

This agreement is dated 30th December 2022

Supplier Agreement

The Buyer: **Continental Clothing Co. Ltd**

The Supplier: [xxxx]

In view of the fact that the relationship between the Buyer and the Supplier exists continuously since [xxxx], this agreement is designed to enhance the relationship without substantially altering it or upsetting in any way the mutual trust and understanding that has been successfully built over the years.

The purpose of this binding agreement is to

- ensure responsible business practices and fairness in implementing decent work across the supply chain,
- provide stability to both parties and commitment to long-term orders,
- embed financial stability and predictability of business,
- enable conditions for workplace dialogue and freedom of association,
- facilitate human rights due diligence processes.

Fair pricing and wages

Both parties commit to setting prices in a fair and equitable way, ensuring the prices paid by the Buyer cover the full cost of labour, materials, overheads, and a reasonable profit margin for the Supplier.

The Supplier agrees to open costing processes so that the Buyer can ensure a fair and equitable price is agreed before confirming purchase orders.

To facilitate the open costing process, both parties will utilise the Fair Price App “app.fair-price.org” or a similar system as soon as practically possible.

The Supplier is bound to pay at least the prevailing legal minimum wages and statutory benefits, or, if present, the prevailing negotiated wage levels, whether set by trade agreements or collective bargaining agreements, whichever is the higher.

Both parties will work towards achieving living wage targets within a reasonable and practical time frame.

Labour costs should be ringfenced and any price negotiations must never negatively affect the payment of wages.

Under no circumstances should orders be agreed or accepted at below cost of production.

Reasonable lead times

The Buyer will agree a delivery lead time at the point of placing the purchase order. The lead time should be determined by the Supplier in accordance with their production cycle and planning. The Supplier must ensure that quoted lead time or delivery date is reasonable and realistic, and it will not create the need for irregular working hours, excessive or involuntary overtime, or sub-contracting.

The Buyer will actively support the Supplier's production planning to ensure stable and predictable business for the Supplier.

Confirmed and accepted purchase orders will be binding. Late ordering and last-minute changes may be negotiated and mutually agreed only in exceptional circumstances.

Fair payment terms

The agreed payment terms are: [xxxx]

Regardless of circumstances, there should be no late payments. Any deferred payments must be mutually agreed in advance and account for any interest or other costs incurred by the Supplier.

The Buyer may not request additional discounts after the purchase order has been issued and accepted by the factory.

The Buyer will aim to minimise fines, penalties, cost price reductions or airfreight at Supplier's cost. Any penalties must be reasonable, mutually agreed upon, based on an analysis of root causes and supported by evidence. Grounds for any claims by the Buyer are specified in the Supplier Manual and QA System.

Force majeure can only be invoked on mutually agreed upon and legally valid grounds. Furthermore, it must respect the transfer of ownership and risks. If there is a force majeure event, then costs already incurred by the Supplier will be paid by the Buyer. The payment of due wages and severance must be ensured.

Both parties will comply with the laws and regulations to prevent money laundering.

Supplier evaluation

While carrying out periodic evaluation of the Supplier, the Buyer will consider business conduct, performance, and ethical criteria in equal measures.

Business conduct factors: openness, trustworthiness and reliability, transparency, cooperativeness, clarity of channels of communication, responsiveness, availability of senior management when needed.

Performance factors: quality of product, consistency of production, adherence to agreed delivery dates, compliance with agreed management systems.

Ethical factors: adherence to the code of labour practices, social compliance, environmental compliance.

The Buyer's Responsible Business Conduct Policy, and the Supplier Manual and QA System are an integral part of this agreement.

Support and training

The Buyer will actively support the Supplier to meet the requirements of the code of conduct. Long-term relationship offers an important element of support. The Buyer will also assist with providing relevant training to the staff and the workforce by way of initiating, when required, and participating in a training needs assessment, and organising or helping to organise appropriate training courses, i.e. through Workplace Educational Programmes.

Focus is placed on workforce-management dialogue, freedom of association, worker representation through democratically elected committees, prevention of gender based harassment and violence, discrimination, health and safety at work (equally, in no particular order).

Complaints, grievances and violations

The Supplier will maintain an effective mechanism to allow workers to make complaints without a risk of reprisal in any form, at any time.

Suggestions/complaints boxes should be maintained in easily accessible places throughout the premises. They should be locked and secure. The boxes should be frequently opened by and/or in the presence of elected worker representatives, and all content recorded on file.

All complaints received either through the complaints boxes, or by other means, whether written or verbal, should be recorded and passed on to the Complaints And Grievance Committee. The committee should be democratically elected in a ballot of all the workers; the names and positions of the members should be posted for all workers to see; the committee should meet regularly, and the meetings should be minuted.

In addition, the Buyer will supply posters to be placed throughout the factory premises, informing workers of a free telephone complaints helpline, answered by independent third-

party complaint handlers, anonymously, in native languages. The received complaints will be passed on to the Buyer, protecting the identity of the complainant if required or requested. The Buyer will initiate action to establish grounds for the complaint, and assist with remediation.

Confidentiality, data protection and intellectual property

Both parties are bound by mutual confidentiality and non-disclosure agreements, general data protection laws and regulations, trademarks, copyrights, and other intellectual property rights.

Code of labour practices

We understand this document as basis to establish a common understanding of Responsible Business (OECD Guiding Principles), the Bill of Human Rights and specifically the Fair Wear principles.

1. Employment is freely chosen - There shall be no use of forced, including bonded or prison, labour. (ILO Conventions 29 and 105).
2. Freedom of association and the right to collective bargaining - The right of all workers to form and join trade unions and bargain collectively shall be recognised. (ILO Conventions 87 and 98). The company shall, in those situations in which the right to freedom of association and collective bargaining are restricted under law, facilitate parallel means of independent and free association and bargaining for all workers. Workers' representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to carry out their representation functions. (ILO Convention 135 and Recommendation 143).
3. There is no discrimination in employment - Recruitment, wage policy, admittance to training programmes, employee promotion policy, policies of employment termination, retirement, and any other aspect of the employment relationship shall be based on the principle of equal opportunities, regardless of race, colour, sex, religion, political affiliation, union membership, nationality, social origin, deficiencies or handicaps (ILO Conventions 100 and 111).
4. No exploitation of child labour - There shall be no use of child labour. The age for admission to employment shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years." (ILO Convention 138) "There shall be no forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour. [...] Children [in the age of 15-18] shall not perform work which, by its nature or the circumstances in which it is carried out, is likely to harm their health, safety or morals." (ILO Convention 182).
5. Payment of living wage - Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet

basic needs of workers and their families and to provide some discretionary income. (ILO Conventions 26 and 131). Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the employee to receive less than the minimum wage. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period.

6. Reasonable hours of work - Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate. (ILO Convention 1).
7. Safe and healthy working conditions - A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Appropriate attention shall be paid to occupational hazards specific to this branch of the industry and assure that a safe and hygienic work environment is provided for. Effective regulations shall be implemented to prevent accidents and minimise health risks as much as possible (following ILO Convention 155). Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer is strictly prohibited.
8. Legally binding employment relationship - Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Younger workers shall be given the opportunity to participate in education and training programmes.

Human rights due diligence framework

Key steps that companies should take to prevent, manage, and mitigate human rights abuses in their own operations and supply chains.

- Review country risks.
- Map supply chains and services and prioritise.
- Identify risks to workers by sector, nature of work, type of worker, employment relationships and labour market dynamics.
- Identify direct and indirect causes and impacts.
- Review HR systems, contracting and recruitment.
- Assess workers' ability to access rights to freedom of association and collective bargaining.
- Rank risks by severity and degree of responsibility.
- Analyse the data, identify next actions and process.

Signed by and on behalf of

The Supplier

Name [xxxx]

Position [xxxx]

Signature [xxxx]

The Buyer

Name [xxxx]

Position [xxxx]

Signature [xxxx]