



Sustainability Report | 2020

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This is the first sustainability report of New Frontier GmbH. Here we will report once a year on what measures we have taken, which projects we have carried out as well as what challenges we face in taking responsibility and sustainable action in our business.

1 Who we are

New Frontier was founded in 2006 by Peter Welp in Fuerstenau, Germany. We specialize in importing clothing from Asia for brands and retailers in Europe. At the center of our business philosophy, is the development of long-term partnerships with our suppliers.

As part of our textile value chain, we are aware that problematic working practices exist in countries in which we operate. We see lack of enforcement of existing laws aimed to protect workers and the environment by local authorities as a major challenge.

For this reason, it has been clear from early on to New Frontier that we could only award production contracts to companies in which the working practices and safety measures are routinely checked by independent bodies. As such, during our second year of operation we sought membership in the *Business Social Compliance Initiative (BSCI)*. We have been an active member since 2009 and work exclusively with factories that are audited under the *BSCI* system.

2 What we do

We are a trading company that places orders directly with producers in Asia, without involvement from intermediary agencies. We rely on our long-standing partners, some of whom have been with us since our foundation. In 2020, we worked with a total of 22 production facilities.

	<u>Bangladesh</u>	<u>China</u>	<u>India</u>	<u>Total</u>
Total Production facilities:	10	11	1	22

This direct contact with our suppliers is very important to us. As such we visit our manufacturers on a regular basis, to help develop a complete picture of the actual conditions on site. Owing to the global pandemic these visits in 2020 have been completely cancelled. Nevertheless, New Frontier has been represented in our main production companies by the employees of our sister company New Frontier Fashion Ltd. HK. The local teams in China and Bangladesh maintain personal contact with our local partners and take care of quality assurance as well as monitoring production conditions. An experienced Corporate Responsibility (CR) team responsible for the latter activity since 2019. CR managers with many years of experience in auditing garment and textile factories have been hired in both China and Bangladesh.

We have defined minimum social and environmental requirements as basis for our business relation and cooperation with our suppliers. These policy documents are reviewed and

adapted on a regular basis. The last revision was done at the end of 2020 and summarized in our *CR Requirement Manual*, which has been contractually agreed with all our suppliers. These requirements as well as the amfori Code of Conduct in addition to the local labour laws are the basis of our internal social compliance audits. Our monitoring process specifies that each of the production sites are audited three times each year by our CR team. The audits consist of an inspection of all buildings and rooms in the production facilities, a review of relevant documents e.g. overview of working hours, wage payments as well as interviews with workers and factory management.

Any findings identified during the Audit are explained to the factory managers and agreed upon during the final meeting of the corrective action plan (CAP). Two to three weeks after the audit we receive the completed action plan. Evidence is provided for improvement measures that have already been implemented and a schedule is submitted for those action items that are still outstanding. The implementation of this plan is checked during the two follow-up audits. If necessary, the CR team will visit the factories once again to discuss current implementation status of the CAP.

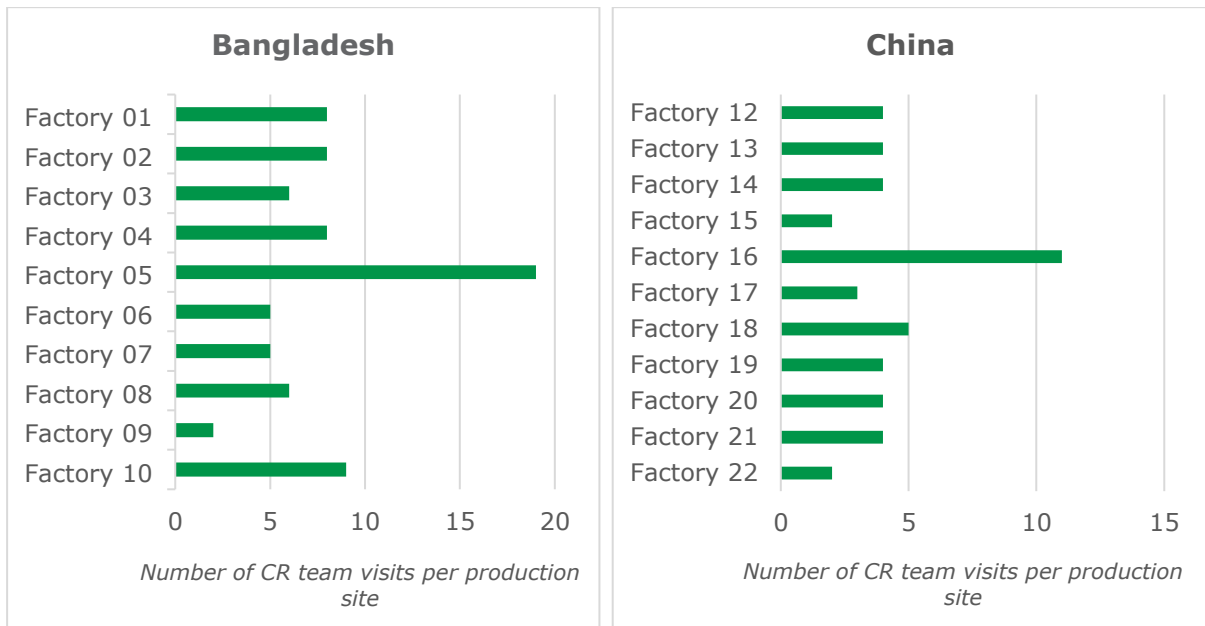
It should be noted that this is the procedure for less serious violations, which may occur in various forms in most production facilities. In addition, we have defined particularly serious violations of our principles in our requirements. Should any of these principles be violated this will call into question the cooperation with a production site. This holds particularly true for new factories that we are not yet familiar with; where we check whether our requirements can be met.

The New Frontier CR team conducted a total of 147 factory visits in 2020. This figure includes internal audits of active and potentially new partners, as well as other activities. These activities include training relevant personnel on our requirements and accompanying inspection audits by third parties, such as the Accord in Bangladesh or other certification bodies.

	<u>Bangladesh</u>	<u>China</u>	<u>India</u>	<u>Total</u>
CR Team Factory Visits:	89	58	0	147

The only exception is the production facility in India, where no visits were conducted by New Frontier employees due to the global pandemic and associated travel restrictions.

The total number of visits by the New Frontier CR team to active factories can be broken down as follows:



These regular onsite visits and the direct exchange with our production partners provides a constantly updated picture of the actual situation. This allows us to see which improvements have already been implemented but also what ongoing hurdles and challenges we still need to work on with our partners.

In order to best support our customers in their due diligence obligations, we regularly report our information status regarding the social compliance situation of our partner factories.

3 Where we are involved

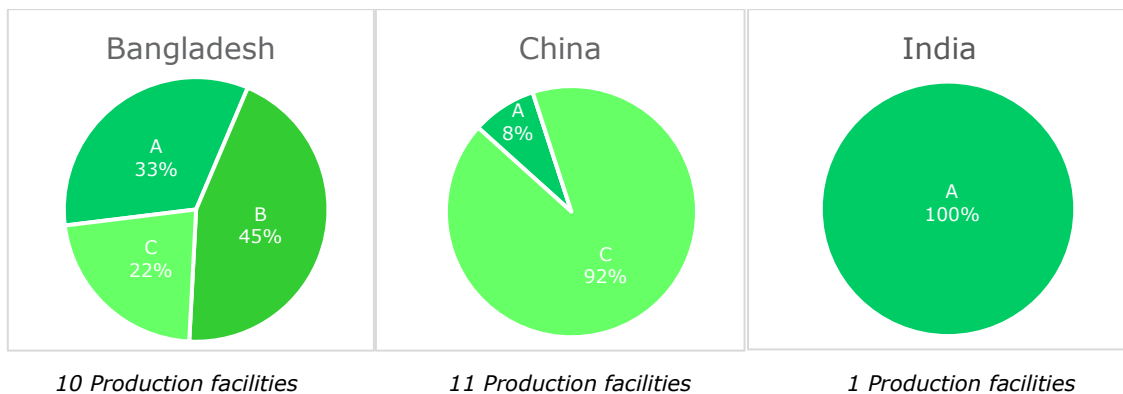
3.1 amfori BSCI

"Trade with Purpose" is the motto of *amfori*, the world's leading business association for open and sustainable business. As a member company, we only work with factories that are audited in the *BSCI* system and which are rated at least a "C", with "A" being the best and "E" being the worst rating.



Member of amfori, the leading global business association for open and sustainable trade. We improve the social and environmental performance of our supply chain via amfori BSCI and amfori BEPI. For more information visit www.amfori.org

The *BSCI* audit results of our production facilities in 2020 are broken down by country as follows:



We are aware that there are many additional problems in the garment industry in Asia, for which social audits are not an adequate solution. This is regardless of whether these audits are carried out by our organization or by third parties. This includes for example the widespread absence of living wages for workers and consequently the resulting overtime. As a small to medium-sized company, we do not have the resources to tackle these structural problems on our own, which is another reason why we are actively involved with *amfori BSCI*. In addition to providing the *BSCI* audit standard and the associated tools, *amfori* supports its members on several additional levels. One example is training courses which are organized for members and production facilities to build up know-how and provide information on current topics. Secondly, it offers members the opportunity to work collaboratively on projects to solve problems that are simply too large for one company to tackle on their own. This is flanked by the political work of the *amfori* secretariat at the government level as well as other organizations such as the UN.

3.2 Accord on Fire and Building Safety in Bangladesh

ACCORD *The Accord on Fire and Building Safety in Bangladesh* is a multi-stakeholder initiative between brands and trade unions, which have signed a legally binding agreement to improve safety in garment factories in Bangladesh. We joined the *Accord* when it was founded in 2013 and signed its follow-up agreement in 2018. To achieve its goals the Accord is implementing the following measures in Bangladesh:

- Building structural, fire and electrical safety inspections
- Regular training on occupational safety in the factories
- Establishment and operation of an independent grievance mechanism

The Accord is one of the most successful initiatives of its kind and has led to Bangladesh becoming one of the safest garment producing countries in the world. Since June of 2020,

the tasks of the *Accord* in Bangladesh have been taken over by the newly founded *Ready Made Garment Sustainability Council (RSC)*.

All New Frontiers production facilities are registered with the *Accord* and are regularly inspected by the *Accord's* safety inspectors and by the *RSC* since June. As part of our responsibility under the *Accord*, we regularly exchange information with our production sites about what corrective measures have been taken and those which have not. During our visits, we check all progress such as the installation of certified fire doors. Overall, 90% of the defects identified in our partner factories have so far been successfully eliminated through appropriate repair measures.

3.3 Carbon Performance Footprint Initiative

From 2013 until it was discontinued in 2020, we were a member of the *Carbon Performance Footprint Initiative (CPI2)*. Using an online questionnaire, our production facilities were able to analyze themselves and identify opportunities for improvement in the areas of energy consumption, water consumption as well as chemical management.

4 What we know about our supply chain

The garment and textile industry is often cited as an example of both long and complicated supply chains. The different production tiers can be simplified as follows.

Tier 1	Product	Cutting, Sewing, Linking, Packing
Tier 2	Material	Spinning, knitting, weaving, dyeing, washing, printing, finishing, accessories
Tier 3	Raw Material	Fiber production (Agricultural cultivation, animal farming, Petrochemical industry)

As part of our due diligence obligations, we require business partners to disclose their supply chain and to inform us of the associated material suppliers and/or specialized service providers e.g. laundries for each order. The CR team check the accuracy of this information through our traceability audits.

5 What we pay attention to in our products

We influence the sustainability of our products not only during production but also during development. The main materials that our products utilize are cotton and polyester. Conventional cultivation and production methods often have a negative impact on the environment. For this reason, several standards have been established over the last 20 years that promote and certify more sustainable production as well as cultivation methods, such as organic cultivation or the recycling of used materials.

Organic farming	Global Organic Textile Standard (GOTS), Organic Content Standard (OCS)
Recycled Material	Global Recycled Standard (GRS), Recycled Claim Standard (RCS)
Promoting small farmers and sustainable farming methods	Cotton Made in Africa (CmiA)
Compliance with social and environmental criteria in the supply chain	Fairtrade, GOTS, GRS



In the year 2020, most of our orders were already certified to one of these standards.

In addition to the material, the choice of finishes also has an impact. In particular, finishing with Perfluorinated Compounds (PFCs) to create a water-repellent function has been proven to be harmful to the environment. This is why we have been using the PFC-Free alternative Bionic Finish® by Rudolf Chemie for several years now. All our products with water-repellant function are treated with this safer alternative and are therefore PFC free.

6 What challenged us

6.1 Complaints received

Each of our partner factories has an internal grievance mechanism. The employees of the companies have various options for submitting these complaints, such as through employee representatives or specialized apps. However, these internal grievance mechanisms do not always lead to a solution or are not always accessible. In order to give workers the opportunity to raise a complaint in such cases, there are various independent external grievance mechanisms.

As a signatory to the *Accord*, all employees of our partner factories in Bangladesh have access to the *Accord* grievance mechanism. Complaints submitted through this mechanism are reviewed by the *Accord* and forwarded to the factory as well as all brands and importers associated with the factory. Although the *Accord* forwards all complaints, they only follow up on the cases that are within the *Accord's* scope of health and safety in the workplace.

In February 2020 we have received a complaint through the *Accord* within their scope:

The complainant alleged that he has not been allowed to continue his work at the factory after returning from an extended period of authorised sick leave.

The complainant's proposed remedy is for the factory management to reinstate him to his position at the factory. If factory management refuses to reinstate him then the complainant wishes to be immediately paid his due earned wages for days worked in July 2019 and other separation from employment entitlements.

To investigate this, our CR team conducted interviews with responsible parties at the factory as well as the complainant. Both sides confirmed the circumstances of the incident in general, though provided different testimony in relation to the submitted documents.

In accordance with the *Accord* protocol, the factory submitted its statement after receiving the complaint. The next step would have been a response from the *Accord*. However, the process was interrupted due to the pandemic and required lockdowns. In the meantime, the outstanding wages were still paid out in September, which the complainant also confirmed to us.

The *Accord* and the *RSC* have now reopened the case. As additional compensation to be paid by the factory, the payment of the 12 sick leave days have been agreed on.

6.2 Covid-19

This year, the global Covid-19 pandemic has presented us all with unexpected challenges. We also had to rethink and reorganize our normal work processes. Wherever possible, we have created conditions that allow for mobile working. Distancing between workstations has been introduced for unavoidable office visits. Additionally, the wearing of face masks has become a permanent feature.

Lockdowns, closed stores, and interrupted supply chains have hit apparel trade and the industry as a whole very hard. Despite this difficult situation, we have been largely able to avoid cancellations. In very close coordination with our clients and partner factories, individual orders were postponed or, in cases where no material was procured yet, cancelled. We are very grateful for this fair and considerate cooperation with our clients during these trying times.

7 Where we are going

Being a partner to our clients and suppliers will continue to be the focus of our business activities. The end of the pandemic may be in sight, but the consequences will keep us busy for a long time to come. The business environment will not be getting easier and there will be additional challenges in future.

We believe the answer to these challenges must be more sustainability in practice, and not less. That is why we continue to invest in these areas and expand out sustainability processes.

In concrete terms, this means that in the coming years we want to further implement the requirements of the *Zero Discharge for Hazardous Chemicals Initiative (ZDHC)* in our supply chain. This is already the case for most suppliers, particularly in Bangladesh. However, we want to play a much more active role in this.

In the area of materials, we are planning on including items made from virgin wool. We reject cruelty against animal, and as such we have decided to only source products certified in accordance with the *Responsible Wool Standard (RWS)*. This standard verifies compliance with the five freedoms of animal welfare and prohibits the practice known as *mulesing*.

To develop ourselves further, we are also aiming for the *Green Button* certification, for which we already started the preparations in 2020.

We will report on the results of our efforts next year.

New Frontier GmbH

Osnabrücker Str. 68a
49584 Fürstenau – Germany

Telefon: +49 5901 958 19 0

Email: info@newfrontier.de

www.newfrontierfashion.net

NEW FRONTIER
F A S H I O N & S P O R T S W E A R