

# TRICORP Social Report

January – December 2021



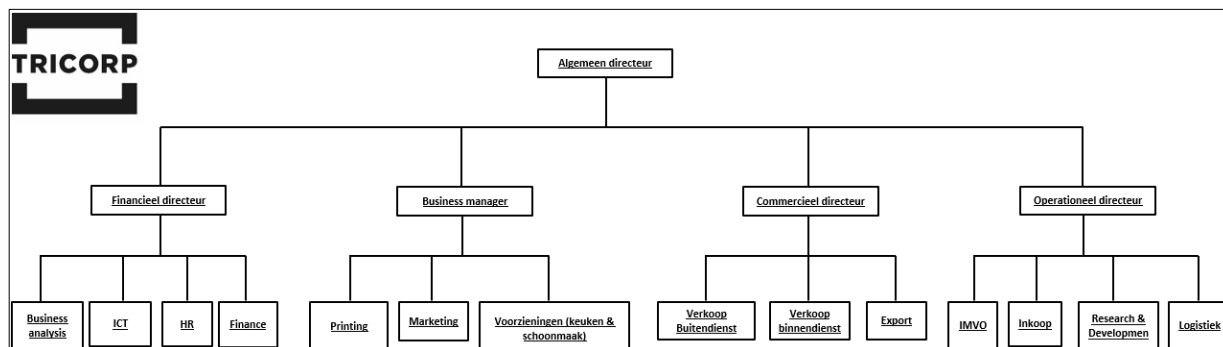
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## Content

<b>ORGANISATIONAL CHART .....</b>	<b>3</b>
<b>SUMMARY: 2021 GOALS &amp; ACHIEVEMENTS .....</b>	<b>3</b>
<b>SOURCING STRATEGY .....</b>	<b>5</b>
<b>PRODUCTION CYCLE.....</b>	<b>5</b>
<b>FACTORY RELATIONS .....</b>	<b>6</b>
<b>MONITORING ACTIVITIES AND SOURCING DECISIONS .....</b>	<b>6</b>
<b>COHERENT SYSTEM FOR MONITORING AND REMEDIATION.....</b>	<b>7</b>
<b>SOURCING COUNTRIES AND FACTORIES.....</b>	<b>8</b>
CHINA.....	8
BANGLADESH.....	12
VIETNAM .....	14
PAKISTAN.....	16
TURKEY .....	16
CAMBODIA.....	18
INDIA .....	19
<b>EXTERNAL PRODUCTION .....</b>	<b>20</b>
<b>COMPLAINTS HANDLING.....</b>	<b>20</b>
<b>TRAINING AND CAPACITY BUILDING .....</b>	<b>20</b>
ACTIVITIES TO INFORM STAFF MEMBERS.....	20
ACTIVITIES TO INFORM AGENTS.....	21
ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS .....	21
<b>INFORMATION MANAGEMENT .....</b>	<b>21</b>
<b>TRANSPARENCY &amp; COMMUNICATION.....</b>	<b>22</b>
<b>STAKEHOLDER ENGAGEMENT.....</b>	<b>22</b>

## Organisational chart



## Summary: 2021 goals & achievements

The global corona pandemic in 2021 had a huge impact on the garment industry. The impact was first and foremost on our suppliers who produce our clothing and on their employees in the production sites. They had to deal with (partial) lockdowns and with extra safety regulations, with all the consequences this has for their business operations. Tricorp has taken this situation into account as carefully as possible with the purchase orders, especially by frequently coordinating with the suppliers about what was possible in terms of orders and delivery times. The long-term relationships between Tricorp and most suppliers meant that this went well. Tricorp made an effort to gain insight into the consequences of the pandemic for the employees, including concerns about redundancies, salary continuation and protection measures. All suppliers were asked whether support was needed and if so, in what form.

From July 2021 onwards, Tricorp has expanded its staffing on the CSR theme. This has made it possible to take useful steps both at policy level and in terms of implementation. The Supplier Cooperation Checklist and the Supplier Assessment are just two examples. As a result, CSR criteria have been even better integrated into our purchasing processes and decision-making. We have also carried out an initial internal evaluation of our Purchasing Practices, which will be continued in 2022 by means of a survey of our suppliers. The follow-up of external audits has been tightened in close cooperation with our suppliers and is also being documented more carefully. We have carried out a Covid impact assessment. On the topic of excessive overtime, which we found to be prevalent at almost all our suppliers, we tried to understand how this could be the case. We ensured that all workers at the production sites earn at least the minimum wage. And we have made efforts to understand the gap between what workers at the production sites earn and the living wage applicable in the country. Hopefully, this will enable us to take concrete follow-up steps in 2022. And last but not

least we have started a cooperation with other brands in order to realise impact on the ground with more weight.

So-called due diligence is not a one-off activity for a company, but a continuous process of risk analysis, impact assessments, taking appropriate measures, monitoring and implementing improvements. In the meantime, we can say that under the direction of the Management Board, this process has improved and our duty of care is becoming more and more effective.

*"Tricorp is constantly raising the bar for itself, not only in terms of design and quality of its articles, but also in terms of social responsibility. We realize this isn't a one day try, but a process of continuous improvements. Nothing comes easy, but meanwhile we are now at the stage that CSR has become an integral part of our organisation and is taken into account in important decision-making issues".*

Ruud Kuijpers, CEO

As a Workwear Brand and SME, Tricorp also faces challenges in implementing its CSR duty of care. These include the relatively small numbers of orders, which means that we do not always get to place them with suppliers we would prefer. In addition, it is not always easy to receive the correct information and underlying evidence from our suppliers. Whereas we used to be able to visit the supplier, in 2021 we will have to make do with virtual meetings, with all the communication problems that this entails.

## Sourcing strategy

Tricorp sources its products from China, Vietnam, Bangladesh, Pakistan, Turkey, Cambodia and India. All these countries can be classified as 'high risk' where it comes to human rights issues, especially also taking into account the specific risks related to the textile industry in those countries.

Tricorp's products range from basic t-shirts to multi-norm high visibility workwear. The overall goal is to offer well-fitting and quality products with a fashionable appearance.

The Purchasing Department is responsible for the purchasing of all the products and has the main contacts with the suppliers. Tricorp works on the basis of Never out of Stock (NOS). To keep track of the stock levels, a planning system has been incorporated (SLIM<sub>4</sub>), which will enable to communicate long-term forecasts with the suppliers.

In 2021, we reviewed our procurement policy and embedded social and environmental issues more precisely than before. The same has been done with the Supplier Manual that is submitted to every new supplier. Partly on the basis of the revised procurement policy, the R&D, Purchasing and CSR departments have also drawn up a 'Supplier Checklist and Assessment' document and have improved the process flow chart 'Purchasing Article (new) Supplier'. The Supplier Checklist and Assessment include (minimum) criteria with respect to relevant items that need to be considered to ensure a smooth relationship with the supplier and the delivery of a high-quality product. The aim of these documents is also to more systematically ensure that all CSR-issues are an integral part of our purchasing strategy and decision-making process. We fully realize that a 100% social compliance is not so easy to reach, therefore an important aspect refers to the extent to which a supplier is willing to cooperate in making improvements on social issues. Willingness to jointly explore which activities can be undertaken to improve the labour situation is seen by Tricorp as an asset to the commercial relationship.

## Production cycle

Tricorp is a Workwear Brand which means that, in contrast to fashion, we offer a fixed collection of clothing, in which we work through NOS. From the interest of being able to offer the same articles with the same quality in the long term to our customers, we have chosen to work in long-term relationships with the same suppliers. These long-term relationship has also led to a situation of mutual trust and helping each other out in case of unforeseen situations.

NOS also enables Tricorp to do long-term forecasts. On average the lead times are between 90 and 120 days (from placing the order up to leaving the supplier's production location). Thanks to these

relatively long delivery times, the supplier can more easily fit the orders into his planning system. Time pressure, with all its consequences, should therefore be less of an issue.

Nonetheless we have noted that excessive overtime is not an exception and that this may be related to pressure on lead times. In 2021 we therefore asked the majority of our suppliers the reasons for excessive overtime and whether this overtime has been related to Tricorp's orders. In all cases, the suppliers indicated that this was not the case. As a reason for overtime, they indicated among others the hurdles in delivery of materials downstream. But also some suppliers were not able, or perhaps not willing, to provide a clear explanation for the overtime.

External audit reports do indicate that the lack of a (realistic) planning system at a supplier's site may cause delivery times to be cut and overtime work to be the only remedy. This, in combination with the situation that employees at production locations accept overtime for the sake of extra earnings, leads to a preservation of the status quo. In this situation, the approach to excessive overtime may lie much more in offering training to management and in raising employees' salaries. Tricorp is aiming to focus on that in the near future.

## Factory relations

Tricorp explored possible cooperation with two new suppliers in 2021. In both cases, the 'Supplier Checklist and Assessment' were applied. Part of this is that external audit reports of these suppliers were requested and assessed. This has led to a purchase order with one new supplier.

By 2021, no cooperation with a supplier ended completely.

## Monitoring activities and sourcing decisions

The monitoring of existing suppliers takes place among others through audit reports and regular skype-meetings. Whereas in previous years all suppliers were visited on site, this was unfortunately not possible in the past year. Also based on the experiences of the monitoring in the past year and the outcomes of the Brand Performance Check of 2020, Tricorp aims as its strategy to place more and larger orders with suppliers that are well evaluated in audits, or are willing to work together to implement improvements. This fits in with the vision of Tricorp to only work with suppliers who (largely) meet the (human and environmental) standards in the longer term.

For all issues where it is found, for example through 3<sup>rd</sup> party audits, that those are not in line with the Code of Labour Practices, an improvement action is agreed with the supplier, ideally also in consultation with the employee representatives at the production site (although we have not

managed to do so in 2021, due to language barriers). The implementation of the improvement is being monitored and verified in the following period. In 2021, this monitoring has not yet led to the termination of a relationship with any supplier, particularly because Tricorp's vision, as laid down in our CSR policy, is to involve the so-called 'laggards' in the implementation of improvements for their employees. Only if after some time it becomes apparent that suppliers are not prepared to take steps will this have consequences for our purchasing decisions.

In case of selection of new suppliers Tricorp uses its 'Supplier Checklist and Assessment', in which criteria related to the Code of Labour Practices are incorporated.

Generally, tensions between the aim to mitigate salient issues and business objectives do not arise overnight, but are a long-term situation, with successive discussions taking place with the supplier concerned in order to implement improvements. In case of serious impacts, it means that during that same period it may already be examined whether orders should be transferred to other existing or new suppliers in due course, if necessary. This is done to guarantee the continuity of supplies. In this sense, there is a two-track policy.

## Coherent system for monitoring and remediation

The way in which Tricorp implements the six steps of its due diligence obligation, including monitoring, is described in its CSR policy 2021-2024.

Tricorp's monitoring consists of making an analysis of the risks and non-compliances found for each supplier, within the context of the human rights situation of each production country, mainly based on audit reports, skype-meetings and visits. Identified risks and non-compliances are discussed with the supplier. If applicable, the supplier is asked about the causes of any issues identified and in collaboration an improvement plan is drawn up based in part on this information. Discussions with the supplier are noted in our CRM system and the most important e-mails are saved. Improvement actions initiated by the supplier are also stored. Depending on the seriousness of the issue and the relationship with the supplier, we ask for supporting evidence. In practice, it is not always possible to say with certainty whether the issue in question has actually been resolved; in that case we make a note of this for a subsequent external audit for verification purposes.

We also realize that it can be useful to involve employee representatives in the improvement actions; we have set this as an objective for ourselves for 2022.

In 2021, Tricorp started participating in a project in collaboration with CNV International and three other Brands to increase our leverage towards a Vietnamese supplier, with the aim of establishing a social dialogue in the production site. We also took the initiative to seek for options to collaborate

with two other Brands on the topic of living wage at a supplier in Bangladesh. Unfortunately, one brand let it be known that it did not want to commit to living wages for the time being, and the other brand did not respond despite several emails.

The ideal picture for Tricorp would be to have many more collaborations with other brands, local trade unions and/or NGOs in order to realize real impact on the ground.

## Sourcing countries and factories

In this section, we will briefly mention the human rights situation per country, based on the Code of Labour Practices. Within that context, we will then describe our monitoring activities per supplier. The focus of our monitoring per supplier is based on insights into risks, the reports of external audits conducted, various questionnaires completed by suppliers at our request, email contacts and skype conversations with the suppliers.

Special focus was also placed on a number of specific high-risk areas in 2021, partly based on the results of the 2020 Brand Performance Check. These concerned 1) the impact of the corona pandemic on the supplier and the employees at the relevant production location, including the continued payment of at least the minimum wage applicable in the country, 2) the situation of women at the production locations in Bangladesh, 3) the situation of Syrian refugees at the production locations in Turkey and 4) the payment of at least the minimum wage at all our suppliers. In addition, we also made extra efforts on the so-called subcontractors, because of the risks that can occur and may remain under the radar.

In 2021 we have done an analysis of the wage gap per supplier, providing insight into the difference between the actual salary paid and the living wage applicable in the country or region. We have also tried to check per supplier if the cost price paid by Tricorp per product does not prevent the payment of at least the minimum wage applicable in that country. Due to a lack of accurate data we have not yet been able to complete this analysis.

### CHINA

Freedom of labour/Discrimination: especially the situation of migrants and forced labour by Uighurs in Xinjiang can be seen as a risk. As our production sites are located in the east of China, the risk of forced labour by Uighurs in our production sites is not high. Every year, we ask all our suppliers whether they employ any migrants or Uighurs and if so, under what terms and conditions of employment.

Freedom of association and collective bargaining: there is one government-appointed trade union in China, which is an obstacle to free trade union rights. This subsequently also has an impact on other



labour rights of employees, such as the right to strike, the right to freely choose workers' representatives and the right to freely negotiate for better labour conditions, such as an increase of income.

Living wage: incomes in China in the textile industry are far below the living wage; the income is largely dependent on overtime and bonuses, with the additional risk of discounts or fines if targets are not met. Calculation of the actual income is therefore also complex. However, incomes in China have risen in recent decades, partly because of the rising cost of living.

Non-payment or incomplete payment of social security contributions is a regular occurrence. The exact Chinese rules were the subject of research in 2021. A report by an NGO has indicated that, according to Chinese legislation, the payment of social security contributions is no longer obligatory for employees over 55 years of age. In practice, the payment of premiums for employees below this age often does not take place; suppliers indicate that the employees themselves do not want to pay their share, which makes payment impossible. Many suppliers provide commercial insurance for their employees.

Excessive overtime: Chinese legislation limiting overtime to a certain number of hours per week/month is regularly breached. There is also no enforcement of this by the Chinese authorities. We have discussed the causes of excessive overtime with our Chinese suppliers.

Health and Safety: The Chinese government is very strict in preventing the spread of corona. This leads to strict hygiene regulations, inspections and lockdowns, although this will differ per region. In 2021, we surveyed all our suppliers about the impact of Covid-19. This showed that the eastern region of China did not experience lockdowns, in the sense that production sites had to close.

Other concerns in 2021 were power cuts by the Chinese authorities resulting in factories being closed for several days. On closer inspection, the impact was limited to one week. In all cases, the suppliers indicated that salaries continued to be paid during that week.

### **Supplier 1**

FOB: 31%.

This is a supplier that has been producing for Tricorp since 2011. There is a good cooperation and matters are discussed in mutual trust. This also means that the monitoring of possible social issues can be discussed in a relative good consultation. The most salient issue with this supplier is excessive overtime and the insufficient payment of social insurances, two issues which in general are not solved so easily. We are in continuous discussion with this supplier to reach improvements.

With regard to the corona pandemic, the supplier indicated that his region fortunately did not have to deal with a lockdown in 2021.

We offered this supplier to look into the possibility of a training, in close consultation with the workers' representatives. So far the supplier has been hesitant, arguing that employees would not be interested in this.

Tricorp's living wage gap analysis showed that this supplier pays its employees a salary that is reaching the living wage.

### **Supplier 2**

FOB: 3,5%.

The cooperation with this supplier is generally good. This also means that discussions about social issues are handled reasonably well. Results from external audits confirm this. An external audit of September 2019 did reveal though that the payment of salaries could not be verified due to incomplete accounting records; and that days off were not paid out. We have insisted that these issues should be checked out. This is ongoing. In the external audit of 2020 and two audits held in 2021, these irregularities were not found again, which is positive. We will continue to monitor it, however.

The external audit of September 2021 revealed excessive overtime. According to the supplier, this was not related to the orders of Tricorp. The supplier couldn't provide us real clarity of the root causes.

In 2021, discussions started with this supplier about a training for employees and/or management. Before a final decision is taken, the exact needs will be assessed. The supplier did indicate in advance that Chinese employees would generally not be interested in this.

The supplier has responded extensively to our questions about the corona pandemic and the impact on the production location and the employees. The answers show that many precautionary measures have been taken by order of the Chinese government and that there has been no lockdown in the region.

### **Supplier 3**

FOB: 4%.

This supplier has a number of risks which we are discussing with them. According to an audit in 2020, these risks successively include the absence of salary slips, the absence of proof that social insurances have been paid, excessive overtime and a number of safety issues. We are in frequent contact with the supplier to address these issues, although the language has proven to be an obstacle. In the meantime, the supplier has submitted documents on the basis of which it can be assumed that pay slips are now being issued. The supplier has submitted proof that seven employees are insured, which is not the full number of employees. We are still discussing this.

It is also striking that all employees at the production location are migrants. We are still investigating the significance of this and the potentially vulnerable situation of these migrants, whose children live elsewhere in China. We are in contact with The Centre for Child Rights and Business to perhaps set up a project at this production location. It is positive that the supplier is willing to cooperate in training the workers. We are still discussing with the supplier and the workers which training would be most appropriate.

We have agreed with the supplier that a new external audit will be done in the first half of 2022.

This supplier has also indicated that the region where the production site is located was not affected by the corona pandemic in 2021.

#### **Supplier 4**

FOB: 13,8%.

The issue of excessive overtime is also relevant for this supplier. The supplier has indicated that this is not related to the orders of Tricorp. No satisfactory response was given to our question about the root causes of the overtime.

Most salient issue at this supplier concerns the fact that the external audit of 28 September 2020 found that it is unclear whether the minimum wage was actually paid. The reason behind this is the lack of a calculation of paid piecework to minimum wage. In addition, overtime was allegedly not paid in full. We have raised the seriousness of this situation with the supplier. The supplier has since submitted proof of subsequent payments, based on which we have concluded that it is highly likely that the issue has been corrected. We will continue to monitor this issue carefully, including through a further audit in 2022.

The supplier's answers to our questionnaire and subsequent skype calls indicated that the region did not experience a lockdown in 2021.

#### **Supplier 5**

FOB: 1,5%.

At this supplier, we prioritised the correct payment of salaries as the most salient issue. In an audit of 18 June 2020, it was stated that - due to the lack of calculations between piece rate and hourly wage - it could not be determined that employees were paid at least the minimum wage. In particular, because days off and overtime on Sundays were not paid. We raised this with the supplier as a matter of high priority, who assured us through calculations that the payments are above the minimum wage. In subsequent 3<sup>rd</sup> party audits of 15 April 2021 and 1 November 2021, this issue of possible underpayment was not identified, which would indicate that this supplier has improved the system of calculation. We continue to monitor this closely.

From the supplier's answers to our questionnaire, it appears that the region did not experience a lockdown in 2021.

## **BANGLADESH**

Discrimination: there is gender-related discrimination, including intimidation and violence. Properly functioning anti-harassment committees at production sites are therefore of great importance.

Child labour: there is a ban on child labour, although a good system of verifying age is often lacking. The literature shows that partly as a result of the inspections based on the Bangladesh Agreement, child labour has been reduced to the informal (textile) sector. In the case of subcontractors, extra alertness is required.

Freedom of association and collective bargaining: this is severely restricted. Workers are insufficiently organised and in many cases insufficiently aware of their rights.

Living wages: legal minimum wages apply, but they are far below the poverty line, which is worrying.

Excessive overtime: partly as a result of the low salaries, the risk of excessive overtime is high.

Health and safety: thanks to the Bangladesh Agreement (International Accord), in general progress has been made on worker safety. Where irregularities are observed, the Bangladesh Agreement takes decisive action by means of inspections and corrective action plans.

Covid-19: lockdown from 5 April to 14 July 2021, but factories have remained open during this period. The government issued safety regulations to protect workers, with the establishment of compliance committees.

### **Supplier 1**

FOB: 7,2%.

For this supplier, we prioritised the safety situation of the production site for workers and the correct payment of salaries as most salient issues. With regard to the safety situation, a very detailed improvement plan was drawn up between the supplier and the Bangladesh Agreement, which has been implemented since 2021 and is monitored regularly. Tricorp, as a member of the International Accord, is informed about this and also keeps in regular contact with the supplier and representatives of the Accord about this.

An external audit of December 30, 2020 would show that the salaries were below the minimum wage applicable in Bangladesh and that part of maternity leave would not have been paid. This has been discussed in several meetings with the supplier. In the meantime he has submitted documents that would show that the underpayments have been corrected. We have forwarded these to FWF for

verification. The supplier has agreed to an external audit in 2022 to - among other things - verify this correction.

Regarding the impact of the coronal pandemic, the supplier informed us of the lockdown in April 2021; however, the factories remained open during this period. The supplier did not have to lay off any employees because of the pandemic, nor were salaries lowered.

Calculations, including those performed under the auspices of FWF, have shown that the cost price Tricorp pays to this supplier allows for payment of the minimum wage. In addition, we have been in regular conversations with the supplier for some time now about increasing the salaries of the employees towards a target or living wage. The simultaneous discussions about the need for financial support for the necessary improvements of the factory building based on the International Agreement did unfortunately not facilitate the discussion about a target wage.

At the production site, training took place in 2019 on how to set up and operate an anti-harassment committee. We have received recent minutes showing that this committee seems to function well. We also want to have this verified during the next 3<sup>rd</sup> party audit in 2022.

## **Supplier 2**

FOB: 3,2%.

The main concern with this supplier is the observation in an audit in February 2021 that no salary slips were given to employees and the minimum half of unused holidays were not paid out. Contact with the supplier is via an agent who sent us pay slips as proof of correction. He questioned the audit-result on the unused annual leave, stating that the respective days were time-for-time. We agreed with the agent that this will be double-checked in the next 3<sup>rd</sup> party audit.

Also in 2021 we emphasized that we expected the supplier to have a functioning anti-harassment committee. After persistent insisting Tricorp received the minutes of this committee with the notification that this committee has been set up with the support of BSCI.

The agent has reported that the supplier was not adversely affected by the corona pandemic in 2021. Employees have been paid in full. This will also be verified during the next BSCI audit. It has been discussed with the agent on several occasions whether the supplier would be interested in a living wage pilot. To date, the agent is reluctant in taking steps. The reason given was that other concerns such as the price of cotton stand in the way of discussions on salaries at the moment.

We had contact with two other brands of this same supplier to explore possibilities of cooperation, for example on target wage or training for employees. One brand has not responded, the other brand indicated that its priorities do not lie with this supplier.

### Supplier 3

FOB: 0,35%.

This is a new supplier with which Tricorp started a business relationship at the end of 2021. Contacts are made via an agent. Prior to placing the first order, the 'Supplier Checklist and Assessment' was run through and the most recent 3<sup>rd</sup> party audit report was analysed. Based on all the available information, a common assessment was done with the Purchasing Department, R&D and CSR. Outcome has been that further discussions with the supplier are needed on some findings in the audit report. As the supplier showed its commitments on this, it was decided that the CSR-issues were not a stand in the way for a business relationship.

## VIETNAM

Discrimination: gender-related discrimination is a major risk.

Child labour: this occurs frequently in Vietnam, but less is known about the numbers in the formal textile industry. It is plausible that this risk can occur in the informal (home-based) textile sector, for example among subcontractors.

Freedom of association and collective bargaining: the only trade union is part of the government. Other trade union initiatives must obtain prior permission from the government to carry out activities. This limits the possibilities for employees to stand up for their labour rights.

Living wage: the payment of wages is far below the applicable living wage, which is worrying.

Excessive overtime is a real risk; in addition, as a result of the economic crisis due to the corona pandemic, the government has increased the standards for overtime as of January 2021.

Health and safety: the corona pandemic in 2021 led to the temporary closure of factory sites for a period of 6 weeks to 3 months (depending on the region) and to a situation where workers stayed overnight at the factory site, on a voluntary basis. The government has announced security measures to prevent the spread of Covid-19, the so-called 5K measures, which suppliers are required to comply with. In addition, the Viet Nam Social Security (VSS) has established a support package, including Resolution 68 for workers who were unable to work due to lockdown.

Both our suppliers indicate that workers in Vietnam can change jobs fairly easily if their labour rights are better met elsewhere. There is a shortage of skilled and cheap labour in Vietnam. This makes suppliers more inclined to comply with legal obligations.

### Supplier 1

FOB: 3,2%.

Based on the latest 3<sup>rd</sup> party audit and contacts via e-mail and skype-calls, we have a reasonably positive impression of this supplier. The most important point concerns excessive overtime, which we continue to discuss. The supplier has not given a clear answer to the question of what causes this overtime, although they don't seem to be related to Tricorp's orders.

As a result of the corona pandemic, the factory site, located in the region of Ho Chi Min City, had to close for six weeks. In the first four weeks, the workers were paid in full by the supplier, after which they received money through government social security (Resolution 68). We have more than once asked for supportive documents and indicated to the supplier that we are willing to contribute proportionally to the shortfall if the workers have lost wages. The supplier has so far been hesitant to provide documents, stating this is being privacy-sensitive; our offer for financial support was not taken up.

All the safety measures imposed by the government, including those to protect the workers, seemed to be followed by the supplier.

We have started discussions with the supplier about the options to increase the income of the workers towards a living wage. The supplier is not unwilling to do this, despite seeing obstacles. Talks on this are still ongoing.

## **Supplier 2**

FOB: 2,7%.

This supplier scores very well in the audits. The discussions and email contacts are pleasant and constructive.

As a result of the pandemic, the factory was closed for a fortnight in February 2021. The supplier carefully followed the safety and hygiene measures imposed by the government. In terms of government support, the supplier made use of Resolution 68 and Article 99 of the Labour Law. The supplier has shown a willingness to start a process to set up a social dialogue between employees and management of the production location, in cooperation with CNV International and a local trade union. Preparations for this have been made in 2021, in which besides Tricorp also two other Brands are participating; hopefully the training will start in 2022. The aim of this social dialogue is to improve the labour position of the employees. In order not to interfere with this process, we are not starting any other activities, for example around living wages, with this supplier for the time being, but we will wait and see what the results of the dialogue will be and then assess what support measures are required from our side.

## PAKISTAN

Discrimination: risk of gender-related discrimination is very high.

Child labour: the risk of child labour is greater in the agricultural sector than in the textile sector, but it can certainly not be ruled out.

Freedom of association and collective bargaining: there are no independent trade unions, which makes it more difficult for employees to stand up for their labour rights.

Living wage: employees are paid far less than the set living wage.

Excessive overtime: partly related to the underpayment of workers, this risk is also high.

Health and safety: especially in the period March to May 2021, there were (limited) lockdowns due to the coronal pandemic. During this period, the government offered financial support to companies and employees.

### Supplier 1

FOB: 19,1%.

We rate the overall social performance of this supplier as good. This is evident from successive external audits and also from discussions with the supplier. He has indicated that he has set up a fund with which he pays vulnerable employees, such as those with families, extra. From 2022, this supplier will also pay social insurance contributions on behalf of its staff. When we asked why, instead of a Fund, he does not increase the salaries of all employees, he answered he would not be able to finance this. The supplier is willing to look for possibilities with Tricorp to improve the labour situation of the employees, for example by increasing the salary or through other projects.

The supplier continued to pay employees during the lockdown in 2021.

## TURKEY

Freedom of labour/Discrimination: In general, the risk of forced labour is not high, but the arrival of Syrian refugees has increased the risk given their vulnerable non-legalised position. This risk can be even higher in the case of subcontracting. Suppliers do indicate that having to apply for a work permit is an obstacle to hiring Syrians.

Child labour: although in general the risk is not high, it can be different for Syrian children, again because of the vulnerable position they and their parents are in.

Freedom of association and collective bargaining: this is limited, so the protection of labour rights is not guaranteed. There is a high degree of subcontracting and/or informal labour, as a result of which rights are not guaranteed.



Living wage/excessive overtime: Workers in the textile industry receive low wages that do not reach up to the living wage. There is also a high risk of excessive overtime. It is striking that several audits show that part of the salary is paid in cash.

Health and safety: there was a lockdown from 29 April to 17 May 2021. The government provided support through the Mini Employment Package, including normalisation support. And the government imposed a ban on dismissal until 30 June 2021. Employees who are in quarantine because of corona are paid by the Social Security Institution. In case of a (partial) lockdown, the employer can ask for a short term work allowance, although there are some restrictions in the scheme. There is the possibility of a small compensation in case the employee is forced to take an involuntary unpaid leave as a result of the pandemic.

### **Supplier 1**

FOB: 3,3%.

At this supplier, we focused on the use of subcontracting; the supplier stopped the outsourcing to the subcontractor mentioned in a previous audit, but gave insight in the use of other subcontractors, including two for Tricorp's orders.

Upon enquiry, the supplier indicated that there are no Syrians working at its production site, nor at those of the subcontractors.

As the previous external audit was from October 2019, we insisted on a new 3<sup>rd</sup> party audit. The supplier has indicated that a new SMETA audit has since been requested.

Where it comes to the impact of Covid-19 the supplier indicated that his production location has been able to continue its production throughout year.

### **Supplier 2**

FOB: 2,5%.

Contacts with this supplier are through an agent. This supplier employs two Syrians, a married couple. Upon enquiry, the supplier stated that they have a permanent contract and receive the minimum wage. The work permit was sent to us. At this supplier part of the salary is paid in cash; we have raised this and urgently requested to rectify this (also for the future); this will be monitored. The supplier's subcontractor does not employ Syrians, according to our agent.

The supplier has emphasized that during 2021 Covid-19 did not impact the workers' safety or income. Workers on sick leave due to Covid-19 were paid by the supplier and partly compensated by the government.

### Supplier 3

FOB: 0,4%.

Contacts with this supplier are through the same agent as with supplier 2. This supplier also makes use of subcontracting. Neither the supplier nor the subcontractors have hired any Syrian employees. The latest audit shows that the employees received a training in 2021. No further issues have emerged.

Covid-19 resulted in less orders, but there has been no financial or health impact for the workers.

### Supplier 4

FOB: 0,2%.

These contacts are also made through the same agent. This supplier does not use subcontracting for orders from Tricorp. There are no Syrians employed, according to our agent. We strongly insisted on a new 3<sup>rd</sup> party audit as a condition for placing future orders with this supplier. The agent has let us know that he will take this up. This will be closely monitored.

### Supplier 5

FOB: 0,15%.

These contacts are also made through the same agent. The supplier uses one subcontractor. Neither the supplier nor the subcontractor employs any Syrians. The main issue at this moment is the fact that Tricorp has not yet received a 3<sup>rd</sup> party audit report. This is not conform Tricorp's policy. We have therefore strongly insisted on this audit as a condition for placing future orders with this supplier. The agent has informed us that the audit has been requested. This will be closely monitored.

## CAMBODIA

Freedom of labour/discrimination: From the literature we conclude that there is certainly a risk of forced labour or discrimination against (religious or ethnic) minorities. There is also a risk of gender-related discrimination or violence.

Child labour: this risk is also substantial.

Freedom of association and collective bargaining: these rights are limited due to repressive legislation, as a result of which labour rights are not guaranteed.

Living wage: the salaries are far below the living wage, so this is a high risk.

Excessive overtime: this risk must also be considered high.

Health and safety: there has been a Covid lockdown from 15 April to 5 May in Pnom Penh and Ta Khmau.

### Supplier 1

FOB: 2,5%.

Based on the last audit in May 2021 we can conclude that this supplier complies with the Code of Labour Practices. We have repeatedly asked the supplier what the impact of the corona pandemic has been on the employees. This seems to have been minimal, but there is no certainty yet, because the information provided by the supplier is rather vague. We are therefore still discussing this with him.

## INDIA

Freedom of labour/Discrimination: there is a risk of forced labour or modern slavery, also because of the caste system. The same applies to the risk of discrimination.

Child labour: the risk of child labour is present.

Freedom of association and collective bargaining: few workers are members of a trade union and, in general, awareness of trade union rights among workers is not high.

Living wages: wages are far below the applicable living wage. This can be considered a high risk.

Excessive overtime: the risk of excessive overtime, which in many cases also means not making the correct payment, is high.

Health & Safety: India faced a second pandemic wave in 2021, which was even more devastating than the first in 2020. It began its vaccination scheme at the beginning of 2021. Lockdowns were not announced nation-wide, but occurred in several states, among others in Uttar Pradesh.

### Supplier 1

FOB: 0,3%.

The main issues we discussed with this supplier concerned the impact of the pandemic and the results of the February 2021 audit.

In the province of Uttar Pradesh, a governmental lockdown has been announced, but it did not apply to all industries. As a result, his production site has been able to continue running, albeit with a lower utilisation rate of 70%. The supplier stated that salaries continued to be paid during this period. We have asked him for pay slips or other documents to substantiate; we have not yet received a response. The next 3<sup>rd</sup> party audit will take place in the first half of 2022, whereby Tricorp will ask the audit team to also verify the minimum income payments during the lockdown.

## External production

Tricorp maintains regular contact with the Brand regarding the purchase of belts and shirts. Part of the contact is that we receive the external audit reports and inquire about the follow-up. The assessment so far is that there are no serious social compliance issues at either supplier in China. We will, of course, continue to monitor this.

## Complaints handling

In 2021, Tricorp received no complaints.

The Workers Information Sheet is displayed at all production sites, as well as at subcontractors' sites. In 2021, as in previous years, we asked the suppliers whether they were open to training for their employees and/or management and we stressed the importance of this. Most suppliers are somewhat reluctant. Upon further questioning, it appeared that the uncertainties related to the pandemic and the safety measures that apply to it, make training less convenient for them at this time. We will continue our efforts on this topic in 2022.

Tricorp's complaints mechanism is part of our ISO 9001 and ISO 14001 certification. This means that all complaints are registered in our Quality Management System (KMS), regardless of the nature of the complaint. The complaints procedure is laid down in writing and is part of the KMS.

## Training and capacity building

### ACTIVITIES TO INFORM STAFF MEMBERS

The meaning of our membership of FWF and the Code of Labour Practices were explained to all Tricorp departments in 2021 (Purchasing, Sales, R&D, Marketing, Finance). Based on the BPC of 2020 and our objectives, our CSR activities were explained. All colleagues were invited to ask questions and give input on the priorities for the upcoming year.

Tricorp's CSR-officer takes part in the monthly meetings of Head of Offices to provide updates on CSR-matters and align activities with the other departments.

The cooperation with the Purchasing department has been intensified. On ad hoc basis the CSR officer takes part in the Purchasing team meetings. Items on the agenda so far have been cost calculations, ring-fencing labour costs, subcontracting and the anti-harassment committee in Bangladesh. Furthermore, monitoring issues that need to be discussed with suppliers are conducted jointly by Purchasing and the CSR officer. The conversations are stored in a shared CRM system that is also accessible to all Purchasing employees. A small working group consisting of employees from

Purchasing and CSR and the CEO has been set up to address the issue of the relationship between our cost price and the supplier's payment of the minimum wage, target wage and living wage. This led to an initial analysis in 2021.

### **ACTIVITIES TO INFORM AGENTS**

Tricorp uses two agents, in Turkey and Bangladesh. Regular meetings are held with both agents to discuss the general situation in the country, the follow-up of external audits and possibilities for projects. It was also discussed with both agents that Tricorp aims to cooperate more intensively than before on social compliance issues.

### **ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS**

To be fair, 2021 was a difficult year in the sense that suppliers were not very open to training. The corona pandemic, interruptions in the supply of articles, the high price of cotton and difficulties with transport were to blame for this.

In the many discussions with suppliers, however, we emphasized that Tricorp places a strong focus on social compliance. The aim is to have 25% of our suppliers undergo training in 2022 or beginning 2023.

## **Information management**

In the course of 2021, we sent a questionnaire to all our suppliers, containing questions about the issues as also mentioned in the CoLP. And a second questionnaire specifically about the impact of Covid-19. The completed questionnaires were then discussed in calls with the suppliers, including the most recent 3<sup>rd</sup> party audits findings. In most cases, several e-mails and calls were necessary to determine the causes of issues and to jointly arrive at possible improvements. Obviously, these efforts do not end with the calendar year, but continue into 2022.

Also in 2021 we sent a questionnaire to all our suppliers asking whether they use subcontracting for Tricorp's orders. Based on the responses, we updated our production locations and re-obtained a full understanding of all our production locations, including subcontractors. In several subsequent skype-meetings with the suppliers we reminded them of Tricorp's supplier manual and emphasized (again) the requirement to provide full insight in the production locations.

## Transparency & communication

Our website contains information about our commitments on CSR, including our membership of FWF. Amongst others, we have published our CSR Policy 2022-2024, our CSR Annual Plan 2022-2023 and our CSR Annual Report 2020. The Annual Report 2021 will be published in due time.

Tricorp's Sales Department regularly informs clients about our CSR efforts; and also the challenges we encounter in implementation. The CSR officer joins these conversations in many cases. More and more we notice that clients ask in depth questions about our CSR performance, which we believe is a positive encouragement.

## Stakeholder engagement

Tricorp has had consultations with Mondiaal FNV, CNV Internationaal, Solidaridad Europe, UNICEF Netherlands, The Industry We Want, ACT and the International Accord.

This has been very useful. An example is the focus on 'Social Dialogue' as a useful way of addressing, in the longer term, other labour rights issues. And the extra insights on Sustainable Purchasing Practices, which made us decide to do a survey with all our suppliers in 2022 to hear their experiences and suggestions for improvement.

We did a deep dive in different topics to achieve a better insight in addressing issues with the following:

### Documents:

FWF Living Wages: an Explorer's Notebook, Wage Ladder Tool, Labour Minute Costing Tool, FWF Living Wage Policy, ACT Labour Costing Tool, Common Framework for Responsible Purchasing Practices, Guidelines Better Purchasing Practices by Better Buying Institute, FWF Guidance on monitoring labour conditions during Covid-19 pandemic, Enhanced programme for monitoring and remediation in Bangladesh, FWF Country Study Vietnam, Country Study China.

### Webinars:

Covid-Vietnam, Introduction to addressing excessive overtime (2x), HR violations China, Vietnam Covid update, FoA Bangladesh, FoA Vietnam, Purchasing Practices (ACT).