

Responsible Purchasing Practices Policy

1. Introduction

As a globally operating company with complex global supply chains, Hunkemöller (HKM) takes its responsibility seriously and is working hard to adopt a holistic sustainable approach to all its business processes, striving for the right balance between people, planet and profit.

In recent years, purchasing practices and their impact on suppliers' ability to provide decent working conditions and positive environmental impact have come under increasing scrutiny worldwide and has therefore become a greater part of companies' strategies. There is a strong commercial case for both suppliers and buyers to act more responsibly. Responsible purchasing practices are essential to the core of businesses, because businesses can only sell their products when these have been delivered on time by suppliers, according to the agreed (quality) specifications and prices. Success factors to achieve this, are leadership by the buyers and accountability of both parties, knowledge on responsible purchasing practices, responsible management of conflicting priorities, focus on long-term targets and effort to create long-term and win-win relationships with suppliers. Lastly, it is important for buyers to be aware of the power they exercise on supplier so they can use it responsibly to avoid abuses in the supply chain due to tight targets, for example.

Buying professionals are responsible for the selection of their suppliers and whether the relationship that develops from that results either in exploitation or in the improvement of social and environmental conditions. To be able to act sustainably, buyers need to understand the impact of their decisions and avoid bad practices. It is known that purchasing practices can either stop or promote suppliers from complying with local (national) legislation and our Code of Conduct standards, which as a consequence, may put lives and dignity of workers in supply chains at risk.

This is why brands and retailers have to commit to improve their purchasing practices. Sustainable purchasing practices are, therefore, essential for the achievement of the financial, social and environmental goals of both the suppliers and Hunkemöller.

2. Objective

This policy defines Hunkemöller's commitments to Responsible Purchasing Practices and, where applicable, it should be read in conjunction with the Sustainability Manual for Buyers. These high-level commitments should be used by the different departments to inform overall approaches to purchasing processes.

3. Scope

This policy applies to Hunkemöller's departments engaged in sourcing and purchasing of products across all product categories.

All relevant employees engaged in development, planning, costing, sourcing, and purchasing activities are expected to conduct their work consistently with the commitments of this policy. Owners of development, planning, costing, sourcing, and purchasing policies, and related procedures, are expected to ensure these are aligned with and support these commitments.

4. Commitments

Responsible Purchasing Practices are to be embedded in all relevant sourcing and purchasing policies and procedures. These shall support decision making and processes that are aligned with the following overarching commitments:

a. Stable, Long-Term Relationship:

We are committed to building stable, long-term and equal partnerships with our suppliers. We prioritize partnerships that foster mutual trust, respect, and collaboration. This ensures consistent and effective implementation of quality, transparency, and ethical business standards throughout our supply chain. We strive to build and maintain open, clear and accurate communication with our suppliers.

b. Collaborative Production Planning and Forecasting:

We engage in collaborative production planning and forecasting with our suppliers to accurately predict demand and avoid unnecessary fluctuations. This minimizes waste, reduces overproduction, and helps maintain a sustainable supply chain.

We strive to provide forecasts and updates in advance, to have clarity of supplier's production capacity and to spread order volume to minimize large order fluctuations.

c. Critical Path Adherence

We will mutually agree with suppliers on each party's responsibilities for meeting the critical path deadlines. If HKM causes a delay in the production process, we will openly discuss related costs with suppliers.

We will mutually agree and clearly communicate, in writing, what situations trigger a claim. Penalties should be reasonable, fair and proportionate. In case of delay of shipments or quality defects, we will make an effort to avoid a claim and will work together with the supplier to find an appropriate solution.

d. Reasonable Lead Times:

We plan our lead times to be reasonable for the supplier to order and receive raw materials in due time and aiming for production to take place within normal working hours, reducing the risk of excessive overtime and/or of unauthorized subcontracting.

e. Order Volume Changes:

We recognize that market demands may change over time. When requesting order volume changes, we will provide reasonable notice to suppliers to accommodate adjustments and avoid disruption to their operations. Order modifications should always be mutually agreed between the parties.

We commit to refrain from making several and consecutive order changes.

f. Fair Payment Terms:

We are committed to providing fair and timely payment to our suppliers. Payment terms will be agreed upon in advance and will take into consideration the supplier's cash flow needs, allowing them to sustain their business operations effectively. Payment terms should not adversely impact compliance with HKM's Ethical Code of Conduct, especially the clauses on wages and compensation.

g. Sustainable Costing:

We strive for transparency and fairness in costing. Our price negotiations will take into account the financial resources suppliers spend to comply with social, environmental and product sustainability requirements and certifications.

We will request suppliers to share cost price calculations upon request. This includes cost of direct- and indirect labour, materials, overhead, margin etc. This will avoid that buying prices are below cost price.

h. Living Wage:

We work towards ensuring that all workers involved in the production process receive a living wage that covers their basic needs, including food, shelter, education, healthcare, and other essentials. We strive to work with our suppliers to implement and monitor living wage standards.

i. Responsible Exit Strategy:

In the rare event that a supplier relationship needs to be terminated, we will do so responsibly. We will provide adequate notice, collaborate on a smooth transition and clear phase-out plan, and consider the well-being of workers and the local community.

For more detailed information, please refer to the procedure on Responsible Exit Strategy.

j. Transparency and Reporting:

We are committed to transparently communicate about our responsible purchasing practices to stakeholders, including customers, employees, and investors. We will periodically report on our progress and actions towards improving our purchasing practices and making them more responsible.

We will not use the information shared by suppliers about their business partners for commercial advantage purposes. This data will be used on pre-competitive scenarios to guarantee compliance with legislation and requirements.

5. Protocol in case of potential negative impacts

Wherever existing purchasing practices are identified as having a potential negative impacts on our suppliers' compliance with Hunkemöller's Ethical Code of Conduct and/or (national) legislation, such as last minute order changes, steep decrease or increase of orders with a supplier, prompt action shall be taken for remediation and realignment. The CSR Department should always be consulted and informed prior to any remediation actions.

In the event of any human rights or environmental issues identified within our supply chain, such as excessive overtime, unauthorized subcontracting or low wages, we will work collaboratively with our suppliers to develop and implement a corrective action plan. The goal is to address issues promptly, improve practices, and prevent future occurrences. The CSR Department will lead the collaborative work with the suppliers and will involve the relevant Buyers where necessary.

6. Policy Review

Senior management will regularly review this policy and related procedures to ensure they remain relevant and effective.

Hunkemöller will continue to refine its purchasing processes in line with the above commitments, with the Common Framework on Responsible Purchasing Practices (CFRPP) and with the learnings from the Learning and Implementation Community.


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