

## code of conduct

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Mrs. Daniela Bernd | Mr. Andreas Reinhardt

**For Modespitze Plauen, economic, ecological and social responsibility are non-negotiable components of the business model. The company is committed to maintaining high quality, social and environmental standards and is committed to sustainable production.**

**To achieve these goals, the company will make an active contribution on a permanent basis and expects the same from its suppliers.**

**In addition to our own more far-reaching objectives, we include the following minimum standards for the entire company:**

- United Nations (UN) Guiding Principles on Business and Human Rights.
- Recommendations of the Organisation for Economic Co-operation and Development (OECD) for multinational enterprises, for responsible business relations and the supplementary recommendations for the textile sector
- Core labour standards of the International Labour Organisation (ILO)

### **1. production and purchasing - risk avoidance through regional production of the company.**

Modespitze is a textile company with regional production in Plauen, specialising in embroidered lace and embroidery. The company, which is now in its fourth generation of family management, has been based here for more than a hundred years and produces high-quality textile products while preserving elaborate and sophisticated techniques.

In addition to machine embroidery, the production includes hand embroidery and sewn clothing. These three production stages cover the textile process from the raw material to the final product.

All products manufactured under the *Plauener Spitze* regional brand not only guarantee production in Germany, which is rare today, but also stand for responsible, sustainable and especially regional production at the company's headquarters in Plauen. We see this as a guarantee promise to our customers and is part of our business model.

Ecological, social and qualitative risks can already be excluded as far as possible by deliberately avoiding third-party production, contract manufacturing or other relocation of production. Modespitze does not purchase any prefabricated or already processed textiles from other producers or abroad. The supply chain, which is thus particularly manageable, is thus limited to the purchase of raw materials such as woven and knitted fabrics, embroidery and sewing threads as well as other auxiliary materials.

When purchasing raw materials, we always follow the principle of as regional as possible, as international as necessary, in order to be able to monitor and ensure compliance with the highest

possible standards right from the start. This entails a somewhat higher price, but offers numerous advantages and considerably reduces the usual risks in the textile chain.

Where and how we buy specifically:

- Modespitze does not trade in goods, but manufactures all the products on offer at the Plauen site in its own production facilities (machine embroidery, hand embroidery, sewing confection)
- all fabrics in the home textiles sector for processing are produced for us within a radius of approx. 50 km in Upper Franconia or West Saxony (OekoTex certified)
- in the fashion sector (accessories and delivery to fashion customers) we source fabrics and knitted fabrics for embroidery from production plants within the European Union (Germany, France, Belgium, Italy, Greece, Austria, all Oeko-Text certified). There is only one exception: we source a fabric made of organic silk (GOTS certified) from a weaving cooperative in India that works in a particularly sustainable and socially responsible manner, because this quality is not available regionally.
- Textile finishing services are provided 100% regionally (Plauen, Vogtlandkreis; OekoTex or GOTS certified)
- Ingredients are mostly purchased from Germany from various sources; in terms of quantity, purchases here tend to be small (sewing threads, tags, zips, embroidery needles from German production, fleeces from retailers in Germany or Austria, OekoTex certified, where applicable)
- we source embroidery threads from Germany, Austria, France and Italy (OekoTex and GOTS certified)
- and our current embroidery technology, with the exception of two old Plauen machines, comes from Switzerland.

## **2. Company-related requirements for the identification, prevention and minimisation of environmental and social risks.**

2.1 The company commits to the following measures, which, in addition to its own production, also affect the entire supply chain in the purchase of materials and its own business practices, to be taken into account and communicated to customers and suppliers:

- the company commits to responsible sourcing practices, prevention, mitigation and redress of actual negative impacts on human rights and the environment through sourcing practices along its own value chain
- it regularly analyses potential social risks at suppliers and customers, clarifies the risk in case of identification with the supplier or customer, changes the supplier in case of an identified realisation of a risk, as far as the same cannot be safely eliminated
- the management monitors and is responsible for the implementation of the corporate due diligence and appoints an additional representative
- the policy statement is shared with all employees and business partners and published on the website
- the statement is revised at least every two years on the basis of interim risk assessments and new expertise.

2.2 The company continuously and formally identifies and prioritises potential risks in its own production and in the supply chain when sourcing raw materials. This concerns risks in the areas of occupational health and safety, labour law, social issues and environmental impact. The analysis and the risks recorded must be documented:

- the analysis addresses specific risks of the raw material sourced as well as specific risks of the company's own business model and purchasing practices
- the analysis shall also take into account country-specific risks and, where relevant, possible risks of particularly vulnerable groups
- external sources are also taken into account, especially if relevant risks have materialised or if there is reason to assume specific risks based on third-party expertise, so that direct contact with those affected is also necessary
- Where relevant, special consideration shall be given to the sectoral risks identified by the OECD.
- Identified risks are to be prioritised in accordance with the OECD recommendation - where applicable - and updated every two years at the latest or as the need arises.

2.3 All findings from the risk analysis shall be formally integrated into internal processes and areas. For the raw materials supply chain, appropriate measures are to be taken where necessary and minimum standards communicated. The effectiveness of the measures is evaluated:

- Competent personnel are deployed to monitor social and environmental due diligence and are provided with adequate resources and authority to cover the full range of the company's activities and to make necessary decisions.
- For relevant business partners, specific requirements are to be defined on the basis of the findings of the risk analysis, which are to be communicated to them as minimum social or ecological standards.
- Receipt and approval or rejection of the concretely formulated minimum standards are documented; in the case of rejection, incentives for establishing the standards are to be examined if necessary.
- Findings from the risk assessment are incorporated into purchasing practice in such a way that negative effects are avoided.
- Existing suppliers and new suppliers are also evaluated with regard to their handling of social and environmental risks; if the effort involved is reasonable, they are also to be visited on site for this purpose.
- Identified risks or negative impacts at suppliers are to be documented and addressed in the form of guidelines for the avoidance of negative impacts; implementation at the supplier's is to be checked.
- The existence of a complaints mechanism at suppliers must be recorded.
- If significant risks or negative impacts have been identified at suppliers, targeted remedial action shall be taken, and the supplier shall receive targeted training in this regard.
- The success of the measures aimed at remediation is evaluated internally; internal and external data are used for this purpose; the result is incorporated into the established process.
- The company participates in initiatives aimed at improving social and ecological conditions.

2.4 The company undertakes to report transparently and systematically on analysed risks and and negative impacts of its business activities:

- the social and environmental commitment is published or updated at least annually by the company in a comprehensible and readable form
- measures to avoid negative impacts at suppliers of raw materials or within the own business activities are addressed
- significant risks and reasons for prioritisation are identified

- The complaints mechanism is communicated, the number of complaints received is at least aggregated, and the exchange with potentially affected parties is reported.
- Communication with those affected is appropriate to the target group.

2.5 The company provides an effective communication channel for complaints to workers of suppliers of raw materials who are potentially affected by risks. Where adverse impacts have been caused, it shall ensure appropriate redress:

- Provide or participate in a grievance mechanism.
- the handling of complaints is clearly regulated internally, the process includes a timetable and a contact person, and access is transparent, fair and freely available
- the company creates organisational conditions to be able to take remedial action
- in the event of negative impacts and the existence of a complaint, remedial action is agreed with the producer and affected parties
- remedial actions take into account the severity of the impact and ensure that they are implemented.

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### **3. Environmental criteria for products with the GOTS and GREEN BUTTON seal**

The binding ecological criteria for a responsible approach to nature include in particular:

- No use of hazardous chemicals
  - Ban on substances of very high concern (according to the REACH regulation).
  - Binding limits for heavy metals and other substances
- Restriction to biodegradable surfactants and plasticisers
- Compliance with limit values for waste water
  - pollutants, temperature and pH value in all affected plants (e.g. dye works).
  - Compliance with international standards such as the ZDHC Wastewater Guidelines.
- More sustainable sourcing of man-made fibres
  - Reduction of environmental impacts
  - Sustainable procurement of man-made fibres (recycled synthetic fibres and cellulose fibres from sustainable forestry)
- Use of certified natural fibres that have been tested for harmful substances
  - Use of natural fibres from organic agriculture
  - Ban on hazardous pesticides and
  - avoidance of genetically modified crops
  - Testing for agrochemical residues
- Continuous monitoring and reduction of air pollution Greenhouse gas emissions such as CO2 emissions

- Avoidance or reduction of waste and packaging materials

#### **4. Social criteria for products with the GOTS and GREEN BUTTON seals.**

The binding social criteria include in particular:

- Prohibition of coercion such as
  - child and forced labour
  - Withholding of identity papers
  - Violations of the conventions of the International Labour Organisation (ILO)
- Limitation of working hours and written employment contracts
  - Working hours are limited
  - Overtime is paid
  - Conventions of the International Labour Organisation are respected
  - If these differ from national legislation, the stricter regulation applies
- Compliance with minimum wage
  - Wages are at least equal to the national minimum wage or industry standard
  - Wages are paid on time
- Compliance with national regulations on maternity protection concerning
  - maternity leave
  - Health protection
  - employment protection
  - Non-discrimination
  - Benefits for pregnant women and mothers
- Prohibition of discrimination and harassment such as
  - Discrimination in the workplace
  - Physical and verbal violence
  - Intimidation, sexual harassment and abusive punishment.
- Compliance with occupational health and safety
  - Work buildings, workplaces, machines are safe
  - Employees have protective equipment
  - Emergency exits, fire safety measures and evacuation drills are in place.
  - Employees have access to clean drinking water and sanitary facilities

- Right to freedom of association and collective bargaining
  - All workers are allowed to organise and collectively negotiate working conditions.
  - where these rights are restricted by law, they are promoted in the factory through alternative measures.

The GOTS standard is based on the following ILO conventions:

Manufacturers must meet social criteria based on the core standards of the International Labour Organisation (ILO). In this context, they must have a social management system that ensures compliance with the social criteria. The International Labour Organisation (ILO) Conventions listed below serve as a basis for the appropriate implementation and assessment of the respective social criteria.

- *Free choice of employment*  
C29 - *Forced Labour Convention*  
C105 - *Convention concerning the Abolition of Forced Labour*
- *Freedom of association and right to collective bargaining respected*  
C87 - *Freedom of Association and Protection of the Right to Organise Convention*  
C98 - *Convention concerning the Right to Organise and to Bargain Collectively*  
C135 - *Convention concerning Workers' Representatives*  
C154 - *Convention on Collective Bargaining*
- *Working conditions are safe and hygienic*  
C155 - *Occupational Safety and Health Convention*
- *Prohibition of child labour*  
C138 - *Minimum Age for Admission to Employment Convention*  
C182 - *Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour*
- *Minimum Wage*  
C95 - *Wage Protection Convention*  
C131 - *Minimum Wage Convention*

- *No excessive working hours*  
C1 - *Convention concerning the Limitation of Working Hours (Industrial)*  
C14 - *Convention concerning the Weekly Rest Day (Industry)*  
C30 - *Convention on the Limitation of Working Time (Commerce and Offices)*  
C106 - *Agreement concerning weekly rest (Commerce and Offices)*
- *No discrimination*  
C100 - *Equal Payment Convention*  
C111 - *Discrimination Convention (Employment and Occupation)*
- *Regular Employment*  
C158: *Termination of Employment Convention*  
C175: *Part-Time Work Convention*  
C177: *Home Work Convention*  
C181 *Private Employment Agencies Convention*
- *Prohibition of Crude or Inhumane Treatment*  
C29 - *Forced Labour Convention*  
C105 - *Forced Labour Abolition Convention*

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## **5. Further ethical business practices**

Ethical business practices are an important basic requirement at all stages of the supply chain. It applies to all parties involved. To ensure the trust of those involved in manufacturing (workers, business partners, customers) as well as that of consumers, ethical business practices are of great importance.

Modespitze commits to this as follows:

- the company is not involved in acts of corruption, extortion or embezzlement, nor is it involved in any form of bribery - including but not limited to promises, offers, payment or acceptance of improper monetary or other inducements,
- the company provides accurate information about its activities, its structure and discloses it in accordance with applicable regulations,
- the company discloses information truthfully and does not make false statements within the supply chain,
- in doing so, the company shall collect, use or otherwise employ personal information with reasonable care (including data from employees, business partners, customers and consumers within its sphere of influence),
- the collection, use and deployment of personal information shall comply with laws and regulatory requirements for data privacy and information security,
- the company has established an anonymous, non-discriminatory whistleblower procedure that ensures easy access and effective measures to protect whistleblowers, and ensures that any complaints received about corruption or non-compliance are followed up and the necessary action taken.

## **6. Commitments going beyond the standards**

Modespitze Plauen also freely commits to the following measures to improve its environmental balance:

As far as possible, CO2 neutral energy use in its own value creation:

- since 2016, the company has exclusively purchased green electricity generated from hydropower for all customers
- the natural gas purchased for heating buildings has been CO2 compensated by the supplier through offsetting measures since 2018

## **7. Sstatus quo and outlook**

Modespitze Plauen was the first embroidery company in Europe to be certified directly according to the strict GOTS standard for particularly socially and sustainably produced organic textiles in 2016, and since 2019 it has been one of the first companies to be successfully certified for the new Green Button meta-seal.

Since February 2021, the shipping of goods has been switched to CO2 neutral deliveries using DHL GoGreen and we have largely dispensed with plastic packaging.

We will continue our efforts in the future to convert further product groups to the two standards GOTS and GREEN BUTTON, work on improving our environmental balance, continue to use innovative sustainable materials and campaign for better social and ethical conditions in the textile sector.

Plauen, 1st of August 2021

Modespitze Plauen