

Declaration of principles on the respect
and protection of
Human Rights

Policy Statement

As an international textile retail company, recognizing, respecting, and upholding Human Rights are of fundamental importance to us. We recognize our responsibility by focusing our efforts to respect and uphold human rights specifically in those areas that could potentially adversely affect our business operations. NKD always complies with the laws and regulations to respect and protect human rights and fair working conditions. The NKD CSR statutes and policies include the NKD Code of Conduct for business partners:

https://www.nkdgroup.com/en/wp-content/uploads/sites/2/2022/01/2021_NKD_CodeOfConduct_GP_EN.pdf

which requires strict requirements and their binding compliance by our business partners along the global supply chain. These regulations cover discrimination, health and safety, freedom of association and collective bargaining, working hours, prohibition of child- and forced labor, remuneration, workers' rights, prohibition of corruption and environmental protection, and are based on the following internationally recognized core values:

- United Nations Universal Declaration of Human Rights
- UN Convention on the Rights of the Child
- ILO core labor standards
- OECD Guidelines for Multinational Enterprises
- Supply Chain Due Diligence Act (LkSG)

The acknowledgment of and binding compliance with the NKD code of conduct represents the contractual basis of any business relationship. The NKD CSR statutes also include the codes of conduct of organizations in which NKD is a member. A separate NKD code of conduct for employees is a contractual component of all employment contracts. As one of the first members of the textile alliance, NKD has been committed to improving working conditions along the global supply chain since November 2014:

<https://www.textilbuendnis.com/nkd-group-gmbh/>.

In addition, NKD has been a member of the Association of Non-Food Importers (German Importers) since 2006:

<https://vfi-deutschland.de>

and since August 2016 member of Amfori (BSCI and BEPI):
https://www.amfori.org/node/292/field_member_country/DE?page=23.

To fulfill our obligation to respect and protect Human Rights, the NKD Group GmbH has passed an anti-modern-slavery-and-human-trafficking policy in 2019:

<https://supplier.nkd.com/en/supplier-manual/csr/policies/anti-modern-slavery-and-human-trafficking-policy/>

which is based on the UK Modern Slavery Act. The NKD sustainability strategy forms the cornerstone of all NKD CSR statutes and guidelines.

How does NKD fulfill its obligation?

Our strategy is derived from continuous risk analysis. The results of the continuous risk analysis flow into an ESG (environmental~, social~, governance~) review, which is reported to the finance investor once a quarter. Key issues are derived from the individual ESG reviews. The key issues form the basis for the strategic objectives. Key issues are reported to the management in regular compliance committee meetings (once a quarter). Strategic goals and the measures necessary to achieve them are coordinated with the management in an annual strategy meeting. After the strategic objectives have been agreed, the goals and associated measures are summarized in a roadmap. The systematic approach to risk analysis is supported by individual measures and includes a country-specific risk assessment. In doing so, we deal with the national legal situation and cultural conditions of a production country and pay particular attention to issues that have an impact on human rights and the environment. We receive additional information about the actual working and living conditions in the production countries through close monitoring of the local media and through intensive dialogue with our own employees and those potentially affected on site (e.g., through interviews with employees or "Off-site" interviews as part of our internal audits).

The acceptance of the applicable NKD CSR statutes forms the basis of every business relationship with our company. Due to our membership in the organizations Amfori (BSCI and BEPI) and the association of non-food importers (German Importers), their codes are also an integral part of the NKD CSR statutes. These codes (NKD~, VFI~ and BSCI Code of Conduct) are based on universally applicable core standards such as the OECD guidelines, the UN Global Compact, and the conventions of the International Labor Organization (ILO). The systematic risk analysis of the global value chain is carried out in accordance with these guidelines and statutes. All suppliers and business partners are obliged to report information about the production facilities to be used to NKD. In addition to directly commissioned producers, this also includes players in the deeper supply chain. Data reported to us is systematically recorded and managed in an in-house database, in CSR software and on the closed Amfori BSCI/BEPI platform. The continuous evaluation of the CSR performance of our suppliers and business partners takes place e.g., is based on internal audits (factory inspections) and external audits according to internationally

recognized standards (e.g., BSCI, SEDEX, SA 8000, WRAP etc.). The regular assessment of the supply chain incorporates audit results. In addition to these verification tools, we use publicly available information such as online platforms from ACCORD, the Alliance, databases, and various Internet search engines to conduct background research. The scope of the existing CSR statutes and the implemented CSR management system of the NKD Group GmbH includes the entire global value chain.

To get a deeper insight into the prevailing working conditions, NKD introduced the audit methodology "Off-site" interviews for the first time in 2018. Here, randomly selected factory workers are interviewed at a neutral location far away from the factory in a trusting environment. In particular, the topics of gender-specific violence, discrimination, employment and working conditions, freedom of association and collective bargaining, remuneration and general occupational safety are the focus of the investigations. Various employees from different departments and areas are involved in the risk analysis. As part of the supplier selection analysis, merchandisers from the country offices visit production sites to get a general overview of the working conditions and equipment in the factory. If a supplier is available for selection, it is reported to the Global CSR & Compliance department in the respective country office and an internal audit (factory evaluation) is then carried out by our qualified CSR employees (certified auditors). The audit reports are checked by the CSR team in Germany and - if necessary - corrective action plans are drawn up and followed up. The production of our goods is only possible in connection with an acceptable audit result. After the start of production, our quality assurance employees are constantly present in the factories to check the production processes and the quality of the goods. They are required to report violations of our NKD CSR statutes immediately to the Global CSR & Compliance department using a checklist. Even if employees of the purchasing departments are on site in the sourcing countries, they usually visit production sites and report possible violations to the Global CSR & Compliance department. The national legislation of each production country is included in the risk assessment. These can be, for example, legal requirements for building, fire protection and electrical safety. Studies by NGOs and research institutes provide valuable insights into developments in individual production countries or key regions, but ongoing stakeholder dialogue (e. g. expert groups from the Partnership for sustainable Textiles) also ensures that potential risks are considered in our risk analysis. The perspectives of those potentially affected are incorporated both in the form of findings from interviews with employees that are carried out during our internal audits and in the form of information obtained from "off-site" interviews that are carried out with employees at a neutral location. Information provided to us in confidential dialogue with potentially affected workers during an "off-site" interview is particularly helpful for risk analysis, as these dialogues are conducted in a neutral location, away from the factory and factory management, and the information reflects actual working conditions in factories.

How does NKD support business partners in implementing the requirements? Remediation and prevention measures

NKD follows the approach of continuous improvement. In the case of identified non-conformities, a corrective action plan is drawn up, which is monitored until the identified non-conformities are permanently improved. Our business partners are accompanied and supported throughout this process by our qualified CSR employees. To prevent non-conformities, NKD uses, among other things, the provision of information material as well as training and further education measures as a preventive measure, which are offered both to our own employees and to business partners on a regular basis.

Grievance Mechanisms - Process Description

The basis of all business relationships with NKD is the recognition of the NKD Code of Conduct. The same applies to the recognition of the Amfori BSCI and VFI Code of Conduct. NKD is a long-standing member of both organizations. The codes form a fixed contractual component of our CSR statutes. In addition, NKD has adopted a Whistleblowing Policy and revised it in 2022 to adapt it to the requirements of the EU Whistleblowing Policy. It is also anchored in our CSR statutes and is publicly available on our NKD homepage under the following link: https://www.nkdgroup.com/wp-content/uploads/2023/03/Hinweisgeberrichtlinie_DE.pdf.

To ensure low-threshold use of the whistleblower system, NKD has developed a Code of Conduct poster for production facilities that manufacture goods for us. The poster contains a combination of text and pictograms and consists partly of the NKD Code of Conduct and partly of the Amfori BSCI Code of Conduct. Access data for the whistleblower system (nkd.vispato.com) as well as local and international telephone numbers are given on the Code of Conduct poster to enable access for vulnerable groups as well. The posters are mostly available in the local national language.

The Code of Conduct poster must be displayed in a freely accessible place in the factory in all production facilities that produce goods for NKD. For the production country Bangladesh, an "RMG" (Readymade Garment~) Directory (directory) created for NKD was also distributed to employees and is installed centrally in the factories. Contact details and addresses of important contact points (e. g. in matters of complaints, advice centers on various topics, but also contact points for general (legal) information relating to the textile industry) are stored in this directory.

Upon receipt of a complaint or inquiry, an intensive internal investigation will be conducted. If necessary, other specialist departments are involved. In addition to the human rights officer, another person at NKD is responsible for processing the whistleblower system. The persons are impartial, independent, and free from instructions in their work as a complaints office and have also committed themselves to secrecy regarding the grievance procedure. They have the necessary qualifications to handle the complaints procedure and undergo continuous training in relation to human rights, compliance, and the Whistleblower Protection Act. The information is processed in accordance with the EU Whistleblower Directive and the Whistleblower Protection Act.

Information, inquiries, and complaints can be submitted to NKD via a wide variety of channels, e. g. B. internally through discussions, by telephone, via the whistleblower system, the works council or external stakeholders, trade unions or NGOs. NKD has an in-house compliance committee that meets quarterly. NKD works closely with organizations of which the company is a member, as well as with local and international trade unions or NGOs. In individual cases, this also includes participation in meetings involving the persons involved/affected.

The results of the internal investigations are communicated to the whistleblower and the cases are documented internally accordingly. Based on the results, existing processes and procedures are adjusted if necessary. External stakeholders are informed about the results of the investigation - if necessary - feedback is also given to those who have reported it via trade unions or NGOs.

Documentation and Reporting

NKD documents all CSR activities on an ongoing basis and is required to provide evidence to financial investors, auditors, the Textile Alliance and the Federal Office of Economics and Export Control. NKD regularly reports the results of the risk analysis and the measures derived from it in the form of quarterly ESG (Environmental~, Social~, Governance~) reviews to the financial investor and the management. Key issues are derived from the individual ESG reviews. They form the basis for future objectives. These core issues are reported to the management in regular compliance committee meetings (once a quarter). The measures necessary to achieve the goals are summarized in the form of a roadmap, presented to the management, agreed with them, and approved, and reported in the reporting. NKD keeps corresponding evidence of the implementation of the agreed goals in the respective roadmaps.

Further Development

NKD is aware that the implementation of human rights due diligence is an ongoing process that must be regularly reviewed and adjusted. We are committed to pursuing the approach of continuous improvement and to supporting our business partners in implementing the requirements to the best of our knowledge and belief and within the scope of our influence.

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