

høie

OF SCANDINAVIA

Due Diligence Report
2022

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Executive Summary

In 2022, the Norwegian Transparency Act enters into force, making it mandatory for Norwegian businesses to inform and report about their due diligence on human rights and decent working conditions in their businesses and in their value chains. The new legislation is meant to strengthen this work and to give the public insights in how a business meet their responsibilities and handle risks and adverse impacts. Mascot Høie welcome this new legislation as an opportunity to share our practices, our experiences, our challenges, and our ambitions within yet another part of our business.

At Mascot Høie, due diligence is part of various aspects of our business, and certainly also our supply chain management and everyday work with our suppliers. We recognize the process defined in the OECD Due Diligence Guidance for Responsible Business Conduct, defining 6 stages in a due diligence process.

This means that our due diligence work starts with us in ensuring the necessary management anchorage, embedding responsible business conduct in our management systems, establishing appropriate internal practices and guidelines, and defining terms and conditions for working with Mascot Høie through development of codes and policies. We evaluate systems and requirements on a regular basis, and updates are motivated by change in risk assessments of our adverse impact and/or by new requirements, be it legal or from our downstream partners.

Identification of adverse impacts and risk assessments are carried out periodically and divided into three main categories: Industry specific risks, country specific risks, and identified adverse impacts. For the first two categories, Mascot Høie rely on specialized tools to give insights as well as guidance on mitigation. These shed light on *risks* of adverse impacts, not actual identified adverse impacts. The identified adverse impacts are uncovered through controls and observations made at a given facility, and Mascot Høie considers these to be of highest priority to assess and address.

Succeeding with appropriate risk mitigation and mitigation of actual adverse impacts relies heavily on our own internal systems and approach, but also on having strong and mutual dependable relations with our suppliers – both central elements in the Mascot Høie way of doing business.

This year, we have distributed a new extended Mascot Høie Code of Conduct, including four new policies, and we have elaborated on internal requirements and guidelines in our Responsible Supply Chain Management Manual. We also continue to implement and develop new practices to improve both our social and environmental performance.

In terms of identified adverse impacts, 36 findings were made in the past year. Insufficient health and safety measures at factories represent almost half of the findings, thus implying a dedicated focus on our part in the remediation process. While severity of the findings varies from minor to severe, all are addressed, and appropriate remedial action is agreed with the responsible suppliers. At present, all 36 findings have been addressed and dialog with suppliers is ongoing. 17 findings have been remediated and closed and Mascot Høie continue to follow up and track the results.

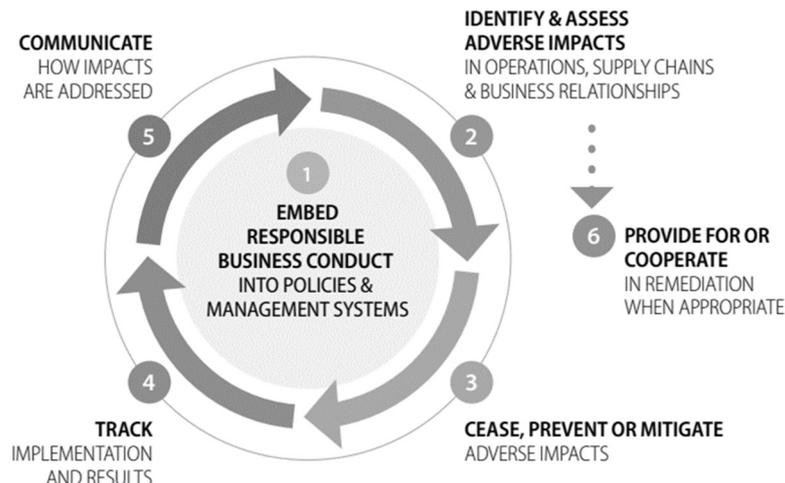
Until now, information about our work and process has been shared internally on an informal basis, but in line with requirements as per the Norwegian Transparency Act, Mascot Høie will now also share a yearly report and information with the public. Information will be available at our website and upon request, and it will only add a new and interesting dimension to our Høie Care universe and information already available through this platform. We look forward to share even more!

Introduction

Mascot Høie recognize due diligence as the cornerstone in responsible business conduct. It means that we as a business must take responsibility for the adverse impact that we have on the environment, communities and people close to our business and to our value chains. This entails not only addressing identified risks but also foreseeing and preventing potential risks down the line.

The Mascot Høie approach to due diligence is inspired by the OECD Due Diligence process, which implies that it:

- is embedded in our business structure and operations
- entails a thorough risk identification and assessment
- demands appropriate remedial action
- requires follow-up and tracking
- motivates communication with relevant stakeholders and
- encourages cooperation and dialog



(OECD Due Diligence Guidance for Responsible Business Conduct, p. 21)

These six stages are also in line with the Norwegian Transparency Act legislation (Lov om virksomheters åpenhet og arbeid med grunnleggende menneskerettigheter og anstendige arbeidsforhold (åpenhetsloven) - Lovdata), where stage five – communicate how impacts are addressed – tap into the information and review requirement of the Act, and thus the very purpose of this Due Diligence report.

Adverse Impact and Responsibility

“Due diligence addresses actual adverse impacts or potential adverse impacts (risks) related to the following topics covered in the OECD Guidelines for MNEs: human rights, including workers and industrial relations, environment, bribery and corruption, disclosure, and consumer interests (RBC issues)” (OECD Due Diligence Guidance for Responsible Business Conduct, p. 15)

In Mascot Høie due diligence terminology, we talk about risks and findings, the first being the risk of adverse impacts and the latter being identification of actual adverse impact in our supply chain (e.g. during third-party audits or onsite visits), where Mascot Høie may have direct influence, whether big or small, to address and mitigate the situation.

At Mascot Høie, we are very conscious that "Each enterprise in a business relationship has its own responsibility to identify and address adverse impacts. The due diligence recommendations of the OECD Guidelines for MNEs are not intended to shift responsibilities from governments to enterprises, or from enterprises causing or contributing to adverse impacts to the enterprises that are directly linked to adverse impacts through their business relationships. Instead, they recommend that each enterprise addresses its own responsibility with respect to adverse impacts. In cases where impacts are directly linked to an enterprise's operations, products or services, the enterprise should seek, to the extent possible, to use its leverage to effect change, individually or in collaboration with others." (OECD Due Diligence Guidance for Responsible Business Conduct, p. 17)

This means that Mascot Høie in each case identify our own role in a given situation, if our business operations and procedures are directly impacting the situation, and how we can cease and prevent contributing to the adverse impact. It also means that Mascot Høie strongly encourage and support all our partners and suppliers in conducting their own due diligence and identify risks in their own business and value chains. The closer the risk, the more accurate and holistic the assessment and mitigation can be.

Delimitation

This first public due diligence report will focus on the Mascot Høie product-related value chains, which consist of production partners located in destinations outside Norway and thus considered to hold considerably higher and more severe adverse impacts, than those operating in Norway and/or the Nordic region.

Due diligence scope will be reconsidered and adjusted next year and/or in case of change in the risk assessments.

1. Embedding Responsible Business Conduct

At Mascot Høie, we see due diligence as part of our everyday work and take on a diligent approach in our decision making on all levels. We have delegated responsibilities, implemented appropriate procedures, guidelines, and tools, and we have established and promoted requirements to ourselves and our partners and suppliers in line with international standards and legislation. Combined, these elements are in place to mitigate risks and reduce our adverse impact, and to ensure their effectiveness they are all evaluated and revised periodically.

Management anchorage

The overall responsibility of the Mascot Høie due diligence lies with senior members of the management team. It is their responsibility to assure that responsible business conduct and due diligence is carried out across departments and value chains and that appropriate action is taken, where necessary. It is further their responsibility to involve and activate all relevant stakeholders, internal and external, in any tasks necessary to perform risk mitigation.

Same as Mascot Høie, all our suppliers are also required to assign responsibility to one or more management representatives, having sufficient capability to carry out their own due diligence and holding the necessary authority to ensure compliance with the Mascot Høie Code of Conduct, national legislation, and international standards.

Internal procedures and guidelines

Mascot Høie want to be a responsible business partner to our value chain partners across the world. Each Mascot Høie employee working with the value chain play a key role in the interaction with our suppliers and thus have a shared responsibility for and considerable influence on the suppliers' ability to practice responsible business conduct on their side. This means that each Mascot Høie employee is required to consider the consequences of their practice and their interactions.

To support and guide the teams in their work, Mascot Høie have drafted a supply chain management manual describing our role and responsibilities in these interactions, to ensure that Mascot Høie employees knows what is expected of them. This manual covers topics like:

- Responsibilities and Roles
- Due diligence processes and requirements
- Business Ethics and Values
- Anti-Corruption measures
- Responsible sourcing practices
- Onboarding process
- Minimum requirements
- Tools (e.g. check list for onsite visits and audit report guidance)
- Preferred materials and certifications

With this manual in hand, Mascot Høie employees are equipped to engage in tasks and cooperation in a responsible and sensible way, in line with the Mascot Høie values and standards.

Approach to cooperation

Having strong, long-term relations with our suppliers that are based on mutual trust and transparency is a priority at Mascot Høie. This is something we are committed to and have always worked hard to achieve. We have the most influence where our relationships are strongest. That's why we focus on building long-term partnerships with suppliers who share our vision for a more sustainable industry.

We do business with over 50 commercial raw material suppliers/producers, who produce products for our brands in our tier one factories in Europe and Asia. Nine years is the average length of our relationship with the suppliers, but some producers have been doing business with us for over 25 years.

Mascot Høie view our suppliers as partners, and all partnership are based not only on financial transactions, but also on mutual trust, loyalty, and common values. It's imperative that suppliers understand our "why" and they feel like they are a part of our brand story to the end-customer.

As a producer of high-quality products for the bed and bedroom we have a responsibility to manage our supply chain impacts. We work with suppliers to move beyond compliance and towards continuously improving environmental and social performance.

Mapping

The Mascot Høie supply chain is mapped on levels of tiers 1 and 2. Tier 1 consist of all ready-made product factories producing garments for Mascot Høie – including our own factory in Brekstad. In some cases, known export/import entities or traders act as direct contacts and suppliers to Mascot Høie, thereby stepping in in-between Mascot Høie and the de facto tier 1 suppliers. All such middlemen are committed to facilitate the process and dialog with the producing entities and ensure that the Mascot Høie requirements are met at all facilities. Tier 2 suppliers – material suppliers – have been mapped for our own production, as they are also our direct suppliers and directly influenced by our requirements and business conduct. For the remaining tier 2, where Mascot Høie do not have direct contact to the involved component suppliers, Mascot Høie rely on a required cascade system and close dialog between our direct suppliers and tier 2 suppliers and beyond.

Code of Conduct

The Mascot Høie requirements and values are expressed externally in our Code of Conduct. The latest edition of the Mascot Høie Code of Conduct was edited and distributed in early summer 2022, following up on an in-depth due diligence project.

The Mascot Høie Code of Conduct is accompanied by a number of supporting and more elaborate documents, including subject specific policies. These are:

- Human Rights Policy
- Child Labor Policy
- Anti-Slavery Policy
- Diversity, Equity & Inclusion Policy
- Anti-Corruption Policy
- Environmental Policy

- Animal Welfare Policy

Next edit is scheduled for spring 2023 and distribution during early summer 2023. The updates and requirements will continuously address new identified risks as per generated MVO Risk Check reports but also trends in findings throughout the past year.

Monitoring and control tools

Same as Mascot Høie, suppliers shall maintain appropriate records to demonstrate compliance with all requirements, and records shall be available to Mascot Høie upon request. Documentation of social and environmental compliance through audit programs and certification is an important parameter in our risk assessment. Therefore, Mascot Høie encourages all our suppliers to enroll in relevant audit and/or certification programs and support their process however we can.

All production sites – regardless of prior enrollment – shall however be open to control visits at any time, if requested by Mascot Høie. In the case where an audit is requested, this will normally be carried out by an accredited third-party auditor specialized in applicable legislation and standards. Mascot Høie will however also conduct own onsite visits and controls. These are carried out by members of the Mascot Høie team and are based on a mix of enquiries and observations.

2. Identifying and Assessing Adverse Impacts

Identifying risks in our value chain and in countries far from our business and own region can be challenging. Therefore, Mascot Høie consult with recognized tools to facilitate this process and to fully understand the risks and adverse impacts, their root causes, and how we can address it in the most efficient way.

We have chosen the MVO CSR Risk Check tool. This tool was developed by MVO Netherlands and funded by the Dutch Ministry of Foreign Affairs, but it is internationally oriented and draws on UN and OECD guidelines and practices. It was motivated by the requirement from the Dutch government for international companies to conduct due diligence and implement appropriate CSR measures in their business management and operations. Through research and knowledge partnerships, e.g. SOMO, risks are identified and advice on remedial actions offered to businesses with value chains in the industry or area.

Further to the use of the MVO Risk Check tool, Mascot Høie collects documentation directly from our value chains, offering a more accurate picture of the conditions at each facility and how they have mitigated the risks in their area and their industry.

Mascot Høie's risk identification and assessment are divided into three sections:

- General Textile and Animal Fiber Risks
- Country Specific Risks
- Identified Adverse Impacts (Findings)

Assessment and prioritization

Each section is investigated, assessed, and addressed separately, but learnings from the two first sections may naturally guide mitigation on the identified adverse impacts, as they offer insights into cultural, financial, and deeper root causes.

Impact and level of influence is graded in 3 levels: High, moderate, and low. E.g. While the impact on the people and communities affected may be high, Mascot Høie's influence on issues caused by oppressive governing of a country is very low. But we can develop policies and set standards to take a stand against it, address the issue and seek to support suppliers in that region. In the other end of the scale, we potentially have a very high level of influence on a supplier's ability to plan their capacity based on our order planning and quality of estimates, depending of course on how big a customer we are in their total order sum but also on other factors, e.g. cultural or regional issues.

Prioritizing the risks is done based on an evaluation of the severeness of the risks, how likely it is to occur, Mascot Høie's influence and impact, and the extent and geographical spread.

Severeness is reflecting the extent and gravity of the adverse impact, the geographical extension and spread, and who or what is subject to the risk. To Mascot Høie, people and their rights and safety is ranking higher than any other areas, but at the same time we are determined that mitigation on one area cannot justify increasing risk on the other.

Therefore, all risk areas where Mascot Høie have influence, are assessed and part of our focus, when:

- Adjusting own supply chain management procedures and internal guidelines
- Editing our Code of Conduct and requirements to our supply chain
- Drafting new or editing existing policies
- Controlling suppliers' compliance, e.g. through audit reports or own onsite inspections
- Following up on initiated remediation plans

General Textile and Animal Fiber Risks

Following paragraphs describe industry specific risks identified in Q2 of 2022.

Source: MVO Risk Check – May 2022.

Market Distortion and competition

Large global textile brands often ask textile suppliers for low purchase prices and short times for manufacturing their products. This is coupled with poor forecasting, unfair penalties, and poor payment terms. The COVID-19 outbreak has had a major impact, with major clothing brands canceling large orders and forcing textile suppliers to offer increased discounts.

Consumer Rights and Product Safety

As per the UN Guidelines for Consumer Protection, all businesses hold a responsibility towards customers to

- Make sure that your products and services meet all required standards regarding consumer health and safety;
- Ensure that fair and honest relationships with consumers form an integral part of your business culture;
- Provide clear, complete, and accurate information on the composition and use of your products, as well as on the final costs;
- Provide a clear, transparent, and inexpensive complaints procedure and contribute to a quick and fair resolution of disputes;
- Respect consumer privacy and set up a mechanism to protect personal data;
- Work cooperatively with authorities to minimize potential harm to public health and safety from the use of your products and services.

Health & Safety (farming and slaughter industry)

The working conditions of small farmers, often in low-wage countries, do not always meet safety standards or are harmful to the health of employees. The ILO considers agriculture as one of the three most dangerous sectors in terms of lethal (and non-fatal) accidents at work, and occupational diseases.

Slaughtering is often repetitious and physically demanding work. The working environments are often noisy, temperatures can be uncomfortable (too hot, too cold), the work involves heavy lifting and using potentially dangerous tools and machines.

Resources & Energy

The energy, water, and chemical uses of the textile industry, specifically the manufacturing stage of the value chain, make it an extremely resource-intensive industry.

Water Use and Water Availability

Large amounts of water and energy are used during the production processes of textile. Effluent treatment plants are not a legal requirement in many producing countries. Particularly where environmental regulations are lacking or not enforced this can have enormous impacts on freshwater biodiversity and freshwater resources.

Soil and Groundwater Contamination

In the textile industry, some 3,600 types of dyes are used. A majority of these is chemical-based, and chemicals such as sulfuric acid, chromium, copper, and other metals are commonly found throughout the entire dye industry. In textile producing and dying processes, water is used as cooling water, to clean equipment, to rinse and process dyes and products and the effluent water contain thus many different chemicals. It is estimated that textile dyeing, and treatment contribute up to 17-20% of total industrial water pollution. In addition, microplastics are released during the washing of garments, of which half a million tons will eventually contribute to ocean pollution.

At the slaughterhouses, wastewater of contains high amounts of organic material. Discharging organic matter into surface water, results in a reduction of the total oxygen content of the water, causing a reduction of organisms that need oxygen to survive. This polluting effect is known as biological oxygen demand (BOD). Wastewater from slaughterhouses and meat processing industries is extremely harmful to the environment. Discharging this wastewater untreated contributes greatly to the degradation of the aquatic environment and the pollution of irrigation water.

Circularity and Waste

The current business model in the clothing and textile industry, especially the 'fast fashion, is mainly a linear model (instead of circular). The industry produces 150 billion garments per year, 20 items per person, of which 30% are never sold.

Animal Welfare

Animal welfare remains an issue in livestock rearing. Issues may occur both during farming and slaughter. For down and feathers, most feathers come as a byproduct from the foie gras industry, known for the force-feeding. The plucking of live animals is a very painful process, and the method is mainly used because it is more efficient. While the feathers of a dead goose can be plucked once, a living goose can be plucked up to four times. The European Food Safety Authority (EFSA) permits feather-picking during the moult. However, research shows that it is impossible to make a distinction between picking during or outside the moulting periode. Injuries range from damaged hair follicles to large cracks in the skin and flesh wounds which need to be attached, whereby no veterinarian is present.

Prioritized Industry Risks

Topic	Risks	Probability	Influence
Market distortion	Pressure on prices Unrealistic lead times Unfair penalties Unfair payment terms	Moderate	High
Consumer rights & Product safety	Product safety Unclear, incomplete, and inaccurate information No access to complaints No protection of personal data	Moderate	High
Health & safety	Unsafe work environment No PPE	High	Moderate
Soil & groundwater contamination	Wastewater Dangerous chemicals Microplastics	High	Moderate
Circularity & waste	Textile waste from linear business models	High	Moderate
Animal Welfare	Non-compliance with the 5 Freedoms of Animal Welfare	Moderate	Moderate

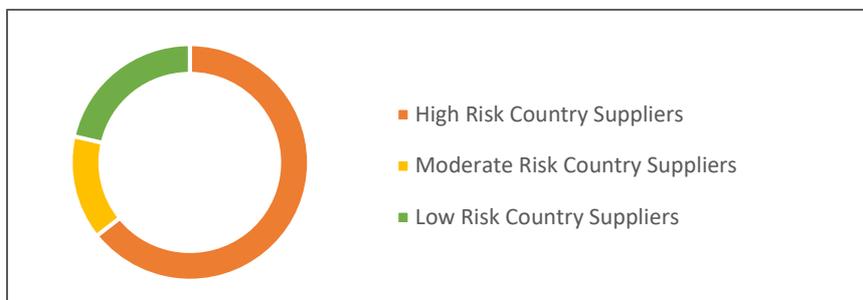
Based on the geographical spread, the severeness of the risks, and the level of influence, Mascot Høie have special focus on following industry risks in 2022:

- Market Distortion
- Health & Safety
- Environment (waste and circular initiatives)
- Animal Welfare

Country specific Risks

Following paragraphs describe country specific risks identified in Q2 of 2022. Source: MVO Risk Check – May 2022.

The selected countries represent the destinations of the Mascot Høie A ranking suppliers. More than 90% of the Mascot Høie products origins from suppliers in these destinations (all included under the supplier specific paragraphs), so this is where our biggest impact is but also where we have the biggest influence and potential to drive and inspire change.



Tier 1 and 2 main countries

(Ranged alphabetically)

- Bangladesh
- China
- France
- Germany
- Pakistan
- South Korea
- Spain
- Taiwan
- Viet Nam

Bangladesh

Overall assessment: High risk country.

Fair Business Practices

Corruption: Corruption in the garment sector in Bangladesh is institutional and occurs mainly due to a lack of transparency, accountability, and good governance. Embezzlement scandals involving management of a number of garment factories and bank branches have resulted in increased interest rates, and a decrease in bank lending for entrepreneurs looking to set up garment factories.

Human Rights and Ethics

Government influence: Neither people nor press in Bangladesh is considered to be free. This means that there is an oppressive regime, with regard to civil liberties. In Bangladesh, activists face threats and attacks. They often fight against land grabbing and for the environment, against government, corruption and in favor of gender equality or women's rights. Critics of certain Islamic organizations face threats.

Labor Rights

Freedom of Association: In Bangladesh, the right to freedom of association, the right to collective bargaining, and the right to go on strike/protest are often not upheld in the textile sector. The country is among the ten most dangerous countries in the world for workers. Between 2010 and 2021, almost half of union registration applications (46 percent) were rejected by the Ministry of Labor - an exceptionally high rejection rate. Workers in Bangladesh have been subjected to mass dismissals, arrests, violence, and state repression against peaceful protests. In the garment sector, strikes were often met with extreme brutality by police, who used batons, gunfire, tear gas and sound grenades against workers.

Following protests by garment workers demanding an increase in the minimum wage in Bangladesh in December 2018 and January 2019, more than 11,600 workers have lost their jobs. As of March

2020, more than 500 workers were still being prosecuted, two of whom are suspected of murder punishable by life imprisonment. Police and employers filed charges against 3,000 unidentified workers. Reporting unidentified persons is not uncommon in Bangladesh, allowing the police to threaten with arrest whenever they wish. Workers were also pressured to sign a form in which they pleaded guilty to the damage suffered by the factories, with the empty promise that they would receive their last wages.

Labor Conditions (contracts, working hours)

Workers in the garment sector in Bangladesh are often forced to work long hours under bad conditions. Maltreatment by the mid-level managers is common. Workers often do not have a contract or an appointment letter and can be dismissed for any reason at any time. Also, without the appointment letter, workers do not know their rights, nor can they claim compensation for the abuse of their rights.

The international COVID-19 pandemic has led to a collapse in demand for clothing, especially in Bangladesh where the 80% of the country's total export earnings is generated by the textile industry. According to various sources, workers in low-wage countries are disproportionately affected by this crisis. Due to the great uncertainty surrounding the garment market, garment workers are more vulnerable to exploitation, and even forced labor.

Another issue – in particular in Bangladesh – is that garment factories often supply foreign brands indirectly through other, larger factories or agents. Indirect sourcing factories operate on very tight margins and with very little oversight, increasing the vulnerability of workers to safety violations and labor rights abuses.

Forced Labor

Exploitative labor conditions occur in Bangladesh. Men, women, and children may be subjected to trafficking for the purposes of forced labor. The Bangladesh Labor Act establishes inspection mechanisms to enforce laws against forced labor, but these mechanisms do not function effectively.

Child Labor

There is reason to believe child labor occurs in the production of garments and textiles in Bangladesh. According to the Children's Rights and Business Atlas, this country scores poorly when it comes to the extent to which the state regulates child labor and provides decent work for young workers, parents, and caregivers.

Discrimination and Gender

Gender: According to the Human Rights and Country Guide, in the garment industry in Bangladesh women may be at risk of discrimination in the workplace. According to the Fair Wear Foundation, women often work in low-skilled, low-paid jobs while the technical and managerial positions are usually occupied by men.

Further, gender-based violence and harassment increased in Asian garment-producing countries during the Covid-19 pandemic. The business models, purchasing practices, and actions of global brands during the Covid-19 pandemic disproportionately affected Asian women workers. Women workers were hired at lower wages during factory closures, while men were hired at higher wages after re-openings. The resulting economic harm to women workers led to various forms of violence that women workers experienced at home and in their communities, such as performing unpaid domestic and care work, taking on debt, reducing consumption, or being subjected to domestic violence.

Religion, ethnicity and other: In Bangladesh, different types of discrimination in the workplace exist. Ethnic minorities risk discrimination in the workplace, based on their identity, religion, ethnicity, and their socio-economic status. Persons with disabilities risk limited access to employment and most adults with disabilities are unemployed. In addition, persons with HIV/AIDS risk workplace discrimination.

Wage and Remuneration

The garment industry around the world, especially in (Southeast) Asian countries, is renowned for low wages, excessive overtime, and poor working conditions. According to research, most garment workers in Bangladesh do not earn enough to meet their families' basic needs and therefore they need to work overtime hours. One third of the workers work more than 60 hours per week on an average basis. Costs for food, accommodation, medical treatment, and children's education are being compromised in order to cover the basic needs.

Health and Safety at Work

The garment industry in Bangladesh is notorious for its unsafe working conditions. Several fires and accidents occurred in garment factories in recent years. Workers often experience a lack of nutritious foods, medicine, etc. Factory building collapse and fire accidents lead to deaths and injuries.

Water Use and Water Availability

Large amounts of water and energy are used during the production processes of textile. In Bangladesh, water resources have been polluted by, among other things, industrial waste. Factories release water full of dyes and chemicals directly into rivers which millions of individuals depend on for their livelihood. Due to the water released in the river, the local populations suffer from acid burns, dizziness, nausea, and rashes among other things. The lack of waste disposal and treatment facilities in Bangladesh often lead to informal disposal on adjacent unused plots or other nearby land.

Air Pollution

Bangladesh is currently the most air-polluted country in the world, measured by PM2.5 (fine dust particles). This is caused by the brick industry, exhaust fumes from transportation and coal burning.

Though the textile industry is not mentioned specifically, the contribution to the air pollution from transportation and factory operations is still considered to be massive.

China

Overall assessment: High risk country.

Fair Business Practices

Corruption: There is high risk of corruption in China. Maintaining personal relations to get things done seems to be indispensable and completely accepted in China; this is also known as *guanxi*. This business culture often leads to blurring of the line between helping one another and corruption. There is regulation but civil servants often ignore mistakes made by befriended businesses, and official approvals are frequently for sale.

Human Rights and Ethics

Government influence: Neither people nor press in China is considered to be free. This means that there is an oppressive regime, with regard to political rights and civil liberties, and the press freedom is severely limited. Following the "security law" of July 2020, this now also affects Hong Kong. One of the most severe examples of the oppression is the "re-education camps" in the Xinjiang Uighur Autonomous Region (Xinjiang), where a Muslim minority is held on the pretext of fighting terrorism.

Conflicts and Security

Chinese territorial disputes, e.g. Taiwan but also at the Chinese-Indian border, affects their Global Peace Index score and the tension in the region is on the rise.

Labor Rights

Freedom of Association: China has not signed the ILO-conventions on forming unions and collective negotiations and the subject is not protected by national law. On the contrary, calling to strike can lead to a prison sentence.

Labor Conditions (contracts, working hours)

A large part of factory workers in the industrial factories are ethnical Chinese workers from rural areas. Because they live outside their province of origin, they do not have any rights to healthcare or social security. Further, they might – voluntarily or not – be subject to excessive overtime, and poor and unsafe working conditions.

Forced Labor

State-sponsored forced labor is intensifying under the government's mass detention and political indoctrination campaign against Muslim minorities in the Xinjiang Uighur Autonomous Region.

Child Labor

According to the US Department of Labor, there is reason to believe child labor occurs in the production of e.g. textiles in China.

Discrimination and Gender

Gender identity and sexual orientation: Workplace discrimination is not prohibited by law.

Women: Discrimination, unfair dismissal, demotion, and wage discrepancies are significant problems. On average, women earn 35 per cent less than men who do similar work.

Religion: In recent years, China has stimulated a so-called "sinicization" of religion: a campaign that attempts not only to diminish and erase the independent practice of religion, but also the cultural and linguistic heritage of religious and ethnic communities, particularly Tibetan Buddhists and Uighur Muslims, but also Protestant Christians and Falun Gong followers.

COVID-19: Discrimination against workers from Hubei province (Wuhan).

Wage and Remuneration

The garment industry around the world, but especially in (Southeast) Asian countries, is renowned for low wages. In many cases, even the legal minimum wages set for workers in the apparel industry fail to provide enough income to maintain a family of four above the nationally defined poverty level.

Health and Safety at Work

Assessments have shown that conditions at Chinese factories may be dangerous for the health and safety of workers. Examples (not from the Mascot Høie supply chain) are polluted sewage water that flows over the floor, poor ventilation, and extreme high work floor temperatures.

Biodiversity

The biodiversity in China faces enormous threats due to the combined effects of habitat destruction, fragmentation, environmental contamination, over-exploitation of natural resources, and introduction of exotic species.

Water Use and Water Availability

In China, 0.9 billion people live under severe freshwater scarcity during at least one month per year. Groundwater depletion is also a problem in many parts of China, which leads to water shortages, reduced harvests, and loss of income for farmers.

Air Pollution

According to the World Health Organization (WHO), China suffers excessive air pollution. China tops the world list of deaths caused by air pollution, with over 1 million deaths annually. Most of the air pollution comes from cars, coal-fired plants, and waste burning. Textile factories contribute to this problem, producing about three billion tons of soot.

France

Overall assessment: Low risk country.

Labor conditions (contracts, working hours)

The COVID-19 pandemic posed major challenges to the agriculture and accommodation and food sectors in the EU. For seasonal workers, the pandemic has highlighted and exacerbated their already very tense situation. Lack of income, restrictions on freedom of movement and access to better sanitation and the health system were and are the main reasons for the very precarious situation of seasonal workers.

Discrimination

Women in France experience discrimination in the form of e.g. pay gap. Racist violence based on ethnicity, nationality, religion, or race continues to rise in France. Anti-Muslim crimes increased by 52 percent in 2020 compared to 2019.

Germany

Overall assessment: Low risk country.

Labor conditions (contracts and working hours)

Some of the migrant workers in Germany are severely exploited. This means, among other things, that wages are far below the minimum wage, employers do not pay social security contributions for them, some accommodation is inhumane, they have to work a large number of unpaid overtime hours and employers use threats or violence to prevent them from seeking help or from leaving the employment relationship. Cases of severe labor exploitation are well known in many sectors, such as construction, meat production and care.

In addition, The COVID-19 pandemic posed major challenges to the agriculture and accommodation and food sectors in the EU. For seasonal workers, the pandemic has highlighted and exacerbated their already very tense situation. Lack of income, restrictions on freedom of movement and access to better sanitation and the health system were and are the main reasons for the very precarious situation of seasonal workers.

Discrimination

Women in Germany experience discrimination in the form of e.g. pay gap but also sexual harassment, where women are affected twice as much as their male colleagues. In terms of ethnic discrimination, both Amnesty International and Human Rights Watch report that hate crimes against refugees, asylum-seekers and migrants have been numerous in Germany in recent years.

Pakistan

Overall assessment: High risk country

Fair Business Practices

Corruption: Although Pakistan has actively fought corruption in recent years, it remains endemic in many parts of society. It is reported that bribery and facilitation payments are necessary in many aspects of life in Pakistan – from opening a business to dealing with government administration. Businesses rate corruption as the most problematic factor for doing business in Pakistan.

Human Rights and Ethics

Government influence: Neither people nor press in China is considered to be fully free. This means that there is an oppressive regime, with regard to civil liberties, and the press freedom is limited.

Labor Rights

Freedom of Association: In Pakistan, it is common that members of labor unions are being threatened and fired. Union leaders are often attacked.

Labor Conditions (contracts, working hours)

In Pakistan, only around 14 companies in the garment industry are currently sufficiently compliant with ILO labor standards to directly supply major international retailers or brands. However, non-compliant factories still have access to the international market, through importers, buying houses, and supply-chain coordinators, as their monitoring systems are weaker. The more intermediaries there are between the manufacturer and the end-buyer, the less incentive manufacturers have for compliance with labor standards.

According to estimates by the ILO, two out of five employees in the Pakistani textile and footwear industry worked excessive hours in 2014/15 (an average of more than 48 hours per week). Workers also experience forced overtime, denial of paid maternity leave (for women), denial of medical leave, and are paid under minimum wages. In addition, workers face pressure not to take toilet breaks and they are denied clean drinking water.

Forced Labor

Pakistan's largest human trafficking problem is bonded labor, in which traffickers or recruiters exploit an initial debt assumed by a worker as part of the terms of employment, which sometimes persist through generations. Bonded labor is concentrated in the Sindh and Punjab provinces, but also takes place in the Balochistan and Khyber Paktunkhwa provinces.

Discrimination and Gender

Gender: Gender wage inequality remains a challenge in the Asian textile and clothing industry. Women constitute the majority of the staff, while their wages are consistently lagging behind. Research by the ILO shows that especially in Pakistan and India the pay gap between men and women is very high, around 40 to 50%. Moreover, Pakistan is one of the 15 lowest scoring countries (out of in total 156) in the field of economic participation and opportunity for women in the Global Gender Gap Index 2021.

Sexual orientation: Lesbian, gay, bisexual, or transgender persons in Pakistan may be denied access to employment, or experience violence and discrimination in the workplace.

Religion: In recent years, religious minorities in Pakistan, including Hindus, Christians, Sikhs, Ahmadis, and Shi'a Muslims, are facing attacks and discrimination from extremist groups and society at large. The government of Pakistan fails to protect these groups adequately, and it perpetrates systematic, ongoing, egregious religious freedom violations. Moreover, various media outlets promote intolerance against religious minorities.

Wage and Remuneration

In the Pakistani garment sector, workers are often paid by piece rate. Penalties for non-payment, underpayment, or delayed payment of wages are too small to be a deterrent for employers, and these issues therefore happen regularly. Workers in informal enterprises or holding informal jobs (73.6% of all workers in Pakistan), are often paid below the minimum wage, but due to their legal status, they cannot make claims about this. Moreover, these workers are not registered for any social welfare benefits, and often work in unsafe workplaces.

Health and Safety at Work

The garment industry in Pakistan is notorious for its unsafe working conditions. Several fires and accidents occurred in garment factories in recent years. Factory building collapse and fire accidents lead to deaths and injuries.

Throughout the clothing production process, people and the environment are exposed to hazardous chemicals, e.g during the production process and in bleaching and washing processes of cotton fabrics.

Water Use and Water Availability

Large amounts of water and energy are used during the production processes of textile. In Pakistan, 120 million people face severe freshwater scarcity during at least part of the year.

Air Pollution

Pakistan's urban air pollution is among the most severe in the world, measured by PM10 (coarse dust particles such as sulfate, nitrates, ammonia, sodium chloride, and black carbon). This causes significant damages to human health and the economy. Though the textile industry is not mentioned specifically, the contribution to the air pollution from transportation and factory operations is still considered to be massive.

Mascot Høie address this subject in a special Environmental Policy.

South Korea

Overall assessment: Moderate risk country

Fair Business Practices (corruption)

There might be risk of corruption in South Korea, but the government is actively taking steps to remedy issues. The primary corruption-related issue concerns reported collusion between government officials and businesses, with officials being lenient to regulate businesses due to the prospect of eventual private-sector employment for public officials.

Conflicts and Security

South Korea is a peaceful country, especially considering the region. The country recorded the second largest deterioration in peacefulness in the region, owing to increases in Militarization. Military expenditure, weapons imports, and weapons exports all increased, although the armed forces rate did improve. The South Korean government released a 'Reform Defense Plan' in 2020, outlining its plans to downsize its military and place a stronger emphasis on technological sophistication.

Labor Rights (freedom of association)

In South Korea, there is no guarantee of workers' rights. While the legislation may spell out certain rights, workers have effectively no access to these rights and are therefore exposed to autocratic regimes and unfair labor practices.

Discrimination and Gender

Discrimination against lesbian, gay, bisexual, and transgender (LGBT) persons, women, ethnic minorities, refugees, migrants, and people with HIV is a major problem in South Korea. Further, the position of women on the labor market in South Korea is vulnerable. There is a considerable pay gap and South Korea has the lowest glass ceiling of all OECD countries, according to the research conducted by the Economist.

Spain

Overall assessment: Low risk country.

Fair Business Practices

Corruption: There is a moderate risk of corruption in Spain in the judiciary, in the police forces, when dealing with its public services and regarding land administration. There is a high risk of corruption in the public procurement sector. As a result, companies cite corruption as a business impediment.

Mascot Høie has established an Anti-Corruption policy to address the issue.

Labor conditions (contracts, working hours)

The COVID-19 pandemic posed major challenges to the agriculture and accommodation and food sectors in the EU. For seasonal workers, the pandemic has highlighted and exacerbated their already very tense situation. Lack of income, restrictions on freedom of movement and access to better sanitation and the health system were and are the main reasons for the very precarious situation of seasonal workers.

Discrimination

Women in Spain experience discrimination in the form of e.g. pay gap.

Water Use and Water Availability

Parts of Spain face significant freshwater scarcity all year round.

Taiwan

Overall assessment: Moderate risk country

Conflicts and Security

China considers Taiwan a renegade province and strives to ensure that the island, like Hong Kong and Macao, are reunited with the motherland again. China has stated that a declaration of

independence of Taiwan is a reason for war. The island of Taiwan (itself called the Republic of China) only recognized by a few states. The current president Tsai Ing-wen takes a clear position in favor of independence, which complicates relations with China.

As a Norwegian business, Mascot Høie have very little influence on the conflicts and security in Taiwan but will stay alert and informed about the development.

Labor Rights

Freedom of Association: Taiwan is characterized by a still low level of unionization. This is because every enterprise with more than 30 employees is required to organize a trade union. However, 97% of enterprises in Taiwan have fewer than 30 employees so it is not mandatory to form a union.

Forced Labor

There is evidence of forced labor in Taiwan in sectors such as farming, fishing, manufacturing and construction.

Viet Nam

Overall assessment: High risk country

Fair Business Practices

Corruption: Corruption is pervasive in Vietnam's business environment. Both the public and private sector have a high level of risk of corruption, mostly in the form of gifts and bribe payments.

Human Rights and Ethics

Government influence: Neither people nor press in China is considered to be free. This means that there is an oppressive regime, with regard to political rights and civil liberties, and the press freedom is severely limited. The Communist Party of Vietnam monopolizes power within the government, controls all major political and social organizations, and punishes people who dare to criticize or challenge its rule.

Labor Rights

Freedom of Association: Vietnamese workers in the garment industry are unclear about how trade unions support them at work. They are not confident that the unions could be trusted or approached for assistance. Moreover, independent democratic trade unions are not permitted to operate in Vietnam.

Labor Conditions (contracts, working hours)

Vietnamese workers in the garment industry experience the use of threats and intimidation at work. This includes potential loss of employment, wage deductions, but also deception, restriction of movement, intimidation, abusive working and living conditions as well as excessive overtime.

Child Labor

There is strong reason to believe child labor and forced labor occur in the production of garments and textiles Vietnam. Child labor has been found in small privately-owned factories and informal workshops. These workshops are located primarily in and around Ho Chi Minh City. Many of these children have migrated or have been trafficked from rural areas and live in the factories. Employers prevent the children from leaving by force or by withholding their wages. The latter is also done to make children stay an extra year. The children are forced to work long hours, sometimes up to 18 hours a day, and with few breaks.

Further, there is reason to believe that children as young as 12 years old have to work while confined in government-run detention centers. These children are forced to sew garments under threat of physical or other punishments and without pay.

Discrimination and Gender

Gender: In the Vietnamese garment sector, women's average hourly wages (excluding bonuses) are just 85 per cent of those of men due to the fact that women tend to be sewers and helpers, while men are usually in higher paid occupations working as cutters and mechanics. Men are also three times more likely than women to be supervisors in garment manufacturing factories.

Sexual orientation: There are strong indications that many LGBT people in Vietnam suffer sexual harassment and discrimination during recruitment and employment.

Religion: In recent years, the Vietnamese government increased violations of freedom of religion and belief. The government's crackdown on religion, expression, association, and assembly happens nationwide. Ethnic minority communities face especially egregious persecution for the peaceful practice of their religious beliefs, including physical assault, detention, or banishment.

Wage and Remuneration

In the Vietnamese garment sector, wages are variable and highly dependent on productivity, skill, overtime hours and the impact of high and low season. Moreover, they are used as instruments for discipline and punishment. When workers make a mistake, they are issued a letter stating that they will receive a salary deduction for the day based on the mistakes made.

Health and Safety at Work

Problems in companies concerning safety and health are common in Vietnam; the number of work accidents is high. This is due to poor health and safety conditions and inadequate employee training.

Moreover, 53 % of the workers in the garment industry in Vietnam cannot afford medical treatment when they get sick or injured at work.

Environment and Waste

Growth of the urban population in Viet Nam has meant an increase in solid waste. Waste collection varies between inner city and the country's outer urban areas. Only 0.3 per cent of the country's labor force was employed in water supply, sewerage, waste management and remediation activities in 2016. Most waste burned or buried.

Prioritized Country Risks

Topic	Risks	Area	Probability	Influence
Human Rights	Oppressive Government No Free Press	Bangladesh China Pakistan Viet Nam	High	Low
Human Rights	No management system Child Labor Slavery/Forced Labor	Bangladesh China Pakistan Taiwan Viet Nam	High	Moderate
Human Rights	Discrimination	Bangladesh China France Germany Pakistan South Korea Spain Viet Nam	High	Moderate
Conflicts	Territorial disputes	China Taiwan	Moderate	Low
Labor Rights	No Freedom of Association	Bangladesh China Pakistan South Korea Taiwan Viet Nam	High	Moderate
Labor Conditions	No management system (Child Labor) (Slavery/Forced Labor) No Living Wage No Insurance/social security Excessive overtime No contracts Unfair contracts Poor conditions for migrant workers High pressure work environment	Bangladesh China France Germany Pakistan Taiwan Viet Nam	High	Moderate
Health & Safety	No management system Unsafe building structures No fire safety Missing PPE	Bangladesh China Pakistan Viet Nam	High	Moderate

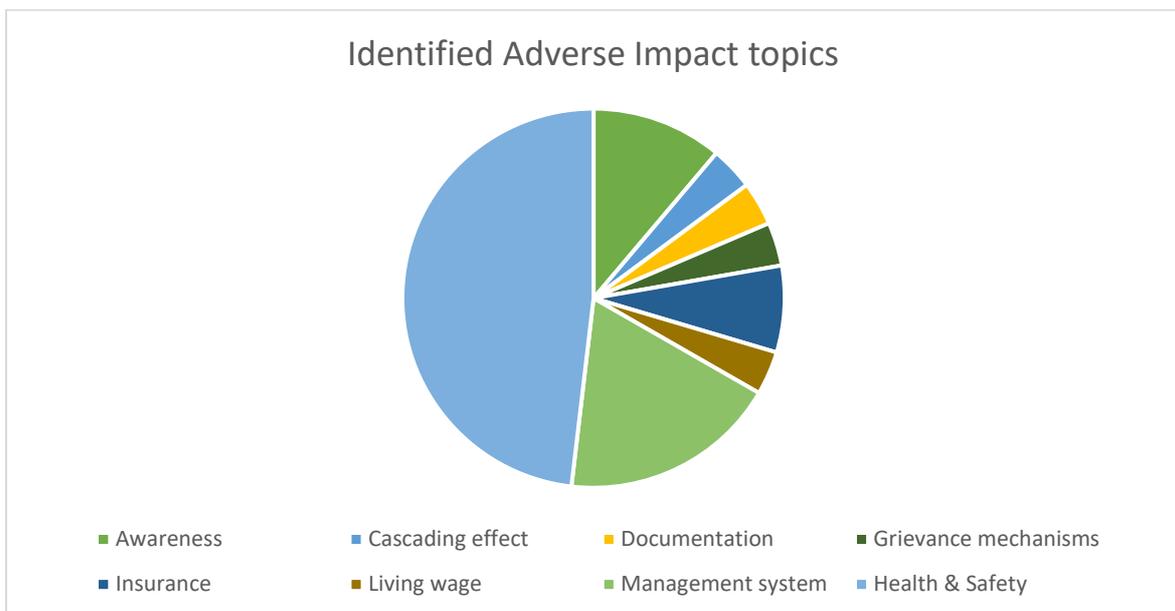
	Pollution Unsafe chemical handling Sexual Harassment			
Environment	No management system Excessive water use Wastewater Air pollution Waste – other Soil contamination	Bangladesh China Pakistan Viet Nam	High	Moderate
Fair Business Practices	Corruption	Bangladesh China Pakistan South Korea Spain Viet Nam	High	Moderate

Based on the geographical spread, the severeness of the risks, and the level of influence, Mascot Høie have special focus on following risks in 2022:

- Discrimination and equal rights
- Labor Conditions
- Health & Safety
- Environment (water use and air pollution)

Identified Adverse Impacts

The following paragraphs describe the adverse impacts identified with the “A suppliers” of the Mascot Høie value chain. Combined, these suppliers deliver more than 90% of our raw materials and finished products and therefore, they are central to our business and thus also in our due diligence, from a risk-based point-of-view.



During the past year, 34 findings – adverse impacts – were uncovered at factories in the Mascot Høie value chain. Insufficient health and safety measures at the audited factories represent almost half of the findings, thus implying a dedicated focus on our part in the remediation process. While severity of the findings varies from minor to severe, all are addressed, and appropriate remedial action is agreed with the responsible suppliers. The second most common problem is insufficient or ineffective management systems, while worker awareness about their rights and the standards and requirements applicable to their workplace was at a low level.

Prioritized findings

Topic	Findings	Influence
Awareness	Insufficient training of workers in their rights Insufficient training of workers in CoC	Moderate
Cascade effect	Insufficient cascading of CoC Insufficient control with sub-suppliers	Moderate
Documentation	Insufficient and expired recordkeeping	Moderate
Conflicts	Territorial disputes	Low
Grievance mechanism	No established grievance mechanism	Moderate
Insurance	Insufficient social insurance Insufficient accident insurance	Moderate
Living wage	Legal minimum wage below living wage	Moderate
Management system	Insufficient and/or ineffective management systems	Moderate
Health & Safety	Various	Moderate

Mascot Høie do not rank/prioritize findings and remediation hereof. We see all findings as important and requiring our focus, and we are in dialog with all the relevant suppliers to mitigate the situation and improve the conditions as urgently possible and within the boundaries of our influence levels.

3. Ceasing, Preventing, and Mitigating Risks

To ensure that Mascot Høie address and prevent risks in our supplier chain in an appropriate way, we continue to update our requirements and our practices. Following paragraphs describe the actions and changes that we have instigated in the past year and that are planned for the near future.

It is important to underline that Mascot Høie will always attempt mitigation and prevention, and that we are committed to our suppliers, to our relations, and to support them in their progress. Naturally, we have set zero-tolerance borders, but besides that we engage with suppliers with a pragmatic and fair attitude. We will rather build than tear down relations.

Based on risk assessments and prioritization as well as findings, we have focused on:

- Market Distortion
- Labor Conditions
- Health & Safety
- Discrimination and equal rights
- Environment (waste, circularity, water use, and air pollution)
- Animal Welfare
- Identified Adverse Impacts

Market Distortion

While Mascot Høie use textile materials for our products, we are not part of the general fashion and garment industry, and we are certainly not considering ourselves as being fast fashion. Mascot Høie is a premium home textile brand, and we rely deeply on our skilled value chain to deliver on this promise. This interdependency also means that we must run a responsible and fair business, and our cooperation with suppliers and partners need to reflect this too. We maintain close and long-term relations to ensure quality, continuity, and best possible cooperation terms, and we take on our part of the responsibility to engage in a responsible manner and to plan our productions with respect for capacity and schedules at our suppliers' factories.

Our internal guidelines and requirements in this area are described in our Responsible Supply Chain Management Manual and all operations must be performed in compliance herewith. The manual set standards for sourcing practices, due diligence and business ethics, and the manual is updated on a yearly basis to ensure updated and relevant requirements.

Labor Conditions

Mascot Høie encourage and promote fair and decent labor conditions for all workers, no matter country. In Norway, we of course adhere to all applicable national and regional legislation, and we are determined to offer a positive and healthy work environment to all Mascot Høie Employees. But our value chains also operate in areas with insufficient national legislation, and therefore we have defined strict requirements on labor conditions in the Mascot Høie Code of Conduct, in line with the ILO convention, the UN Global Compact, the Universal Declaration of Human Rights, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption.

Suppliers to Mascot Høie are committing to meet these requirements and conditions are controlled periodically by third-party auditors specialized in national and international legislation, requirements, and standards. Following an audit, Mascot Høie collects the audit reports and in dialog with the supplier, remedial actions are planned and initiated.

In addition to the Mascot Høie Code of Conduct, special policies with more elaborate labor condition requirements and terms have been drafted on the subjects of:

- Human Rights
- Anti-Slavery
- Child Labor
- Diversity, Equity, and Inclusion

Finally, Mascot Høie, are of course mindful about how our cooperation and business play into labor condition risks, in particular on living wage and excessive overtime, and these issues are already and will also in the future be a special consideration in our cooperation, as per also described in our Responsible Supply Chain Management Manual. To help guide the suppliers on their side, we engage in dialog and have e.g. shared a special living wage calculator tool to promote and encourage alignment with the regional level.

Health and Safety

Mascot Høie are very attentive to the health and safety of all workers involved in the making of Mascot Høie products. Therefore, strict requirements have been set on this subject, both physical (e.g. PPE) and psychological aspects (e.g. sexual harassment).

All health and safety measures and conditions are controlled both during Mascot Høie onsite visits and as part of BSCI and SMETA audit scopes. Following an audit, Mascot Høie collects the audit reports and in dialog with the supplier, remedial actions are planned and initiated.

Discrimination & Equal Rights

Mascot Høie believe in equality. In Mascot Høie, 65% of the employees are women, and while the gender representation at the Board of Directors is completely equal, we also recognize that we still have work to do to achieve more equal representation in both the Strategy Group and Management – the former with 40% women and the latter only one in six. We are mindful about this and determined to achieve a higher level of equal representation across our business.

Mascot Høie want to promote and inspire the same diverse mindset in our value chains and therefore, we have established a special Diversity, Equity, and Inclusion Policy. Inequality and discrimination is the one adverse impact area that transcends borders and affects all our value chain destinations, from France and Germany (and Norway) to Viet Nam and South Korea. Inequality and discrimination in any form contradict Mascot Høie's values, and we are therefore conscious about our responsibility to promote fair and equal rights not only in regions far from us, but also in those very near.

For the value chains outside Europe, discrimination and sexual harassment is part of both the BSCI and SMETA audit scopes, where adverse impacts will be detected and addressed. Following an audit,

Mascot Høie collects the audit reports and in dialog with the supplier, remedial actions are planned and initiated.

Environment

Mascot Høie are working dedicatedly to produce more environmentally responsible products, focusing both on the materials' origin and journey through the value chains, our own production facilities and those in our value chain, and the use and end-of-use phase of our products. We believe in leading by example and share our initiatives and best-practices with all relevant stakeholders.

Circularity

In terms of circularity, Mascot Høie have implemented circular initiatives, both on production level, material level, and product longevity level. Mascot Høie products are premium products designed for durability, and we also use GRS-certified materials (license number 20-317255) to keep already used resources in the loop for as long as possible. By 2025, the EU wide legislation on handling of textile waste will be in place, which will apply to our main markets, and we have high expectations for positive impact this will have on our industry, availability of recycled materials, and for the environment.

Resources, Waste, and Pollution

But the textile industry has other problems than "just" the linear business models. At Mascot Høie, we have already implemented a number of initiatives, which will contribute to reduce our climate impact. Initiatives include material waste reduction initiatives at our production facilities, heat circulation systems at our production and warehouse facilities to eliminate need of external heating sources, and conversion to better materials, e.g. recycled or organic. We are motivated to lead the way.

In terms of our value chain, we address several environmental topics in our Environmental Policy and support our suppliers in their endeavor to improve their practices. Topics include:

- Air Pollution and CO2
- Waste and resources
- Soil and Groundwater Contamination
- Water Use and Water Availability

To further motivate the environmentally responsible production movement, Mascot Høie have set goals to increase number of Made in Green by OEKO-TEX enrolled suppliers – 100% of readymade product suppliers by 2025. This is a traceable product label for textile products that have been manufactured in environmentally friendly facilities under safe and socially responsible working conditions. The label also reassures consumers that the textile or leather product is made of materials that have been tested for harmful substances. To ensure that the textile or leather product has been manufactured using environmentally friendly processes and under socially responsible working conditions, the production facilities must be certified in accordance with STeP by OEKO-TEX.

These facilities implement environmentally responsible production integrate, from optimization of chemical management (e.g., risk management during dyeing and printing, ban and substitution of

hazardous chemicals), responsible handling of wastewater and emissions (e.g., reduction of carbon footprint and water usage) and protection of resources (e.g., use of renewable energies and best-available technologies) to waste management (e.g., recycling of textile waste). To help measure their impacts, facilities can also access the Impact Calculator to measure their Carbon and Water Footprint at the facility level and continue to advance their environmental management and performance.

For suppliers not yet enrolled in the Made in Green and STeP schemes, Mascot Høie have shared other calculator tools to facilitate impact assessments.

Animal Welfare

Down is a key material to Mascot Høie, and therefore it is of the utmost importance to us that it is sourced responsibly. Our attitude towards animal welfare is aligned with the Five Freedoms of Animal Welfare and expressed in our special Animal Welfare Policy.

Mascot Høie only source certified down and feathers from European controlled and certified sources. We recognize IDFL and RDS certificates.

Consumer Rights and Product Safety

While this risk area is not one of the highlighted areas, product safety and customer relations are and have always been central to Mascot Høie.

Therefore, we have systems in place to ensure compliance with all applicable product safety legislation, and initiatives go beyond this to include OEKO-TEX Standard 100 certification and certified products (Ö 04-133 and Ö 04-1332), Nordic Swan labelled products, Asthma Allergy Nordic recommended products

We further strive to maintain close customer relations (B2B and B2C), offer product care guidance, share vast information at our webpage, and our customer support allows easy access to connect, whether this is for feedback, complaints or other. This includes the Information obligation that we shall comply with, as per the Norwegian Transparency Act.

Identified Adverse Impacts

Common for our work with all suppliers' remediation plans and actions, is that we are in this for the long haul. Some issues just cannot be changed overnight. We also recognize that some issues are more complex and root causes may be outside of a supplier's or Mascot Høie's reach to impact. We do however believe that we can inspire and push little by little by engaging in dialog, being curious and non-judgmental in our approach, and being willing to take on our own responsibility and make changes on our side, before putting pressure on our value chain. With this approach, we are committed to ensure that all findings are remediated over time and as urgently possible.

For suppliers enrolled in the BSCI or SMETA audit schemes, they have access to a number of trainings in e.g. due diligence and grievance mechanisms, that can help them in their improvement process. For BSCI, this access is facilitated by the RSP holder of the supplier's audit program. In addition to

this, Mascot Høie share other relevant tool to mitigate specific findings, e.g. a Living Wage Calculator tool and a water footprint tool. Knowledge is the first steppingstone towards better practices.

Management systems and Cascade Effect

Mascot Høie consider insufficient management systems to be one of the most severe findings since poor management is the root cause of many issues across operations and topics. Therefore, Mascot Høie are particularly attentive to the management systems that our suppliers have in place. 37% of our suppliers have systems controlled to be aligned with requirements of BSCI, SMETA or SA8000, while 52% of our suppliers holds one or more ISO-certificates documenting management systems within fields like work environment, environmental management, and quality management. Setting up diligent and responsible management system can be complex but Mascot Høie continue to address the topic in our dialog with our suppliers. As result, 5% of the remaining suppliers are currently in process of enrolling in one or more schemes to support an effective internal management system.

Recently, Mascot Høie have also elaborated on our requirements on management systems and on cascading of our CoC and policies to next tiers to ensure that sub-suppliers and following tiers are also informed about requirements on Mascot Høie productions and products.

Grievance Mechanism and Awareness

Creating awareness about human and workers' rights and establishing grievance mechanisms and access to remedy is important to Mascot Høie, both in our own business and in our value chains. Mascot Høie have defined very elaborate requirements to grievance procedures in line with recognized standards. All suppliers are required to implement and maintain appropriate systems to ensure that workers are aware of their rights and that workers and communities have access to make complaints without fear of retaliation or other consequences. Existence and effectiveness of such systems are controlled at third-party audits.

In our own business, Mascot Høie have own internal procedures for handling complaints and concerns from employees and external stakeholders. Until 2022, the external access point has been through our customer service, meaning that making anonymous complaints (whistleblowing) have not been possible. This very important feature is however under development and will be implemented within 2022.

Health & Safety

Remediation of health and safety findings are of the utmost importance to Mascot Høie, as they represent direct adverse impact on human lives and well-being. Fortunately, while these are considered to be highly problematic and urgent to remediate, many of these issues also tend to be more accessible and simpler to address than e.g. implementation of new business structures and large investments in new innovation and technology. Solutions to health and safety findings might e.g. be a matter of conducting a first aid training session, labelling containers, or changing into a different type of PPE.

Mascot Høie consider health and safety findings to be closely linked to management systems, as such procedures and conditions should be controlled and monitored by a member of a factory's management team. This type of findings should simply not occur and when they do, it indicates that the management has failed to implement the necessary measures and systems. They are a symptom of the disease – the root cause. Therefore, when addressing health and safety findings, Mascot Høie will also investigate the management systems prior to assessing the severity of the actual findings. After this, the findings will be addressed on a case-by-case basis and we engage in dialog with suppliers to ensure the appropriate remediation – on both management systems and health and safety measures.

Living Wage & Capacity Planning

Mascot Høie are mindful about how our business operations and relations play into any type of findings, and in particular on living wage and capacity planning. Therefore, we have implemented an elaborate set of requirements and guidelines on how we engage and conduct ourselves in our cooperation with our value chains, e.g. order planning and placement.

To help guide our suppliers, we have also shared a special living wage calculator tool to promote and encourage alignment with the regional level.

Documentation

In line with some of the above topics, insufficient, or expired documentation is also closely linked to insufficient management systems. Mascot Høie require all suppliers to hold and maintain all legally required permits and documentation, at all times. All renewal must be done prior to expiry and records must be kept and presented upon request from third-party auditors and/or Mascot Høie.

Mascot Høie suppliers very rarely fail to maintain their documentation and most of them also go beyond legal requirements in their endeavor to be a responsible business, e.g. through participating in various certification schemes and meeting the standards set for each certificate. Combined, our "A suppliers" hold 57 certificates.





New requirements

In 2022, Mascot Høie have elaborated and extended our requirements for our value chain partners. The biggest changes were made in following manuals and policies to address the risks and adverse impacts uncovered in the past year's due diligence:

- Extensive revision of Code of Conduct
- Extensive revision of the Environmental Policy
- Development of a Human Rights Policy
- Development of an Anti-Slavery Policy

But we have also turned the attention to our own practices, and initiatives include:

- Onboarding of a CSR specialist partner to elevate our due diligence practices and ensure access to specialized knowledge and guidance
- Increased focus on own impact measurements and reductions, starting with Trondheim and in time also our facility at Brekstad
- Anonymous grievance/whistleblower entry point

4. Tracking Implementation and Results

Mascot Høie track identified adverse impacts and our suppliers' implementation of mitigating initiatives. We follow up with each supplier individually to educate ourselves and support the suppliers on any challenge that may arise in the process. It is important to emphasize that we see this as an ongoing and continuous process, where adverse risks are mitigated in the best possible way and as fast as possible. But change takes time, and we are in this for the long haul – not to make insufficient and short-term quick fixes that may cause greater harm to the people involved than working for long-term and holistically sustainable better practices.

	Findings	Remediation	
		Initiated	Closed
"A suppliers" (90% of Mascot Høie's purchased goods)	36	36	17

Mascot Høie are currently working with our suppliers to make progress on 36 findings across performance areas and facilities. Of the 36 findings, 17 are closed while 19 remains in process. This is a snapshot of the current status quo, and we continue to be in periodic dialog with suppliers about their work and progress and will be so, until a given adverse impact has been remediated.

5. Communicating on Impacts

Until 2022, Mascot Høie have not communicated externally in a broader sense about our due diligence work and progress. To us, due diligence is such an integral and basic part of our everyday work, and we consider it to be a "hygiene factor" in the sense that it's an indispensable and obligatory task. Naturally, we have communicated with relevant stakeholders, e.g. B2B customers and suppliers, to ensure that requirements and progress are aligned with their expectations and needs.

Starting in 2022, Mascot Høie will publish an annual Due Diligence report – this report – which will be made publicly available to all interested parties at our website. This is to meet legal requirements of the Norwegian Transparency Act. Our website will of course also continue to hold all other relevant information about our products, our compliance, and other CSR-related topics.

Internally, all relevant staff is continuously kept in the loop and informed about performance and risks in the value chains.

6. Partnerships and Cooperation

Mascot Høie believe in cross-border cooperation and in joining forces to ensure the necessary progress and development, and we are prepared to cooperate with all relevant stakeholders to mitigate an adverse impact in our chain. Establishment of an external and anonymous grievance/whistleblower entry point will facilitate the initial interaction going forward.