to ensure the application of the aforementioned criterion, our Partners must submit clear job descriptions to their employees and detail every aspect related to workers’ rights, including drafting codes of professional and personal conduct.

Our Partners must inform and train their workers on what is specified in this paragraph so that people are aware of the reason for a possible promotion or penalty and their possibility of career advancement.

1.3. Forced labour

Our Partners shall not subject any worker to forced labour.

It is forbidden to interfere in the freedom of workers requiring them to make any kind of “deposits”, retaining their identity documents or withholding their wages.

Our Partners shall acknowledge the right of workers to terminate their employment contracts after due notice as provided for by law and/or collective bargaining agreements.

1.4. Coercion and Harassment

Our Partners shall treat each employee with dignity and respect and shall not use corporal punishment, threats of violence or other forms of physical, sexual, psychological or verbal harassment or abuse.

Our Partners shall establish written disciplinary procedures that comply with applicable laws, clearly explaining the meaning of words to employees in a language they understand and keeping a record of the disciplinary actions applied.

Our Partners shall set up a communication channel that allows workers to report any abuse suffered within the company, guaranteeing the safety and protection of the person reporting it through a pre-established procedure that allows the truthfulness of the complaints received to be verified within a set deadline.

1.5. Freedom of association

Our Partners shall respect the right of workers to associate, organize themselves and freely negotiate their working conditions, without penalty and interference whatsoever.

Where the rights to Freedom of Association and Collective Bargaining are restricted under local laws, our Partners must take steps to ensure that workers establish alternative forms of representation and negotiation.

1.6. Health and safety

Our Partners shall provide workers with a structurally safe and healthy workplace that complies with all applicable laws and regulations, ensuring at least reasonable access to potable water and sanitary facilities; fire and fire-fighting equipment safety; machinery and electrical system safety; emergency exits; adequate lighting and ventilation and an adequate temperature of the environment with respect to the works carried out in those places.

Our Partners shall ensure that the same health and safety standards are applied to any dormitory and canteen they provide to workers. Separate dormitories, changing rooms and toilets should be made available for men and women.

Our Partners shall take precautions to prevent accidents or anything harmful caused by carrying out working duties, ensuring that the treatment and storage of chemical products, machinery, equipment and electrical systems are managed in a professionally safe manner and, where pertinent, in line with applicable regulations.

Our Partners shall regularly and periodically train workers through courses on health and safety in the workplace and on the use of protective devices workers shall be provided with and constantly supplied as needed, where required.

1.7. Special considerations for workers belonging to disadvantaged categories

Our Partners shall pay particular attention to the rights of the categories of workers who are most subject to the risk of abusive practices in the workplace, such as, for example, women, temporary agency workers, temporary and immigrant workers.

1.8. Remuneration

Our Partners shall pay workers at least the minimum wage as provided for by national law or by the relevant national collective agreement, if local industry standards are higher than the minimum wage required by national laws.

Wages must be based on qualifications, skills, performance and experience of a worker to perform the assigned work.

Our Partners shall comply with the applicable laws, collective labour agreements and regulations in force with regard to working hours and wages. In particular, they must comply, but not be limited to, with the applicable regula-

tions with reference to minimum wages, overtime work, maximum working hours set by applicable laws, rates and other elements of salary such as, for example, holidays, days of rest, maternity leave, sick leave and healthcare benefits were applicable by law.

Wages must be paid regularly, within the time limits established by law or by the agreements in force.

Wages are not to be unfairly withheld or deducted and workers must be provided with written and understandable information about their wage conditions and detailed information about how their wages are paid.

In order to ensure the application of the aforementioned criteria, our Partners must submit clear job descriptions to their employees and detail every aspect related to workers' rights, including drafting codes of professional and personal conduct.

Our Partners shall inform and train their workers on what is specified in this paragraph, so that people are aware of the reason for a possible promotion or penalty and their possibility of career advancement.

Where required by local laws, workers must receive a copy of their contract, written in their local language they understand, duly signed.

1.9. Working hours

Except for extraordinary circumstances, our Partners shall not require workers to work for more hours than those required as a limit on regular and overtime hours by local laws. If applicable laws do not provide for a limit on working hours, the sum of regular working hours will correspond to the average regular working week in the supplier's country of residence, plus 12 weekly overtime hours, if applicable under local laws.

Our Partners shall detail standard working hours on the contract, in compliance with national laws or collective agreements, with a maximum of 48 working hours per week, excluding overtime work.

A supplier shall provide all workers with rest periods during the normal daily work schedule as provided by law and, when the law does not have such a requirement, shall provide a minimum of 15-minute break every 4 working hours.

Furthermore, except for extraordinary business circumstances, workers shall be entitled to at least one day off every seven-day period or, when the law of some countries requires different calculation of rest days, two days off every 14-day period.

Our Partners shall allow workers to take advantage of the days of paid leave as provided for by law.

For overtime working hours, our Partners shall pay workers the compensation provided for by the applicable law based on regular hourly wage or, in the event that no compensation is required by law, workers shall be paid a wage no lower than 125% of the basic wage. Where local industry standards are higher than those required by law, our Partners shall comply with the former.

In order to reduce the number of unsolicited overtime hours, a supplier shall set up a voluntary overtime schedule that allows the company to consider the will of workers to work overtime.

CHAPTER 2

ANTI-BRIBERY AND ANTI-CORRUPTION PRACTICES

TEDDY is aware that corruption represents one of the most detrimental phenomena in our society. For this reason TEDDY strongly condemns it and applies a zero-tolerance policy towards corruption practices. All business decisions involving TEDDY must be based on merit-based principles.

TEDDY recommends its Partners:

- not to engage directly or indirectly in any form of corruption whatsoever;
- to keep a conduct inspired by a full compliance with law and the ethical principles contained in their own Code of Ethics.

It is therefore forbidden to promise and/or pay and/or offer and/or demand for the delivery and/or receive, directly or indirectly, compensation of any kind, gifts, economic advantages or other benefits that:

- exceed a small value and limits of reasonable practices of courtesy;
- are likely to be interpreted as aimed at unduly influencing the relations between TEDDY and its Partners and the professionalism of TEDDY employees in performing their activities, responsibilities and decisions.

Should any actual or alleged violation of our Anti-Corruption Policy occur in any relationship with TEDDY, you are kindly asked to report it to TEDDY by writing to the following e-mail address transparency@teddy.it or by any other means preferred by a reporting person.

Reports must be substantiated and based on precise and consistent facts.

TEDDY ensures that the identity of the reporting person will be treated confidentially, and any right of the Partner or of any person accused erroneously and/or in bad faith will be protected.

CHAPTER 3

ENVIRONMENTAL PROTECTION

At TEDDY we are aware that it is our duty to ensure the impact our business generates on the environment is constantly decreasing, in order not to compromise the ability of future generations to get access to the same resources we have today. To do this we need to regularly monitor and improve those processes in our supply chain that could have a negative impact on the environment.

3.1. Management of chemicals and product safety

Our Partners shall obtain any environmental permit required to operate and renew it when due.

Our Partners shall be aware of and ensure compliance with all international regulations on product and environmental safety such as, by way of example but not limited to, the regulations / standards EU-REACH, RUSSIA-EAC, CHINA-GB, EGYPT-GOEIC, SAUDI ARABIA-SASO, OEKO-TEX, EN-ISO, USA-CPSIA, ZDHC.

In order to raise the awareness on the impact, which activities have on the environment, our Partners shall have an environmental monitoring system of their activities and entrust middle or high management personnel within their

organization (e.g. chemical manager) with the responsibility to supervise it.

Chemical substances must be adequately stored in safe and standard-compliant environments and must be labelled with instructions for use and with hazard statements. Each chemical product must have its own technical data sheet, and the inventory of chemical substances must be made accessible. People with adequate training for their management must be identified.

3.2. Resource management

As minimum measures to be adopted, our Partners must track and document monthly energy consumption (in kWh of electricity, m³ of natural gas or litres of heating oil) and water (in m³), the volume of liquid waste (in m³) and solid waste (in tonnes). This information must be disclosed to TEDDY whenever requested.

If suppliers set up a plan to reduce their environmental impact with defined goals and timing or are resolved to do so, they must inform TEDDY so the latter has the opportunity to support the supplier to achieve those goals.

Our Partners that use “wet” processes (e.g. laundries) shall take adequate measures to monitor water consumption.

Water is a vital resource that is in shortage in many parts of the world and therefore it must be used in the most efficient way possible. The heaviest impact textile-clothing industry has on the environment is actually on water: therefore, at TEDDY we are particularly focused on optimizing the inefficient water use that may occur within our supply chain.

3.3. Waste and carbon footprint

Our Partners shall take adequate measures to reduce waste through reuse and recycling, whenever possible.

Our Partners shall make every effort to improve energy efficiency in buildings, transport, production activities, to use, whenever possible, renewable energy sources and, on the contrary, to decrease fossil-fuel resources.

TEDDY shall support the efforts that will be made to reduce waste and carbon footprint. For this reason, we ask our Partners to notify us of the plans and investments they intend to make with reference to the above and to keep us constantly updated about the stated goals to be achieved. This will allow TEDDY to be proactively involved in any initiative in order to promote the achievement of the goals set.

3.4. Deforestation, packaging and animal welfare

Our Partners shall make every effort to ensure any material they use of plant or animal origin (e.g. viscose, paper or leather) comes from supply chains that do not contribute to deforestation. Even packaging must be made using, wherever possible, recycled and/or certified materials (e.g. Forest Stewardship Council - FSC).

Any material procured that is made of animal fibres (e.g. leather, wool, etc.) must facilitate those Partners who do not adopt cruel practices against animals or anything that may have a negative impact on ecosystems or protected animal species.

3.5. Circular economy

TEDDY constantly verifies the impact that raw materials (used for manufacturing its products) have on the environment and commits to improve the efficiency of raw materials' use.

TEDDY is also committed to make the textile-clothing industry as much circular as possible and in order to do this supports the following initiatives:

- re-use of our customers' second-hand clothes;
- product packaging obtained from fabric waste;
- product packaging obtained from organic, biodegradable and/or recycled materials;
- product packaging obtained from the high optimization of production and, therefore, reducing the level of material waste;
- promotion of creative ideas to reuse old and unwanted garments.

CHAPTER 4 OTHER LAWS AND REGULATIONS

Our Partners shall comply with any law and regulation applicable to the supply of products, including those relating to the manufacture, pricing, sale and distribution of goods. All references to “applicable laws and regulations” in this “Code of Conduct” include national and local laws, rules and regulations.

CHAPTER 5 COMPLIANCE WITH THE “CODE OF CONDUCT” AND CONTROL

Our Partners shall authorize TEDDY Spa and any appointed delegate (including third parties) to carry out any monitoring activity required to confirm compliance with this “Code of Conduct”, including, but not limited to:

- unannounced inspections of the factories and of the accommodation provided by suppliers to workers; inspections (audits) are carried out by TEDDY or third party's teams;
- review of books and records about the employment status of workers;
- private interviews with workers.

Our Partners shall keep in the workplace all the documents that may be needed to prove the compliance with this “Code of Conduct”, which may include, but are not limited to:

- copy of the contracts and agreements in force between Partners and workers;
- copy of the documents certifying the amount and the payment of the wages of the partners' workers;
- copy of the documents proving all the required social security obligations related to workers employed by Partners have been fulfilled;
- copy of the documents certifying the compliance of the workplaces and any accommodation made available by Partners to workers, with reference to the above requirements;
- copy of the documents certifying the procedures set up by our Partners to allow workers to choose their own representatives and bargain collectively;
- copy of the documents certifying the compliance of the activities carried out by the Partners with reference to the environmental laws and the requirements detailed above.

Since TEDDY may need to process the personal data of third parties connected to Partners, as part of the aforementioned monitoring activities, TEDDY declares and guarantees to abide by all the obligations and formalities provided

for by the current European legislation on personal data protection, now and in the future. With reference to this, TEDDY in particular declares to have the experience, the technical skills and the resources to implement all the technical and organizational measures required to ensure compliance with the laws on personal data protection and on the protection of rights of all those concerned. On the other hand, where required by virtue of the regulations in force in the countries in which our Partners operate, the latter are henceforth bound to obtain the consent of the interested party whose data, documents and / or information are used; or, alternatively, the consent of the subject having the right to authorize or deny the transfer, the processing and communication of the aforementioned data, documents and / or information by TEDDY or by specialized third-party companies that TEDDY will decide to use.

CHAPTER 6

QUALIFICATION OF PARTNERS AND SUSTAINABILITY RATINGS

TEDDY adopts a rating system for each production unit based on the analysis and evaluation of each non-compliance identified during the inspections.

The evaluation takes into account the risk the non-compliance represents for workers and the environment as well as its persistence over time.

CHAPTER 7

PUBLICATION

Partners shall take the measures required to ensure that the terms of this “Code of Conduct” are communicated to workers and fully understood by them.

As a minimum measure to be adopted, all Partners shall post the Summary, translated into the workers’ languages understood by them, on company notice boards and in all the main work spaces and shall instruct workers about their rights and obligations as set therein.

For any clarification the supplier and / or its employees may need, a written request can be sent to the e-mail address transparency@teddy.it.

CHAPTER 8

SUMMARY OF TEDDY “CODE OF CONDUCT” SUMMARY OF EMPLOYMENT REQUIREMENTS

In order to summarize the main points of the “Code of Conduct”, TEDDY wrote a “Summary”, which is an integral part of the Code. Our Partners are made aware that the “Summary” does not replace but simply integrates the “Code of Conduct” which, therefore, must be carefully read and understood in its entirety..

CHAPTER 9

GOODS SUPPLY CONTRACT

TEDDY undersigns a “GOODS SUPPLY CONTRACT” with each Supplier regulating the business relations between the parties and the purchase of goods. This CONTRACT provides for specific obligations of the parties and some “CHARGES FOR NON-COMPLIANCE” to be borne by the Supplier.

With the notification of this Code of Conduct, the parties agree that the Supplier is aware of its utmost importance and that the non-compliance with the Code may cause (i) the immediate termination of any supply contract between the parties, even for pending orders, as well as (ii) the application of additional charges for breach of contract.

CONCLUSIONS

TEDDY shall pursue the aforementioned goal gradually, setting up a work schedule that will be established each year, according to procurement markets and the economic sustainability of the project.

This “Code of Conduct” applies to every TEDDY’s supplier in any part of the world it operates, unless the provisions of the Code itself are in contrast with the binding Italian and / or EU rules. In this case, the aforementioned laws shall prevail over the Code of Conduct. This Code is published and constantly updated on the website www.teddy.it.

Each Supplier belonging to TEDDY supply chain shall make all reasonable efforts in order to constantly check the updated version of the “Code of Conduct”, both by checking the aforementioned site, and by sending a direct request to TEDDY via the e-mail address transparency@teddy.it.

Any alleged or actual breach of the provisions contained in this “Code of Conduct” must be reported to TEDDY in writing to the e-mail address transparency@teddy.it or by any other means preferred by the party reporting the breach.

TEDDY shall therefore be able to open a fact-finding inquiry to investigate the reported facts as to be able to adopt any corrective action that shall be taken by our Partners or to start the escalation procedure as detailed in chapter 4 of this “Code of Conduct”.

Annexes to the “Code of Conduct”:

- ANNEX A - Summary - employment relationship.

ANNEX A - SUMMARY - EMPLOYMENT RELATIONSHIP.

1. Child Labour: Child labour must not be used. “Child labour” means the employment of a young person under the age of 15 (or 14 if required by local law). In any way, the minimum age for carrying out work considered dangerous or work at night is 18. If “minor” workers are employed, the manufacturer must immediately remove them from its workforce and pay them as compensation an amount equivalent to one gross year of salary.

2. Non-discrimination: any form of discrimination on the basis of race, religion, age, nationality, social or ethnic origin, sexual preference, gender, political opinion or any handicap is forbidden. The only criterion for ranking workers must be their ability and willingness to perform the job assigned.

3. Forced labour: Forced labour must not be used. It is forbidden to interfere in the freedom of any employee requiring them to make any kind of “deposits”, retaining their identity documents or withholding their wages. Our Partners shall allow workers to terminate their contracts after due notice as provided for by law.

4. Coercion and Harassment: our Partners shall treat each employee with dignity and respect and shall not use corporal punishment, threats of violence or other forms of physical, sexual, psychological or verbal harassment or abuse. Our Partners shall establish written disciplinary procedures, clearly explaining the meaning of words to employees in a language they understand and keeping a record of the disciplinary actions applied.

5. Freedom of Association: our Partners shall respect the right of their workers to associate, organize themselves and freely negotiate their working conditions, without penalty and interference whatsoever. Where the rights to Freedom of Association and Collective Bargaining are restricted under law, manufacturers must take steps to ensure that workers establish alternative forms of representation and negotiation.

6. Health and Safety: Our Partners shall provide workers with a safe and healthy workplace that complies with all applicable laws and regulations, ensuring at a minimum reasonable access to potable water and sanitary facilities; fire and fire-fighting equipment safety; emergency exits; intelligible signs for emergency tools and paths, adequate lighting and ventilation and an adequate temperature of the workplace.

7. Special considerations for workers belonging to disadvantaged categories: our Partners shall pay particular attention to the rights of the categories of workers who are most subject to the risk of abusive practices in the workplace, such as, for example, women, temporary agency workers, temporary and immigrant workers.

8. Wages: our Partners shall comply with the regulations in force with reference to wages and worktime, including minimum wages, overtime work, maximum working hours set by applicable laws, rates and other elements of salary such as, for example, holidays, days of rest, maternity leave, sick leave and healthcare benefits were applicable by law. Wages must be paid regularly, on time and must reflect the employee’s experience, qualification and performance. Wages are not to be unfairly withheld or deducted and workers must be provided with written information about how wages are calculated.

9. Working hours: except for extraordinary circumstances, our Partners shall not require workers to work for more hours than those required for a regular working week in the Partner’s country of residence, in addition to, if needed, 12 overtime hours. Suppliers must provide all workers with rest periods as provided by law and, when the law does not provide for them, they must provide for a minimum of 15-minute break every 4 working hours. Furthermore, except for extraordinary business circumstances, workers shall be entitled to at least one day off every seven-day period or, when the law provides for it, two days off every 14-day period. For overtime working hours, our Partners shall pay workers the compensation provided for by the applicable law based on regular hourly wage.