

A close-up photograph of two young women embracing outdoors. The woman on the left has her eyes closed and a peaceful expression, wearing a white and grey patterned sweater. The woman on the right has her eyes closed and a slight smile, wearing a grey ribbed sweater. They are both wearing hoop earrings. The background is a clear blue sky.

# HUMAN RIGHTS DUE DILIGENCE REPORT

ELLOS GROUP  
ellos Jotex home  room elpy



## ELLOS GROUP IN BRIEF

*At Ellos Group, our success is built on innovation and creativity, as well as a strong sense of responsibility and community. It is important to our customers, employees, owners and to us that our products are made with respect to the people who produce them, as well as to the environment. We strive to ensure fair working conditions and adherence to human rights in our value chain and believe that a close dialogue and cooperation with our suppliers is necessary to achieve this. This report describes our way of working with securing human rights in our business.*

Ellos Group AB, operates e-commerce on the three e-commerce platforms Ellos, Jotex, and Homeroom. The business, founded in 1947, is conducted through wholly owned companies in Sweden, Norway, Finland and Denmark. The parent company, Ellos Group AB (publ), is a holding company that provides management and administrative services to the group's other companies.

The group sells its products in Norway through the company Ellos Norway AS. However, as the Ellos Group operates as a group with common sourcing and operations, this report is described from the Ellos Group perspective.

Ellos primarily offers fashion and home decor through its own brands, but also through a variety of external brands. Jotex focuses its business on self-designed modern home decor, and Homeroom is a dropship-based platform that sells home decor from the group's own brands as well as a wide range of external brands. The group's assortment in total accounts to around 100000 different options, of which 16000 is internal styles. The broad range including shoes, fashion, accessories, furniture, electronics, toys, beauty, home textile and decoration put Ellos Group in front of many different risks in the value chain.

The group's operations are based on a common e-commerce platform, where the three e-commerce platforms are commercially independent while the group benefits from economies of scale by coordinating purchasing, logistics, payment solutions, and customer service. The group's headquarters are in Borås, where warehouse and logistics facilities supporting all markets are also situated.





# SOURCING FROM COUNTRIES WITH HIGH RISKS FOR HUMAN RIGHTS ISSUES

Ellos Group’s internal products are defined as all products labelled Ellos, Jotex, Pastill, Ahkka, Joelle, Agnes Cecilia, Studio Total and Milly & Willy. They are all manufactured by external suppliers, mainly in Southeast Asia. We do not own any factories, instead we work with independent suppliers. In 2022 we had 437 tier 1 suppliers. In addition to our own private label products, we have suppliers for external brands sold at our sites. The following sections focuses on the supply chain and suppliers for Ellos Group’s internal products. For more information about due diligence for external brand suppliers see section External Brands.

Our main sourcing markets in 2022 were China, India, and Bangladesh. China has increased in line with Ellos Group’s category sales strategy, while India has decreased mainly due to less production of carpets in India. In Europe, several reasons such as inflation in Turkey, the war in Ukraine and increased minimum quantities demands from suppliers has had effect on decreased sourcing volumes.

We use country human rights risk levels in the countries where Ellos Group sources products from to help guide our human rights management. The risk levels are based on a range of independent human rights sources, such as *International Trade Union Confederation*, *BSCI Amfori* and *Human Development Index*. The location of Ellos Group’s suppliers implies large geographic risk for negative impact on human rights. Based on our overall assessment, we see that Ellos Group’s suppliers are located in several countries with little to no guarantee of human rights.

	Share of sourcing 2022	Risk score
China	57,4%	High
India	19,4%	High
Bangladesh	7,9%	High
European Union	4,9%	Low
Pakistan	3,6%	High
Turkey	2,5%	High
Others	4,4%	High

## Identified changes and updates in regional risks in 2022:

- The war in Ukraine and it’s direct and indirect impacts
- Continued inflation and financial instability in Turkey
- Continued covid restrictions and their consequences in China

Examples of action based on changes in identified regional risks during 2022 has been that we for deliveries from China been more careful in our claim process based on late shipment, to prevent excessive overtime. Ellos had one supplier in Belorussia that was terminated immediately due to the war in Ukraine, without any loss of any undelivered orders. Ellos group have 1 factory in Ukraine that so far has not been affected directly that we continue to support with orders. At the same time not issuing any liabilities in regard to late deliveries.

We have an established procedure for evaluation of new sourcing markets, which includes assessments of labour and human rights risk alongside assessments of environmental aspects and business elements. The assessments include analysis of legal/regulatory framework against Ellos Group Code of Conduct and evaluation in regard to compliance with Ellos Group Supplier manual as well as Ellos groups Trade sanction policy. Included in the process is also an evaluation against BSCI AMFORI Risk management tool.



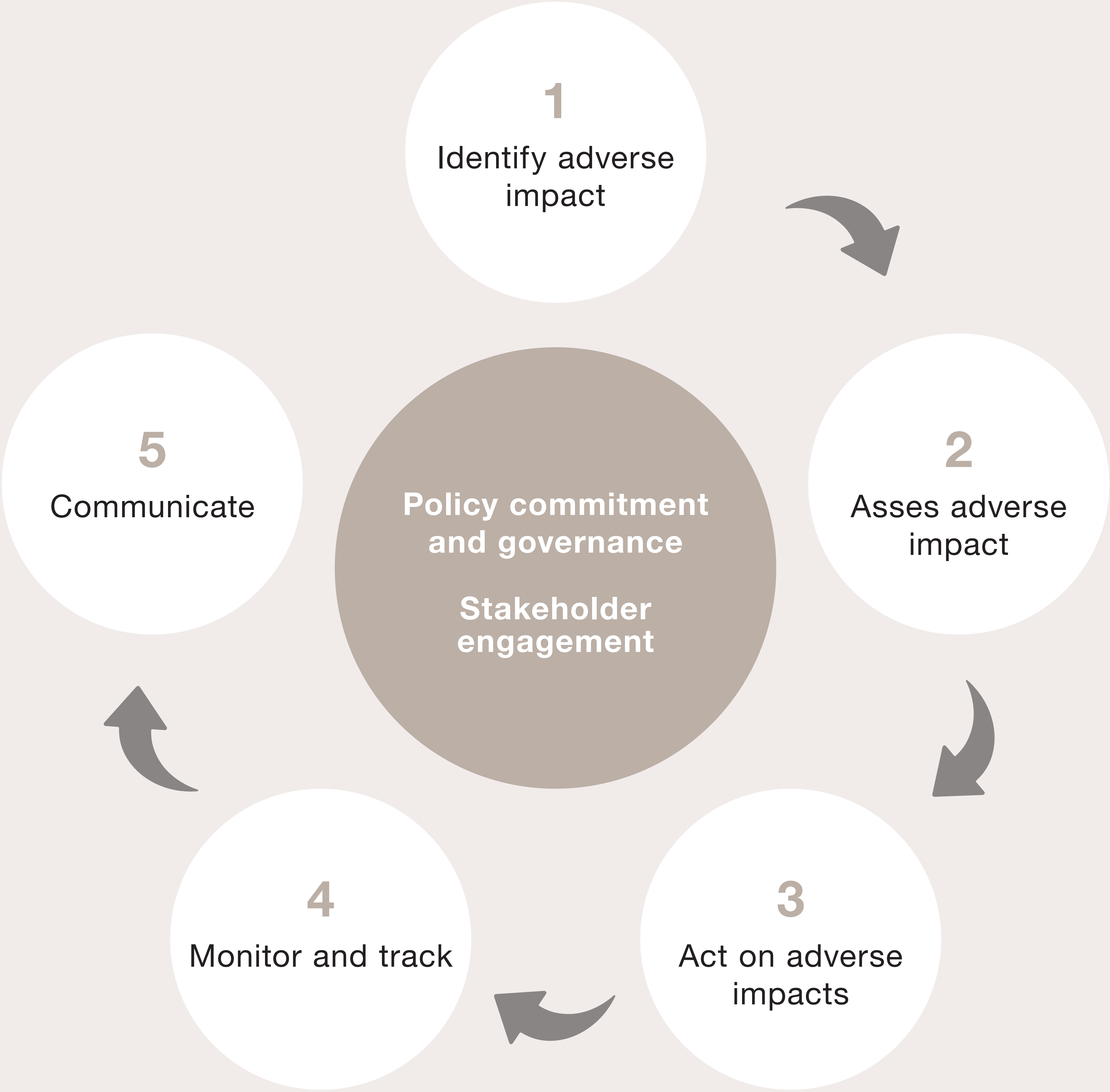


# ELLOS GROUP’S HUMAN RIGHTS MANAGEMENT

Ellos Group’s human rights due diligence is based on the *OECD Due Diligence Guidance for Responsible Business Conduct*. Ellos Group’s human rights due diligence is integrated in the relevant business processes and supplier management. An assessment is always carried out before a new supplier is added, and only suppliers with a well approved social audit are allowed to work with Ellos Group. The performance of all suppliers is followed up in an annual process called Perfect Supplier Base (PSB) where an evaluation of all suppliers is done from a risk perspective, sustainability performance and business performance. If risks are found in the audit a corrective action plan is developed and the Ellos Group team work together with the supplier to mitigate the risk.

For the coming year, in line with our risk-based approach, we aim to conduct more thorough human rights impact assessments through the Worldfavor tool with the full supplier base, as well as expanding the work to Tier 2 suppliers.

The figure to the right summarizes how we work with managing human rights in our business through five steps.



## 1. Identify adverse impact

A broad scoping exercise to identify where the risk for negative impact on human rights are most likely to be present and most significant.

- Risk assessment based on country, sector, product & raw material and enterprise risk
- Carry out an initial prioritization of the most significant human rights risk areas for further assessment

## 2. Assess adverse impact

Based on identified risks and prioritization an evaluation is done based on each supplier relationship, resulting in an evaluation of risk with each suppliers indicating where to focus going forward, by supplier or salient risk.

## 3. Act on adverse impact

Cease, prevent, or mitigate

- Address systemic issues and update policies and management
- Support suppliers in the prevention or mitigation of adverse impact
- Use leverage to affect change in the practices of the entity that is causing the negative impact
- As a last resort, disengage from the business relationship

## 4. Monitor and track

Based on decided actions areas Ellos Group monitor and track our ambition, by quarterly update to the group management. Ellos groups use audits to identify risks and track risks and secure remediation by corrective action plans as a key tool to monitor and secure constant improvements throughout our supply chain. It allows us to act directly when critical risks are detected.

## 5. Communicate

Ellos ambition in regards to being transparent with human rights risks and actions in regards to prevent or mitigate risks is reflected in our reporting on an annual basis. Besides annual reporting, securing human rights is an important part of all our work throughout the organization and communicated internally and in close cooperation with our partners and suppliers on continuous basis.





# POLICIES AND FRAMEWORKS TO GUIDE RESPONSIBLE BUSINESS CONDUCT

At Ellos Group we are committed to respecting fundamental human rights of all people across our value chain – in our own operations, across our full supply chain and in the communities in which we operate. According to the UN Guiding Principles for Business and Human Rights, we as a company have a responsibility to respect human rights, which means to prevent doing harm to people and their human rights as a result of our business operations.

Ellos Group’s Code of Ethics with its different policies is an essential guide for us to ensure that we take the right decisions and right action. Our Code of Ethics is available on our intranet for everybody employed at the company and regular trainings are held for employees on the core parts of the Code. The Code of Ethics includes policies for anti-bribery, competition, data protection, trade sanctions, equality and diversity, the environment, sponsoring, products and whistleblowing. An internal Code of Conduct explaining how to act according to our Code of Ethics is also available for all employees.

To meet the requirements of the Transparency Act, a new Human Rights Policy has been developed and was approved by the board during spring 2023. The Human Rights Policy sets out the overarching principles for how to respect and manage human rights due diligence within Ellos Group. We are working on fully embedding the principles into our operating standards and management practices.

In addition to the policy and the Code of Ethics we communicate our expectations towards ethical business conduct through our Code of Conduct. The Code of Conduct applies to all suppliers and their subcontractors who are involved in manufacturing or supplying products to any of the companies included in the Ellos Group. The Code of Conduct is part of our contractual agreements with all our business partners. The Supplier Code of Conduct has been updated during spring 2023 with added reference to HRDD.

In order to further strengthen the Human Rights Due Diligence work Ellos Group joined Worldfavor. Worldfavor is a platform for following up on our supply chain by self-assessment surveys and by mapping the full supply chain tiers. The work with Worldfavor has just started, but we see this work as an important part of our strengthened work with HRDD.





## ANCHORING THE HUMAN RIGHTS WORK IN THE ORGANISATION

The progress of the group's work with human rights is followed-up quarterly by the management team. The proactive work is done based on continues improvements according to the UN Guiding Principles for Business and Human rights to prevent harm to people and their human rights and it is our Human rights policy that sets out the overarching principles for how to respect and manage human rights due diligence within the group. The center of expertise, strategic and tactical work is underpinned by the Sustainable Director, who is a part of the management team.

The implementation and follow-up of the sustainability work is driven by the head of each function and resources are updated and approved according to the annual budget process. Our way of working method is in line with the ISO9001 method. This means that we follow a step-by-step model to map risks in our work with human rights and decent working conditions to follow up the suppliers in our value chain. Actions we take to avoid, counteract, or solve problems are based on priorities from our risk assessments based on laws, regulations and updated key policies as well as strategy and budget for Ellos Group.

We work to embed our principles on human rights in all daily business and decision-making at Ellos Group, such as in responsible sourcing practices. If any of our employees identifies potential or actual adverse impacts on human rights, we expect the employee to inform the relevant function within Ellos Group about such impacts.

## ANCHORING THE HUMAN RIGHTS WORK IN THE COMPANY BOARD

The Board of Directors is the highest governance body of Ellos Group AB. Ellos Group's board of directors consists of three (3) members elected by the general meeting of shareholders. The Board of Directors has the overall responsibility for internal control and risk management. Ellos Group AB applies COSO's framework for internal management and control, which is the most internationally recognized framework for describing and evaluating a group's internal control structure. The COSO framework consists of five components: control environment, risk assessment, control activities, information and communication and follow-up. The Board of Directors is responsible for establishing business objectives and strategy, ensuring that there is satisfactory control of the Group's compliance with laws and regulations, and ensuring that key policies are adopted for the Group.

The board approves all key policies for the Ellos Group, including the Code of Ethics policies and the Human Rights policy. The work with human rights due diligence will be reported on and followed up annually by the board. The strategies, policies and practices relating to human rights will be regularly evaluated, striving for continuous improvement.

## MANAGING THE RIGHT TO INFORMATION

Ellos Group want to be transparent about the products we sell and our work. During 2022 Ellos Group received a few general requests for information regarding how we work with living wage from journalists, but no specific questions regarding products or our supply chain. All questions were answered within 21 days from request.



# MANAGING RISKS IN THE SUPPLY CHAIN

We strive for all our products to be manufactured in accordance with our Code of Conduct, under fair working conditions and with adherence to human rights. Our suppliers are required to adhere to our Supplier’s Code of Conduct.

Our Code of Conduct for our suppliers is based on the French standard ICS (Initiative Clause Social), which is equivalent to programs such as the BSCI Amfori (Business Social Compliance Initiative), and follows international labour standards, such as the International Labour Organization’s (ILO) conventions and declarations and the Unites Nations (UN) Guiding Principles on Business and Human Rights. Managing risk today means putting in place effective controls along the value chain. We as a company are responsible for human rights and descent working conditions as well as for social and environmental performance throughout our supply chains, making supplier risk assessment a priority. The aim is to maintain high standards from production to point of sale and in doing so minimize the risk.

All new production factories must adhere to recognize Ellos Group’s Code of Conduct and Ellos Group’s supplier manual for our own products. To register a supply unit, it must be assessed and audited before any business can be started or any orders can be placed.Where significant gaps are identified with regards to Ellos Group’s Code of Conduct improvements are mandatory before approval is given. Based on risk assessment in combination with audits status, factories identified as high risk will not be accepted in to Ellos Group’s Supplier portfolio. During 2022 we have stopped 27 factories by this screening process. Most frequent reason being critical findings on human rights issues in the audit protocol.

When a production unit is approved, the unit will be registered and opened in our purchasing systems, allowing the factory to be used for production. For existing factories audits are done in cycles where initial audits are done once per every two years, with follow up assessments being done based on the identified risk profile for each individual manufacturing unit. Entities with a higher identified risk of breaches with our requirements will have follow-up assessments more frequently than units with a lower risk of breaches.

In 2022, we continued our work to cover 100% of Ellos Group Tier 1 suppliers to have been audited and externally certified within 24 months. In 2022 we had 437 tier 1 suppliers. This is a significant increase compared to 2021 due to our work to strengthen our CSR work and a redefinition of 'Tier 1' where all production units are now included. Of those, 33 were new suppliers, added to supply new product areas within mainly the home segment.

In 2022, 96% of all factories had valid audit reports. The reason for a reduction from the previous 100% is the redefinition of 'Tier 1' where all production units are now included. Previously, a trader was counted as a supplier even if the trader included e.g. 3 production units. Due to Covid-19 in China, not all new audits could be carried out before year end, but those audits have been done in the first half of 2023.

In order to increase the efficiency for our partners and powerful action in regards to corrective measures in their operation with focus on human rights, worker safety and the environment, Ellos Group recognize the importance of cooperating with partners to have more impact. Ellos group is therefore part of BSCI AMFORI and The International Accord.

	2020		2021		2022	
	#	% of total	#	% of total	#	% of total
Suppliers with external audit or internal assessment	324	100	324	100	420	96
Total numbers of suppliers	324	100	324	100	437	100
Number of new suppliers	22	7	40	12	33	8

## BSCI AMFORI

In 2022, Ellos Group became a member of BSCI Amfori, as a step to improve the company's follow-up of human rights issues and work on improvement of factories together with other brands sourcing from the same factory. About half of the group's factories are members of Amfori and are followed-up and monitored through the Amfori setup.

## THE INTERNATIONAL ACCORD

During the autumn of 2021, Ellos Group signed the new International Accord on Health and Safety in the Textile and Garment Industry, a 26-month legally binding agreement to make ready-made garment (RMG) factories safe.

The new agreement is a continuation of the previous Accord Bangladesh operations. The parties commit to continue the collective workplace safety program in Bangladesh by supporting the RMG Sustainability Council (RSC) and to expand their safety programs to other countries based on the principles and standards of the previous fire and building safety Accords of 2013 and 2018.

In 2022, Ellos Group continued within the framework of Accord to improve the Ready-Made Garment Industry as a safe and healthy working environment. By signing the Accord, Ellos Group commits that all the factories producing garments for the Group are audited based on three different areas: fire safety, electricity and structural issues. The Group is also committed to drive remediation of Corrective Action Plans at the factories where Ellos Group is Lead Brand.



## **SOURCING PARTNERS AND DIRECT SUPPLIERS**

To assess and reduce risk in our supply chain for manufacturers outside of BSCI Amfori and International Accord, we have a control and follow-up system in place with regular audits and inspections. We require a valid audit report every 2 years with no critical deviations to track progress, identify risks and improvements.

Ellos Group has a formal agreement with our sourcing partner Global Sustainable Sourcing (GSS), previously part of the Kering Group. That regulates the responsibility and actions in regard to monitor, identify and act on adverse impacts in cooperation with Ellos Group. GSS carries out audits and inspections of the suppliers in their network, with a combination of their own inspections and semi-announced independent audits (For external audits, Bureau Veritas is used by GSS). All suppliers in the GSS network have been inspected and approved prior to inclusion on the list of suppliers. GSS implements and track that CAPs are followed and support training of suppliers.

Direct Suppliers audits and corrective action plans are carried out through the independent audit institute Bureau Veritas and cooperation with Ellos Group. Ellos Group has a long-term commitment regarding our supplier relationships and our aim is always to strive for a long-term partnership that allows our cooperation to generate long-term improvement that deliver responsible business and long-term growth.





ELLOS GROUP AUDIT AND CSR WHEEL

Supplier Social Audits is central in our work with securing human rights in our supply chain. Ellos Group has developed an audit protocol in close collaboration with our partner GSS and Bureau Veritas. The onsite audit includes confidential employee interviews, record testing, observations, and management feedback. With a multipronged approach, auditors can consider various sources of information and utilize proven investigative techniques to corroborate evidence.

During the start of 2022 we took the decision to revise the Audit protocol to align with Amfori/BSCI. We reduced the number of Audit point from 234 to 214. We rephrased some points to be more distinct and clearer to make the evaluation even better. We also increased the number of high-risk areas significantly, so called critical points. The updated audit protocol was implemented during Q3 2022.

The overall work to secure human rights in our value chain is built on our identified risk areas (Forced labour/Child labour/Occupational health & safety/Freedom of discrimination and harassment/Regular employment & wages/Freedom of association & collective bargaining). We translate these risks into Ellos Group’s CSR Wheel and internal supplier scoring system, which make the basis for the audit format. Ellos Group have a Zero Tolerance way of working and the definition of that is specified in our internal routines and communicates in all the trainings, “Human rights violations, descent working conditions and business behaviour that may endanger the independence of the risk management (by audits) are to be distinguished from regular social performance findings and qualify as zero tolerance cases”. Failure to comply with e.g., chemical handling, fire & electricity safety, child labour, health & safety that could imply risk of losing limb or live as well as bonded labour are critical areas which will imply corrective

Based on identified risks and audit, the supplier is required to introduce improvements that are outlined in a Corrective Action Plan, including a description of the non-compliance, a recommended corrective action, a target date for when the corrective action is to be completed and a comment from the factory. Depending on how serious the non-compliance is, a second audit is scheduled to confirm progress within a set time frame or identified measures are tracked by documentation as proof such as certificates and photos. We also seek to collaborate with our suppliers to ensure that they live up to our expectations for continuous improvement.

If serious issues are not rectified, business will be terminated. In 2022, 29 of Ellos Group’s suppliers was terminated due to serious non-compliance or failure to improve.





## SOURCING FOOTPRINT AND CONSOLIDATION STRATEGY

To invest more in each supplier to manage compliance and human rights risk, Ellos Group set a target to reduce our supplier base by 25% over the coming 3 years.

In order not to increase the risk in our supply chain the basis for the reduction is based on low order value/volume and that a withdrawal can be made without clear indication of increasing the risk of the workers.

Reducing the number of suppliers at Tier 1 allows us to spend more time on each supplier regarding audit, corrective action plans and training. Economy of scale allows us to increase value/volume within existing suppliers base. This to increase the enterprise impact that we can have in the cooperation with our suppliers. Increased value/volume will allow incentives for investments in the standard of the factory, or the workforce involved throughout our supply chain. In addition, reducing the number of suppliers at Tier 1 level will allow us to go deeper into tracking, assessment and preventing risk throughout our supply chain at Tier 2/Tier 3 based on prioritized risks.

## TRANSPARENT SUPPLIER INFORMATION

Ellos Group want to be transparent and a list of Tier 1 turnkey factories for apparel, shoes and home textile used for Ellos Group is published on our homepage. We have chosen to commit ourselves to the transparency pledge and its criteria for transparency. It is an absolute prerequisite that the factories share our approach to social responsibility and have the same mindset for human rights and decent working conditions that we have in our policy, way of working and routines. All factories that produce for Ellos Group must commit to following our ethical way of working and go through an approval process before the first test order.

[Here you will find the overview of all the factories Ellos Group cooperate with.](#) The overview contains the factory's full name, address, supplier, number of workers, certification, and product type. The list is updated once every twelve months. As a step of continuous improvements, the list will eventually include all our approved processing factories (printing, embroidery, laundries, spinning mills and other supporting processes).

To increase the customer relevancy in regards to human rights Ellos Group will during 2023 launch a specification on our product pages. The specification will include supplier details including a summarized audit score to indicate the standard of the factory.





# SALIENT RISKS

In line with OECD Due Diligence Guidance for Responsible Business Conduct and UN Guiding Principles on Business and Human Rights, we are prioritizing our human rights due diligence according to the following framework:

Factors for prioritization:	For suppliers this translates to:
Size of business	Supplier expenditure
Geographic risk	Risks of human rights violations in country of supplier
Sector and product risk	Suppliers’ industry risks
Enterprise risk	Worldfavor score, social audit score, agent structure
Severity and probability of impact	Supplier risk level, business relationa

## ELLOS GROUP’S PRIORITIZED HUMAN RIGHTS AREAS

Ellos Group monitor our prioritized human rights areas and recognize that there are potential risks of adverse impacts in our supply chain given the countries we buy products from, and the industries which we are in. According to our human rights risk-based approach looking at the size, nature, context, severity and probability of impact, the most salient risks are:

Salient risk:	Where the risk has been identified:	2023 actions on adverse impact:
 Forced labour	Product supply chains in Bangladesh, China, India, and Turkey, and in cotton farming and processing	<ul style="list-style-type: none"><li>- Audits &amp; CAPs</li><li>- Tracking of that all suppliers have a forced labour policy and that it is implemented</li></ul>
 Child labour	Product supply chains in Bangladesh, China, India, and Turkey.	<ul style="list-style-type: none"><li>- Implementation of child labour policy</li><li>- Assessment beyond Tier 1 to secure child labour policy Audits &amp; CAPs</li></ul>
 Occupational health and safety	Production supply chains in Bangladesh, China, India, Pakistan, Turkey, and in raw material production	<ul style="list-style-type: none"><li>- Implementation of MRSL</li><li>- Manufacturing Restricted Substances List</li></ul>
 Fire and building safety	Production supply chain in Bangladesh, China, India, Pakistan and Turkey	<ul style="list-style-type: none"><li>- RCS Bangladesh &amp; Pakistan</li><li>- Audit and CAPS</li></ul>
 Discrimination and harassment	Production supply chain in Bangladesh, India and Turkey	<ul style="list-style-type: none"><li>- Audits &amp; CAPs</li><li>- Tracking of that Non-discrimination policies is in place</li></ul>
 Regular employment & wages	Production supply chains in Bangladesh, China, India, Pakistan and Turkey	<ul style="list-style-type: none"><li>- Tracking of wage levels</li><li>- Stakeholder meeting in India and China</li></ul>
 Freedom of association & collective bargaining	Production supply chain in Bangladesh, China, India, Pakistan, and Turkey	<ul style="list-style-type: none"><li>- Stakeholder meeting in India &amp; China</li></ul>





# FORCED LABOUR AND MIGRANT WORKERS

The Global Slavery Index has reported that 40 million people globally are victims of modern slavery. It also identified garments as a top 5 product category at risk of having modern slavery in its supply chain. Ellos Group are committed to work to ensure that forced labour and modern slavery does not occur in our supply chains. Ellos Group have identified risk of forced labour in the product supply chains in Bangladesh, China, India, and Turkey, as well as in cotton farming and processing.

Forced labour is a part of all onsite audits done at factories in the supply chain and is identified as a critical area in all Audit evaluations. In 2022 we identified 1 breach to Ellos Groups requirements for freely chosen labour.

*On June 9, 2022, a zero-tolerance forced labour case was raised for one of our Danish agent’s suppliers in Taiwan. The reason for the alert was following finding: 3 foreign migrant workers was employed in the factory and all of them were hired before June 2019. According to the foreign interviewees, foreign workers were required to pay regular fees in Taiwan such as service fees, health team fees and work permits, and those fees were not paid. The Danish agent was contacted by the BSCI Amfori secretariat to attend a conference call with the other linked members and the date for the meeting was set to 16th of June 2022. During the meeting Ellos Group referred to our Code of Ethics, Code of Conduct and the CSR Wheel with its zero tolerance areas and priorities. The agent was pushed both by BSCI Amfori and Ellos Group to take immediate action to solve the case with the migrant workers. The supplier argued that the fees has been paid. After several turns the payment slip as proof of evidence was received mid July and the documented payments was forwarded to both BSCI Amfori and Ellos Group for review and approval. The agent requested a BSCI Social Follow up audit for the supplier and was completed 23rd of August 2022*

*with a result for all each sections was A. Green. The case was settled in full and closed 31th of August 2022*

## MIGRANT WORKERS

Migrant workers can be vulnerable to exploitation, discrimination, forced labour and poor human rights protection. Displaced communities often face a variety of barriers that can hinder their integration into the labour market, including the lack of documents proving their professional experience and competence, and language barriers. Ellos group commit to work to protect migrant workers in our supply chain and promote their human rights and worker rights.

The risk for migrant workers has been especially high in Turkey. According to UNHCR there are an estimate of 3,5 million Syrian refugees in Turkey under temporary protection at the end of 2022.

A new risk identified during 2022 regarding migrant labour is the war in Ukraine that we for European producers will monitor during 2023 by self-assessment and possibly if identified risk audits or on-sight inspection. Currently Ellos Group have few European suppliers, so at this stage a minor risk.

To mitigate the risk of forced labour Ellos Group require that suppliers respect our Code of Conduct requirements, and we follow up on this through factory audits. We especially monitor that all wages are linked to accounts, and no cash payments are allowed to prevent systematic exploitation of migrant workers and forced labour.

During 2023 we will follow up that all suppliers have a policy on forced labour and migrant workers, and help our suppliers put this in place where it is not in place. Further actions will be taken for suppliers where the risk is substantial.

# CHILD LABOUR

Globally child labour continues to grow and last year UNICEF reported that the number of children in child labour had risen to 160 million worldwide. Child labour is an important part of Ellos Group’s Code of Conduct and a critical area regarding supplier auditing and screening. Any case related to child labour need to be handled with extra focus, to not only incorporate a plan for the supplier but also a welfare plan for the children involved. We have had no reported case during 2022.

We are aware that child labour is a relevant issue in our industries supply chains, especially related to agriculture and raw material production, and particularly in the cotton sector. We have identified significant risk of child labour in our product supply chains in Bangladesh, China, India, and Turkey. As of 2023, we do not have the transparency in our supply chain on where all cotton is grown. Based on that, it is a key priority for Ellos Group to work with certified and traceable cotton (In 2022 12% of sourced cotton was GOTS certified and 67% of sourced cotton supported Better Cotton (not traceable)).

[Read more about Better Cotton](#)  
[Read more about GOTS](#)

To gain more insights and assess risk linked to child labour Ellos group increase focus on traceability of its supply chain, to increase possibility for information and follow up throughout the process chain. Ellos group will during 2023 secure a separate Child labour policy to extend our focus in this important area and follow up adherence through Worldfavor and through the regular audits.



# OCCUPATIONAL HEALTH AND SAFETY

United Nations Global Compact estimate that 374 million workers suffer from non-fatal occupational accidents and 2.8 million workers die from occupational accidents and work-related diseases every year. Making health and safety a key priority for Ellos Group as the likeliness of injuries or possible deaths is high.

Occupational Health and Safety has been identified as a salient issue where risks of breaches (in particular) can be found in all steps of product supply chain.

The risk has been identified as being prevalent in all production markets, with particular significance in Bangladesh, China, India, Pakistan, and Turkey.

Audits and inspections are key measures to identify hazards as well as verifying that improvements on identified issues have been completed where necessary. Ellos has 3 sections in the social audits concerning health and safety: Safe Working Conditions, Chemical handling, and Hygienic Working Conditions, where 44 points (42% of total protocol/scorecard) are critical or zero tolerance.

**The most frequent health and safety issues are:**

**Chemical handling:** Lack of chemical handling and correct MSDS signage in local language i.e., labelling and instructions.

**Health checks:** Another frequent issue that Ellos Group have found is lack of regular health checks for workers operating in high risks chemical areas.

**First aid:** A common issue is incomplete first aidkits, eyewash stations missing in risk areas,

**PPE:** (personal protective equipment) provided but not used according to requirements.

Ellos will during 2023 implement and secure a Manufacturing Restricted Substances List (MRSL) that is in place within all our suppliers and followed by self-assessment.

Besides MRSL we will continue to work with Audits and corrective action plans to reduce risks. Most likely health and safety will be areas that generate the most frequent reason for corrective measures regarding both non-critical and critical issues.





# FIRE AND BUILDING SAFETY

Fire and building safety have long been an issue identified especially to Bangladesh.

The catastrophic collapse of Rana Plaza 2013 drew the international attention to this issue and The Accord on Fire and Building Safety in Bangladesh (“the Accord”) was formed. Ellos Group signed the Accord in 2016 to join forces with other companies and global trade unions to make factories in Bangladesh safer. The Accord has from 2013-2020 been an independent, legally binding agreement between brands and trade unions to work towards a safe and healthy garment and textile industry in Bangladesh. In 2020 the Accord was transferred into The Ready-Made Garments Sustainability Council (RSC), taking over the same framework, but with more direct involvement from the Bangladeshi garment industry. Ellos Group signed the new International Accord agreement 2021. The agreement will continue the work to ensure safe workplaces in the Bangladesh textile industry.

All factories Ellos Group cooperate with in Bangladesh are required to take part in the full scope of the RSC program, including regular inspections from independent and qualified engineers, following the remediation plans that are based on identified issues. Factories are rated for progress to solve issues that have been identified by RSC engineering teams. The overall progress rating for factories that Ellos Group cooperate with in Bangladesh is 91% for electrical, fire 87% and structural 87% that gives a total average of 87%. For Bangladesh the acceptance score from RSC is 96% and above, which means that this will be a continued focus area for Ellos Group in the coming year to reach the target level for our factories in the RCS.

Electrical safety is our most frequent critical area. Every 2nd remediation report contains critical, zero tolerance points connecting to fire safety.

Fire remains a critical risk in all counties and continue to be an area that we follow up in our audits and with corrective action plans. No shipments or new order placement can take place until such critical areas are resolved, and action taken. (This is valid for both the factory and if dormitories connected to the facility). The number of critical cases 2022 was 64 factories. 38 corrective action plans were finalized, and 26 suppliers remained stopped from purchasing by the end of December 2022.

For 2023, Ellos Group will continue its work with RCS Bangladesh together with the additional focus with RCS Pakistan that was signed in 2023, integrating 5 new factories to RCS. We will also continue to track and monitor fire safety through our Audits and work with corrective action plans where we detect failure regarding compliance on both critical and non-critical areas. We will also work actively to make sure that Fire safety is a key area throughout our supply chain. We will increase our assessment regarding fire safety by including questions in our traceability efforts extended beyond Tier 1 by self-assessment through Worldfavor.

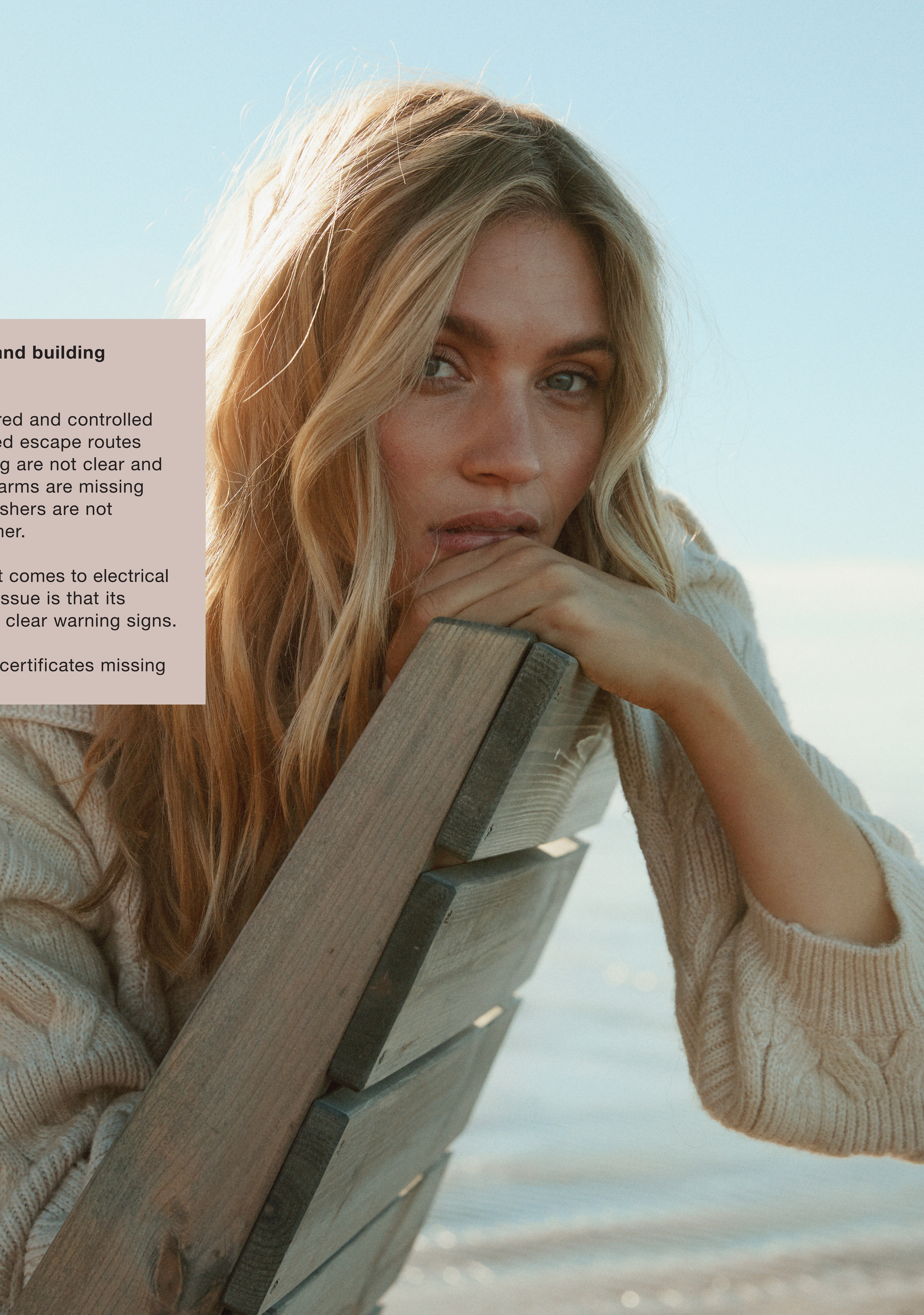
In addition, Ellos Group will during 2023 support our suppliers regarding fire safety by conducting training with factories in China and India.

## The most frequent fire and building safety issues are:

**Fire safety:** Lack of secured and controlled fire equipment i.e., blocked escape routes and escape route mapping are not clear and visible in all areas. Fire alarms are missing batteries and fire extinguishers are not installed in a proper manner.

**Electricity issues:** When it comes to electrical boxes the most frequent issue is that its missing outer covers with clear warning signs.

**Building safety:** Building certificates missing





## DISCRIMINATION AND HARASSMENT

In 2021 ILO's Violence and Harassment Convention, 2019 (No.190) came into force. The convention states clearly that violence and harassment at work, in all forms, is unacceptable. We know that workplace violence is an issue in many industries and in countries and regions where we have direct or indirect supply chain links. Ellos Group has a strong internal policy and position regarding discrimination and harassment and prioritizes this as a salient risk in our supply chain.

Ellos Group has a large share of its sourcing in the textile industry. In the textile industry women are predominated as a major part of the workforce, but not necessarily represented in management. This increases the risk related to sexual harassment (and other types of harassment) and gender-based violence in our production supply chain in Bangladesh, India and Turkey. These matters can affect people in all groups, but we recognize that women in particular are exposed to workplace violence and discriminatory practice.

Our Supplier Code of Conduct set our requirements and expectations to supply chain partners on anti-discrimination related to aspects such as hiring, compensation, access to training, promotion, termination, or retirement based on ethnic background, skin colour, caste, nationality, religion, age, health-related issues, disability, gender, marital status, sexual orientation, union membership or political affiliation.

We follow up on areas of discrimination and harassment in our Audit. The CSR wheel and the audits cover discrimination & ethical business behavior with 22 points that are major and critical where 6 of them scored as zero tolerance.

In the audits conducted during 2022, 69 reported issues were reported regarding discrimination and harassment. The main issues were lack of communication to workers about their rights, non-compliant policies, and lack of routines and practices for obtaining, implementing, and retaining information on local and national laws concerning discrimination and harassment. 20% of the factories had minor or major issues in relation to lack of precautions for minimizing risk. Also, the workers are not aware of the grievance mechanism function and their rights to have an opinion of how to improve the practices.

In 2023, Ellos Group will continue to track and monitor discrimination and harassment through our Audits. We will also work actively to make sure that Non-discrimination policies must be clearly defined and communicated by our suppliers to the employees. Female workers shall be given equal opportunities and be entitled to the same benefits as men in the workplace. There shall be no distinction, exclusion or restriction based on gender. We will increase our assessment by including questions that address discrimination and harassment in our traceability efforts extended beyond Tier 1 by self-assessment through Worldfavor.





# REGULAR EMPLOYMENT AND WAGES

Regular employment and timely wage payments are important human rights. Ellos Group's Supplier Code of Conduct emphasizes our requirements for fair wages and regular employment. Regular employment is a foundation for proper work as it gives a stable and predictable income. All workers should be entitled to a written labour contract before entering employment including information about the terms for the employment.

As Ellos Group produces our products in countries where wages and decent working hours are salient issues, we need to ensure that our suppliers follow the requirements of contracts and fair wages for workers. The risk is present in all our supply chains, but our risk assessment identifies Bangladesh, China, Pakistan, India and Turkey as particularly exposed.

When it comes to fair wages, there are challenges with wages in the supply chain in our industry, where the situation for many workers is vulnerable. The issue of fair wages and living wages is a highly complex problem that requires collaboration between both the government and the social partners in each country. Factories often produce for multiple different brands, and there must be long-term solutions that benefit workers regardless of the brand being manufactured in the factory at any given time.

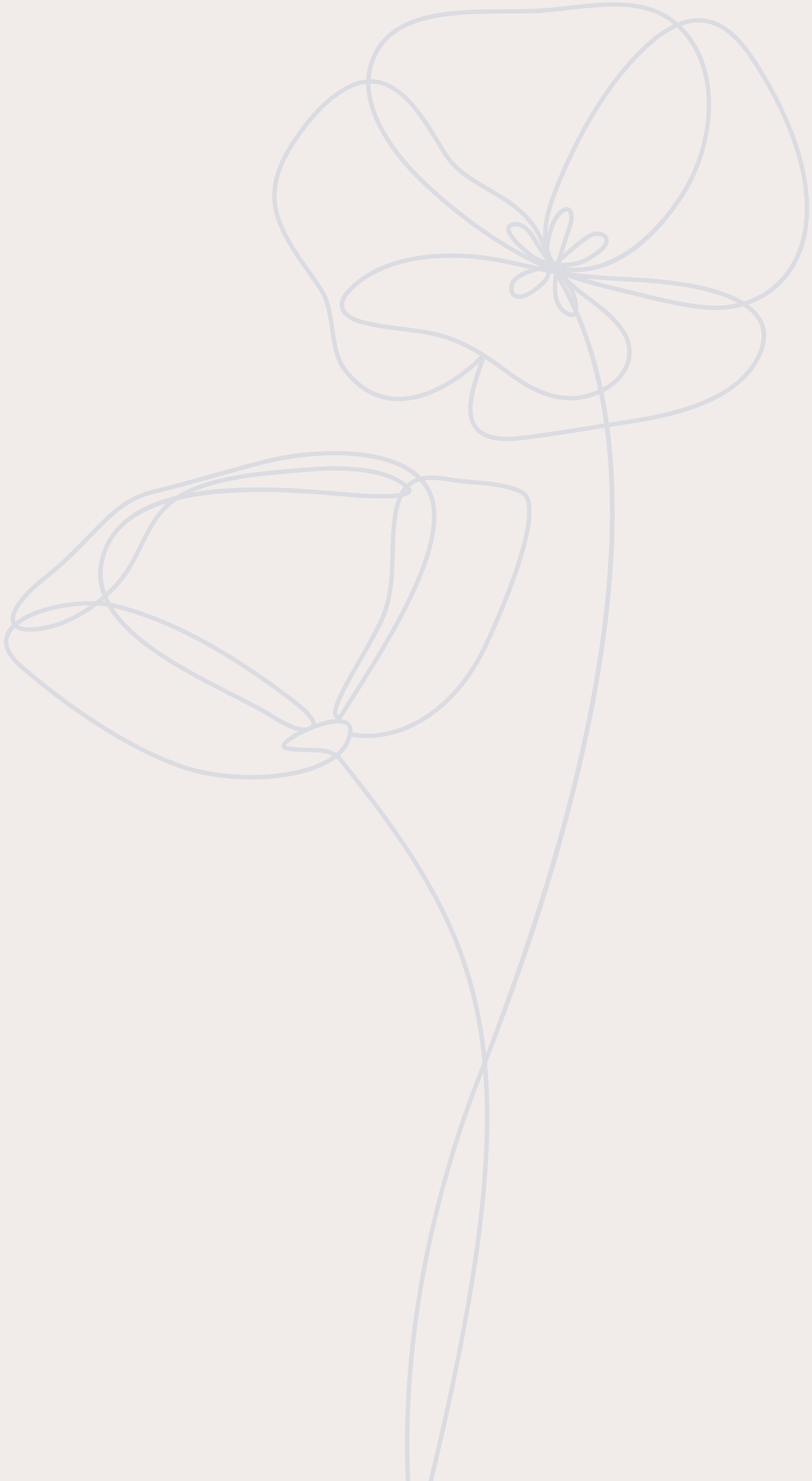
We set requirements and follow up to ensure that a fair wage is paid to all employees at the factory. This wage must not fall below the minimum wage prescribed by law in the country or the wage that is industry standard in the relevant country (the higher of these two should be used). We also monitor that wage setting and working hours comply with legal requirements in each market. Currently, we do not have an official wage survey that we publish.

Ellos Group has a section in our score card that covers regular employment and wages which is controlled in the audit process. In 2022, several cases of non-compliance were identified related to working hours and lack of documentation of wages and working hours. Hence, this is an important area of improvement for Ellos Group.

One area of concern is delayed or wrong payments. This is mainly due to that the supplier produces products for different brands. Each brand often with different payment method. The scale of the risk is significant if the supplier doesn't have a system and a clear internal process as well as stable brands that are able to pay for the product invoices in time and as agreed. Missing payments is negative for the workers as it puts pressure on their family financial situation. During the audit process, potential faults in workers' payslips can be identified.

An example of a risk connected to wage payment that occurred during 2022 is the following:

*It was found in one remediation report from RCS BD that one female worker raised allegation to RCS against her employer. The worker was not paid her final when ending her position as the company. After complaints to RCS she was paid her final salary and dues as required by law. The payment was delayed with several months which affected her financial situation. RCS together with affected brands joined forces to start investigation regarding the delayed payment issue and how to prevent that and minimize risk for worker in the future. The case was closed in April 2023 when the female worker received her final payment from the factory.*







## FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

At Ellos Group we believe in promoting decent work in our supply chains. Ellos Group have a close cooperation with both Unionen and Handels at our own operations in Borås and both unions are represented in our Board. It is therefore natural to contribute to improvements where infringements are identified. As an entrepreneurial company, we are convinced that it is employees and workers in cooperation with their employers that are in the best position to safeguard decent working conditions and to keep them sustained. We believe it is only possible if there is a fair and balanced cooperation and dialogue between workers and management.

However, we know that the right of representation, freedom of association and collective bargaining is under pressure in many countries that involve our supply chain. We have identified significant risk of infringement of workers’ rights to freedom of association in the production supply chain in Bangladesh, China, India, Pakistan, and Turkey. Our Target is that fair worker representation is established at all key suppliers, enabling workers

to take an active part in workplace processes. Respect for worker representation and freedom of association in accordance with our Code of Conduct is a basic requirement for all factories we cooperate with.

Ellos Group’s goal is that proper mechanisms for fair worker representation is established at the facilities of all our supply chain partners. To track this, we will start to identify the trade union linked to our factories by audit and self-assessment to assess status in our supply chain. Target is to have at least 15% of our factories linked to unions by the end of 2023 globally.

During 2023 we will also initiate meetings with the main unions in Bangladesh and China to learn how we even more effectively could work with this question going forward.



# GRIEVANCES AND REMEDIATION IN THE SUPPLY CHAIN

In 2023, the Code of Conduct for suppliers has been updated to be aligned with BCSI Amfori and to strengthen the areas of human rights due diligence processes. A section about how to use Ellos Group’s whistle blowing channel has been added.

Our whistleblowing policy prescribes how to report concerns, and how reported concerns are dealt with. Up until 2023, it has been a tool for the employees to report suspected or detected violations of the Code of Conduct or other corporate policies, but from 2023 we will implement it in the supply chain as well. The whistleblowing channel is provided by an WhistleB, Whistleblowing Centre, to ensure anonymity. The communication channel is encrypted and password-protected to ensure all messages will be processed in confidence. Grievances and concerns about substantial breaches to this Code of Conduct could also be anonymously reported through Ellos Group’s whistleblowing channel that [you will find here](#).

The supplier should have management systems in place to ensure that there is no conflict of interest for employees. The supplier is also encouraged to maintain a secure internal whistleblowing/reporting system. It should be ensured that workers can make suggestions or complaints without fear of reprisal.

During autumn 2023, updated information will be sent to all suppliers. Also, a mapping of all suppliers will be done to see who has a human rights policy in place and who has a grievance mechanism in place. This information will direct our actions going forward, e.g. training sessions where needed

The ambition for 2023 is to better understand how to work with this in the different sourcing countries and based on that further develop our grievance mechanisms.







## EXTERNAL BRANDS

Ellos Group has a large portfolio of external brands offered at our sites. At the end of 2022 we had 1063 external brands, that accounted for 84% of the assortment and 36% of sales at Ellos Group.

Ellos Group want to be a responsible retailer and make sure that human and labour rights are respected in the supply chains of our business partners. This is done through the agreements written with the external brands, that includes requirements on human rights follow-up, chemicals, product safety and environmental aspects.

Until 2024 we are committed to further strengthen our due diligence of external brands. We will introduce a sustainability self-assessment form that all external brands should fill in, which will be followed up by our CSR team. The result from that assessment will further direct our actions, together with the product type and in which countries the brand produces its products.

We will introduce five minimum requirements for external brand suppliers, and the target is for all brands to be compliant by the end of 2024:

- They must have a supplier Code of Conduct
- They must have a procedure for identifying risk and following up suppliers
- They must have a Restricted Substances List
- They must have a routine for chemical follow-up of their products
- They must have a contact person for CSR and product safety



## TRANSPORT SUPPLIERS

For the transportation of our products, Ellos Group is dependent of external logistics companies. This is both for the transports from our suppliers to our warehouses, and from our warehouses to our customers. We have a total of 17 distribution partners to cover our product distribution.

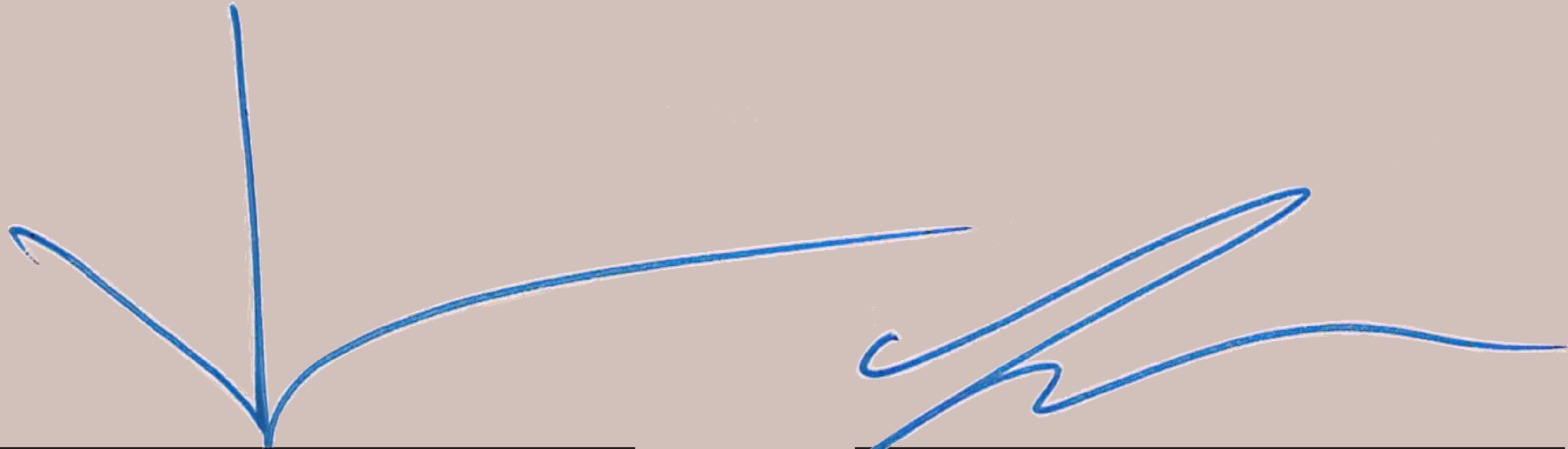
Ellos Group requires that all our transport partners have a code of conduct and that they work actively with CSR. We also do additional screening of how they in practice ensure that the working environment and conditions, laws and regulations in resp. country is complied with. These questions are followed-up regularly in meetings with our transport partners, but no structured follow-up has been done regarding how well they ensure human rights in their operations.

During 2023 we will set minimum requirements for our partners and introduce a self-assessment form, to do a screening of how well our partners live up to the requirements.



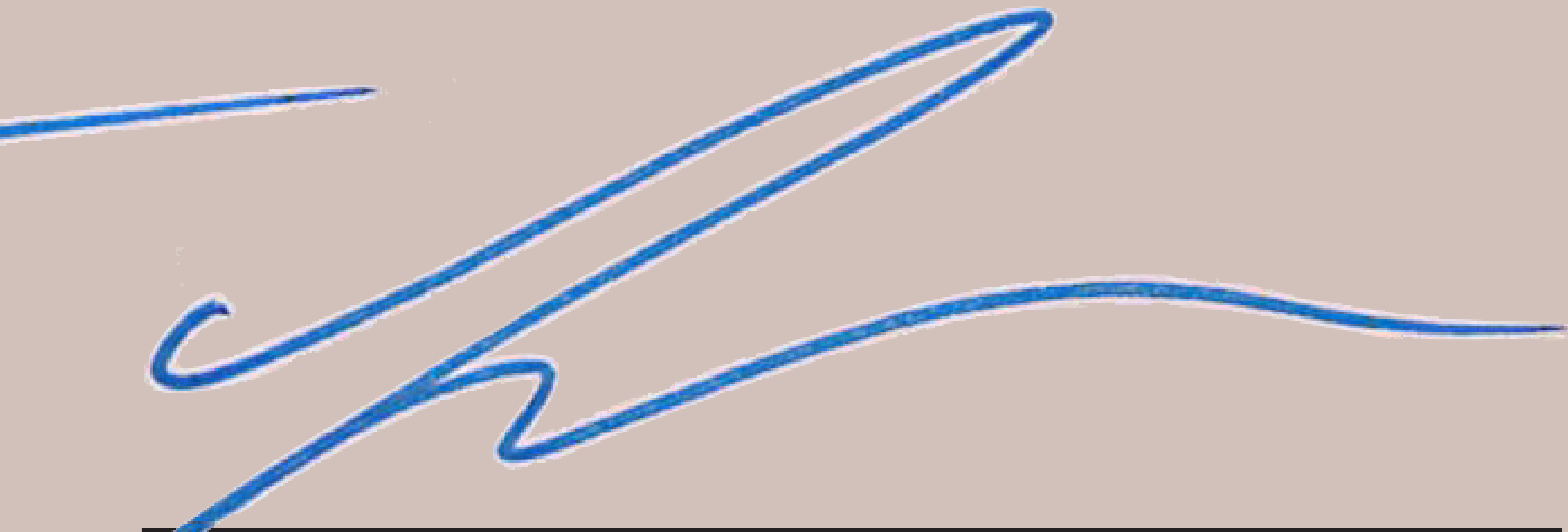


BOARD FOR ELLOS NORWAY AS



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*Hans Ohlsson*  
*Managing Director*  
*Chairman of the Board*



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*Johan Stigson*  
*Board Member*



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*Mathias Parkhagen*  
*Board Member*