

A photograph of four women standing in a field of tall, golden-brown grass under a blue sky with scattered clouds. The woman on the far left has curly red hair and wears a long white coat with a wide shawl collar and a long, fringed scarf. The woman next to her has dark hair and wears a white sweater under a long, shaggy fur vest. The woman in the center has blonde hair and wears a white V-neck cardigan with a wide white belt tied at the waist. The woman on the far right has dark curly hair and wears a long, belted tan coat. In the background, there are rolling hills and several large round hay bales.

# HUMAN RIGHTS DUE DILIGENCE REPORT

ELLOS GROUP  
ellos Jotex home  room elpy



## ELLOS GROUP IN BRIEF

The Ellos Group, which includes the e-stores Ellos, Jotex, Homeroom and payment brand Elpy, is a leading e-commerce group in the Nordic region. Working closely with our millions of customers, we are constantly striving to develop and offer attractive and sustainable fashion and household items for the entire family. Our focus is always on the customer. We continuously work to develop our business through innovation, creativity, and sustainability. The Ellos Group, headquartered in Borås, and with operations in all Nordic countries and selected European markets, has around 550 employees and sales of around SEK 3.4 billion.

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 instead of Ellos Norway AS.

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 120 000 different options, of which 23 000 is privat brand. The broad range including apparel, shoes, accessories, furniture, electronics, toys, beauty, home textile and decoration. In total 47 different categories 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.



# SOURCING FROM COUNTRIES WITH HIGH RISKS FOR HUMAN RIGHTS ISSUES

Ellos Group’s private label products are manufactured by suppliers mainly in Southeast Asia. We do not own any factories, instead we work with independent suppliers. In the end of 2023, we had 302 Tier 1 (supplier of final product) factories. In addition to our own private label products, we have suppliers for the external brands sold on our sites. The following sections focus on the supply chain and suppliers for Ellos Group’s private label products. For more information about due diligence for external brand suppliers see section External Brands.

Our main sourcing markets in 2023 were China, India, Bangladesh, and Pakistan. China has increased in line with Ellos Group’s category sales strategy, while India has decreased mainly due to less production of carpets, decoration and apparel in India. Pakistan has decreased because of consolidation before signing a new membership in the International Accord Pakistan. In Europe, several reasons such as inflation in Turkey, the war in Ukraine, and increased minimum quantities demands from suppliers have 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 imply large geographic risk for negative impact on human rights. Based on our overall assessment, we see that Ellos Group’s suppliers are in several countries with little to no guarantee of human rights.

	Share of sourcing 2023	Risk score
China	60,5%	High
India	20,1%	High
Bangladesh	7,3%	High
European Union	4,1%	Medium
Pakistan	3,1%	High
Turkey	1,0%	Medium
Others	3,9%	High

**Identified changes and updates in regional risks in 2023:**

- The war in Ukraine and its direct and indirect impacts
- Continued inflation, political and financial instability in Turkey
- Lack of auditors to perform social compliance audits in Baltic, Italy, and Poland

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 regarding compliance with Ellos Group Supplier manual as well as Ellos Group’s Trade sanction policy. Included in the process is an evaluation against amfori BSCI Risk management tool.

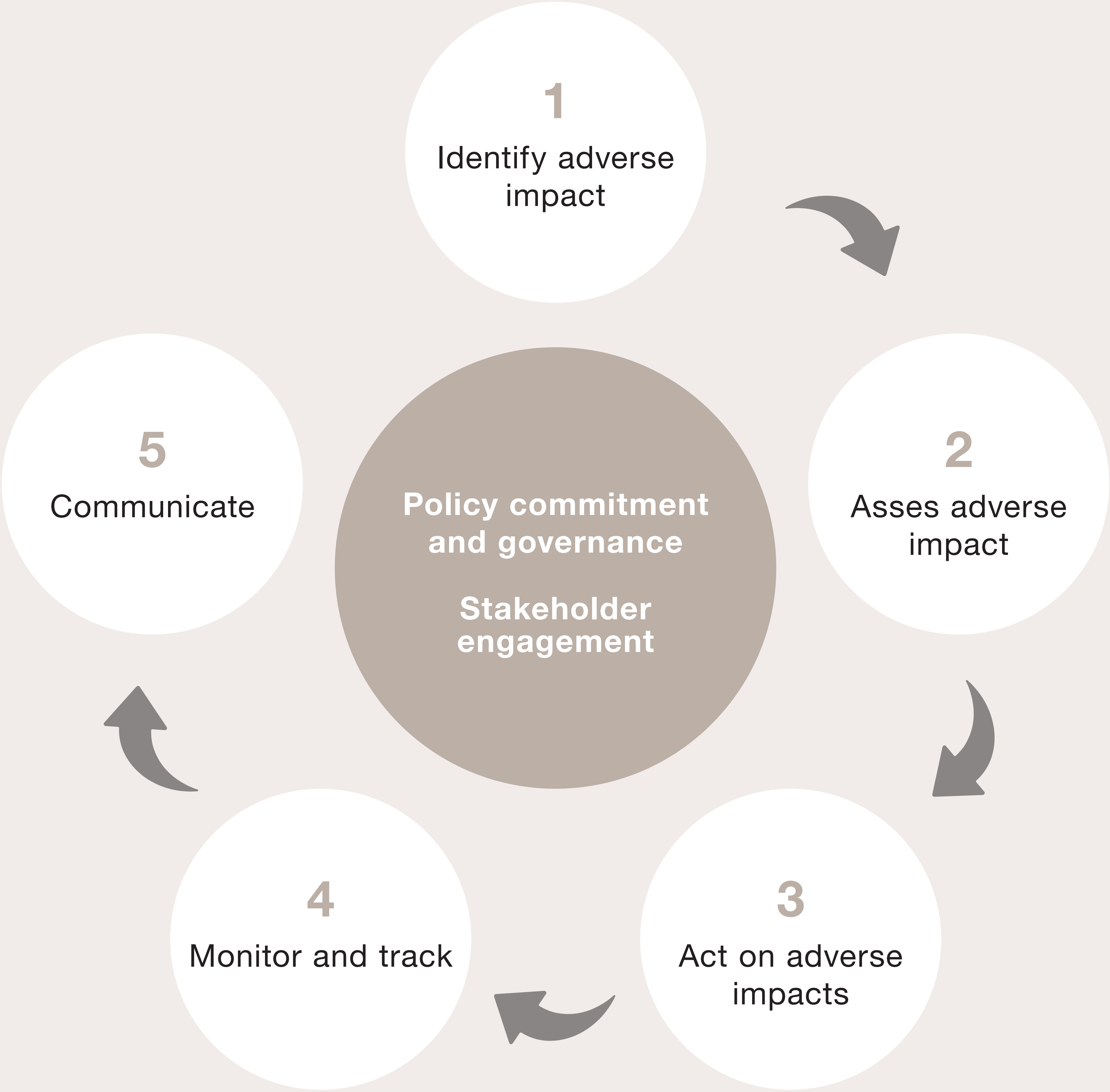


# ELLOS GROUP’S HUMAN RIGHTS MANAGEMENT

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 an 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. During 2024 Ellos Group will continue to work with our PSB to include a wider scope related to social compliance.

If risks are found in the social compliance audit a corrective action plan is developed and the Ellos Group work together with the supplier to mitigate the risk.

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 is 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 updates to the group management. Ellos Group use audits to identify 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 commitment to transparency regarding human rights risks and actions to prevent or mitigate these risks is demonstrated through our annual reporting. 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 our partners 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 the 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 because 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 all employees at the company and regular training sessions 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. The principles are embedded into our operating standards and management practices.

In addition to the policy and the Code of Ethics we communicate our expectations regarding 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 business partners. The Supplier Code of Conduct was updated during spring 2023 to better address risk areas and to align with the requirements in the Transparency Act.

To further strengthen the Human Rights Due Diligence work Ellos Group has started a cooperation with Worldfavor. Worldfavor is a platform for following up on our supply chain by self-assessment surveys. The work with Worldfavor has started and we see this as an important part to strengthen our work to collect information from our supplier related to both sustainability and social compliance.



### **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 continuous 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 centre 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 standard. 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 progress of the Group’s sustainability work, including the human rights due diligence work, is followed up regularly by the Board.

The Board of Directors is the highest governance body of Ellos Group AB. 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 wants to be transparent about the products we sell and our work. During 2023 Ellos Group received a few general requests from journalists on how to work with living wages, 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 United 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 decent 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 to minimize the risk.

All new production factories must recognize Ellos Group’s Code of Conduct and Ellos Group’s supplier manual. During 2023 Ellos Group established a new agreement for our suppliers to strengthen their commitment to our Code of conduct, sustainability, and product safety. The new agreement reinforces the supplier’s allegiance to comply with our way of working to secure worker’s safety in the production chain.

To register a factory 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 into Ellos Group’s Supplier portfolio. We have during 2023 stopped 6 factories by this screening process. Most frequent reason being critical findings on safe working condition 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 2023, 100% of Ellos Group Tier 1 suppliers have been audited and externally certified within 24 months. In the end of 2023, we had 302 Tier 1 suppliers.

During 2023 the focus from a CSR and sourcing perspective has been to consolidate our supplier base to create long term business relations with our existing suppliers that comply with Ellos Group’s sustainability and social compliance requirements. Number of phased out suppliers end of 2023 was 100 suppliers (30,89%). This has given us the ability to structure and work more proactively with our remaining Tier 1 suppliers which is laying a solid foundation for traceability further down in our supply chain according to our sourcing strategy 2.0. Another focus area has been to work more actively with Corrective Action Plan (CAP) follow-up, which has led to our suppliers improving their social compliance rating, whereas continuous improvement is a main building stone in our CSR work at Ellos Group.

In 2023, 100% of all Tier 1 factories had valid social audit reports.

	2021		2022		2023	
	#	% of total	#	% of total	#	% of total
Suppliers with external audit or internal assessment	324	100	420	96	302	100
Total numbers of suppliers	324	100	437	100	302	100
Number of new suppliers	40	12	33	8	13	4

To enhance our partners' efficiency and effectiveness in implementing corrective measures focused on human rights, worker safety, and environmental protection, Ellos Group recognizes the importance of collaboration for greater impact. Ellos Group is therefore part of amfori BSCI and The International Accord.

### **BSCI AMFORI**

In 2022, Ellos Group became a member of amfori BSCI, 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. Of Ellos Group's Tier 1 suppliers, 67,5% are members of amfori BSCI and are followed up and monitored through the Amfori platform.

In 2024 Ellos Group will start to map suppliers further down in the supply chain – Tier 2. Those suppliers will be invited to Ellos Group amfori BSCI platform and required to perform a self-assessment.

Amfori BSCI self-assessment mirrors the amfori BSCI audit questionnaire and it allows suppliers to fully understand the values and principles of the amfori BSCI Code of Conduct and how to embed them in regular business practice. After completing the self-assessment, the result is shown in percentage and findings. The suppliers and Ellos Group are able to use the results to make proactive improvement before an amfori BSCI social audit is scheduled.

### **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. The RSC conducts structural, electrical, fire & life safety and boiler safety inspections, supports and monitors remediation, performs safety training, and operates an independent occupational safety & health complaints mechanism available to workers in covered RMG factories.

In January 2023 Ellos Group signed the new Pakistan Accord which is a legally binding agreement between global trade unions and brands to ensure worker health and safety in the textile and garment industry. This agreement will be valid for the 3 coming years, until December 31st 2025. The Pakistan Accord is similar to the Bangladesh Accord with some additional requirements. The Pakistan Accord has a wider facility scope and includes fabric mills, and covers a broader health and safety issue, for example sexual harassment, gender-based violence and harassment, and excessive working hours.

In 2023, 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 (CAP) 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 amfori BSCI 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) that regulates the responsibility and actions in regards to monitoring, identifying and acting 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 independent 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 tracks that CAPs are followed and supports training of suppliers.

For suppliers outside of GSS, audits and CAPs are carried out through the independent audit institute Bureau Veritas in cooperation with Ellos Group. Ellos Group is dedicated to building long-term relationships with our suppliers. Our goal is to foster partnerships that drive sustainable improvements, promote responsible business practices, and support long-term growth.



ELLOS GROUP AUDIT AND CSR WHEEL

Bureau Veritas utilizes protocols for on-site monitoring, which have been developed by Ellos Group in close cooperation with our partner GSS. The on-site 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.

The overall work to secure human rights in our value chain is built upon 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 supplier scoring system, which makes the basis for the audit format.

Ellos Group adheres to a Zero Tolerance policy, clearly defined in our internal procedures, and communicated through all training programs. This policy stipulates that human rights violations, unsafe working conditions, and any business behaviour that could compromise the independence of risk management (including audits) are considered Zero Tolerance issues, distinct from standard social performance findings. Failure to comply with e.g., chemical handling, fire & electricity safety, child labour, health & safety that could imply risk of losing limbs or live as well as bonded labour are critical areas which will imply corrective action measures.

Based upon identified risks and audit, the supplier is required to introduce improvements that are outlined in a CAP, 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 2023, 6 of Ellos Group’s suppliers were 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 in 2022 to reduce our supplier base by 25% the coming 3 years. During 2023 Ellos Group phased out 30,9% of our Tier 1 factories. The majority of the phased-out Tier 1 factories are units where Ellos Group had very small volumes or low value. By reducing the number of factories we allow to strengthen the relationship with remaining suppliers in order to reduce risk in our supply chain.

**TRANSPARENT SUPPLIER  
INFORMATION**

Ellos Group wants to be transparent and a list of Tier 1 factories for apparel 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 follow our ethical way of working and go through an approval process before the first test order.

[Here you will find the overview of 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).

During 2024 a main objective for Ellos Group is to achieve an overview of the supply chain down to Tier 2 to risk prevent for the future and work proactively with our supply chain. Tier 2 mapping is a key strategic component for Ellos Groups sourcing strategy.



# 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	Social audit score, agent structure
Severity and probability of impact	Supplier risk level, business relation

## ELLOS GROUP’S PRIORITIZED HUMAN RIGHTS AREAS

Ellos Group monitors our prioritized human rights areas and recognizes 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:	2024 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 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>- Assessment beyond Tier 1 to secure child labour policy</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>- Audits and inspections</li><li>- Implement MRSL compliance</li></ul>
 Fire and building safety	Production supply chains in Bangladesh, China, India, Pakistan and Turkey	<ul style="list-style-type: none"><li>- RCS Bangladesh &amp; Pakistan Accord</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 that Non-discrimination policies are in place</li><li>- Follow up Pakistan accord</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>- Dialogue with unions at a global level</li></ul>
 Freedom of association & collective bargaining	Production supply chain in Bangladesh, China, India, Pakistan, and Turkey	<ul style="list-style-type: none"><li>- Dialogue with unions at a global level</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 is committed to working to ensure that forced labour and modern slavery does not occur in our supply chains. Ellos Group has 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 2023 we did not identify any forced labour.

We continuously follow up on areas of forced labour in our social audits. Ellos Group's CSR wheel and score card covers in total 15 points, 13 related to critical/zero tolerance and the other two major and minor.

*An example of when a supplier was denied registration due to failure to comply with Ellos Group's social-compliance requirements during 2023, was when a potential new supplier had no policy regarding forced labour and migrant workers in place. For Ellos Group to reconsider them as a supplier they need to conduct a new social audit after noted non-compliances are corrected and implemented at factory site. We have a detailed screening process when bringing in new suppliers to make sure they will live up to our code of conduct and way of working, with a result for all each sections was well approved. The case was settled in full and closed 31st of August 2023*

## 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 commits to working to protect migrant workers in our supply chain and to promote their human rights and worker rights.

To mitigate the risk of forced labour Ellos Group requires 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.

We have during 2023 followed up that all suppliers have a policy on forced labour via Social Audit. Ellos Group's CSR wheel and score card covers 1 point that is connected to migrant workers under scope discrimination & ethical business behaviour, which is zero tolerance.

## 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 needs to be handled with extra focus, to not only incorporate a plan for the supplier but also a welfare plan for the children involved.

Ellos Group continuously follows up on areas of child labour in our social audits. Ellos Group's CSR wheel and score card covers in total 13 points which all are critical/zero tolerance. We have had no reported case during 2023.

The risk for child labour increases in sectors where the wage levels are particularly low, and work can be performed at home or in the neighborhood. To reduce the risk of Child labour in our supply chain Ellos group works to exclude homeworking and to secure that all production is re-located to proper working centers where audits and monitoring can be carried out. However, Ellos Group do not have a formal ban of homeworking as we believe greater transparency around homeworking may bring to light concealed child labour.

Ellos Group's approach is based on 100% transparency in the supply chain to identify and secure any kind of child labor. Ellos Group's guiding principal for all work related to child labour must be in the best interests of the child. By cancelling orders from a supplier or subcontractor where child labour is found can be very damaging. It can leave families without income, which can push children into more desperate and dangerous forms of work. A way to reduce the risk of child labour is to ensure that all women are properly paid. This is vital to the whole family; women's income has been commonly found to be of more direct benefit to their children than men's. The risk of child labour also increases if homeworkers are poorly paid or if suppliers are given orders beyond their capacity. To gain more insights and assess risk linked to child labour, Ellos Group increases focus on traceability of its supply chain, to increase possibility for information and follow up throughout the process chain. During 2024 Ellos Group will have a high focus on Tier 2 mapping and investigate the use of homeworkers.



# 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 is 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 Group has 3 sections in the social audits concerning health and safety: Safe Working Conditions (27 points, 20 zero tolerance, 7 remaining critical), Chemical handling (38 points, 23 zero tolerance, 9 critical, 8 major and 1 minor), and Hygienic Working Conditions (15 points, 2 zero tolerance, 6 critical, 6 major and 1 minor). In total Ellos Group has 80 points on occupational health and safety, 64 of which are zero tolerance and critical which stand for 80% of total.

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

**Products at factory site leaned against the wall, which is a fire hazard.**

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

**Electrical switch boxes** are without inner cover protection and are not locked.

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

**First aid:** Common issues are incomplete first aid kits, eyewash stations missing in risk areas

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

Ellos Group has updated our chemical restriction with a Manufacturing Restricted Substances List (MRSL) in 2023, during 2024 Ellos Group will start the implementation.

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, ELECTRICAL AND BUILDING SAFETY

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

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 safe. 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 RMG 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.

In December 2022 signatories agreed to establish a new workplace safety program in Pakistan, Ellos Group signed this agreement in January 2023. All RMG factories Ellos Group cooperate with in Bangladesh and Pakistan are required to take part in the full scope of the International Accord 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 engineering teams in Bangladesh and Pakistan.

The overall progress rating for factories that Ellos Group cooperate with in Bangladesh is 94,8% for

electrical, fire 89,3% and structural 81,1% that gives a total average of 88,4% compared to 87% 2022. 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 RSC. The progress rate assigned to each supplier within the Accord in Bangladesh and Pakistan is based on the corrective action each supplier takes on the initial factory inspection made at factory site by the International Accord whereas their performance on electrical, fire and structural safety is investigated. For example, if a supplier receives a 100% progress rate, they have corrected all their non-compliances found at initial inspection with corrective action plan (CAP).

**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 they are missing outer covers with clear warning signs.

**Building safety:** Building certificates missing

Electrical safety is our most frequent critical area. Every 2nd Social Audit report contains critical non compliances that are regularly followed up and resolved with corrective action plan.

We continuously follow up on areas of fire and building safety in our social audits. Ellos Group’s CSR wheel and score card covers in total 27 points under section safe working conditions regarding fire, electrical and building safety, 20 points zero tolerance remaining 7 is critical.

Fire remains a critical risk in all countries and continue to be an area that we follow up in our audits and with corrective action plans. No shipments or new order placements can take place until such critical areas are resolved, and action taken. This concerns both the factory and dormitories connected to the facility.

For 2024, Ellos Group will continue its work with the Accord. 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. During 2024 we will increase our assessment regarding fire safety by including questions in self-assessment through amfori BSCI beyond Tier 1.

# 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 are exposed to workplace violence and discriminatory practice.

Our Supplier Code of Conduct sets 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 continuously follow up on areas of discrimination and harassment in our social audit. The CSR wheel and score card cover in total 23 points in relation to discrimination & ethical business behavior, 6 of them are zero tolerance, 8 critical, 8 major and 1 minor.

*An example of a risk connected to discrimination and harassment that occurred in June 2023 via the RSC in Bangladesh is the following:*

*The complainant alleged that he had been dismissed without any investigation after he had been beaten by an operator. RSC together with affected brands joined forces to start investigation regarding the violent behaviour and how to prevent that and minimize risk for worker in the future. The case was closed shortly after in 2023 when the factory management conducted disciplinary action against the alleged operator by following the labour legislation of the land, the alleged operator was dismissed immediately. After reviewing the resignation letter and written complaint of the complainant, the RSC considers that the handwriting of both documents is same, and he resigned voluntarily. In this regard, the RSC did not find any corroborate evidence in favour of the allegation brought by the complainant. When Ellos Group had conversation with supplier they assured us they are monitoring these kinds of issues and senior management is having discussions to avoid this in future.*

In 2024, Ellos Group will continue to track and monitor discrimination and harassment through both social audits and Accord tracking non-compliances in Bangladesh and Pakistan. 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.



# 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 offer 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 total 22 points in relation to regular employment and wages under the section called fair remuneration, 5 of them are zero tolerance, 6 critical, 10 major and 1 minor.

In 2023, 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 pays 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 in-voices 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 in August 2023 via the RSC in Bangladesh is the following:*

*The complainant alleged that she had not been paid due separation from employment entitlements after she resigned from her employment at the factory giving two months prior notice. RSC 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 shortly after in 2023 when the female worker received her final payment from the*

*factory. When Ellos Group had conversation with supplier all payment was settled and the particular has resigned by her own choice.*

Excessive overtime is another salient risk. Work hours at the factories is an important component of Ellos Group’s follow-up, and overtime work should always be voluntary. When screening social audits Ellos Group has found a pattern that many Chinese suppliers work voluntary overtime to earn as much money as possible and thereafter take a longer holiday before returning to factory site. We have set a 48 hours per week limit in our CSR wheel and scorecard and if the hours exceed the regulations of maximum 60 hours per week it is excessive overtime.

In our industry, the wide variety of products and the often unstable or unpredictable order flow, driven by brand demand within Ellos Group, frequently make it challenging for suppliers to align their capacity with product orders. Ellos Group’s different products may require workers with dedicated skills and the supplier need to handle that in the most efficient way. In addition, the instable and not guaranteed orders may make it difficult for the suppliers to forecast the capacity and prepare accordingly. Therefore, suppliers often lack sufficient incentive to expand their base capacity and, instead, rely on excessive overtime of the existing workers to fulfill the orders and that can be seen as a high risk that needs to be eliminated.

During 2024 we will continue to assess wage and contractual aspects throughout our supply chain to assess risk and possible action areas based on Ellos Group’s business model. The key challenge of Ellos Group’s small impact will remain during 2024. In 2023 we have had a meeting with UNI Global Union, which is one of the founding organizations and negotiators of the International Accord, to get a better understanding of the human rights risks in our supply chain. We will continue this dialogue at a global level to increase our knowledge on how to mitigate the risks in best way with NGOs.





## FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

At Ellos Group we believe in promoting decent work in our supply chains. Ellos Group has 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 continuously follows up on areas of freedom of association & collective bargaining in our social audit. The CSR wheel and score card covers in total 9 points in relation to discrimination and ethical business behavior, 1 of them are zero tolerance, 1 critical, 6 major and 1 minor.

# OVERVIEW NON-COMPLIANCES ELLOS GROUP 2023

During 2023 Ellos Group had in total 26 factories with zero tolerance issues, 44 issues related to zero tolerance whereas 44 were solved with corrective action plan and no issues are remaining (Table 1). Regarding the total number of critical issues Ellos Group have found in audit reports, it concerns 57 factories where a total of 186 issues have been considered as critical based on scorecard. In total 111 critical issues out of 186 issues have been solved with corrective action plan, 75 issues are remaining unsolved at the end of year (Table 2).

Ellos Group is working for continuous improvement together with our existing supplier base with a long-term business perspective. The number of critical factories at the end of 2023 was 8, compared to 60 at the end of 2022. The number of factories terminated due to failure to comply during 2023 was 6 compared to 29 at the end of 2022.

Find an overview of zero tolerance non-compliances based on social audit tracking 2023 screened with Ellos Group’s scorecard in Table 1:

TABLE 1		ZERO TOLERANCE			
Section scorecard	No. of suppliers*	%	No. of issues	Solved	Unsolved
5. Safe working conditions (fire, electrical, structural)	23	77%	37	37	0
6. Chemical handling	3	10%	3	3	0
11. Fair remuneration	3	10%	3	3	0
2. Female workers	1	3%	1	1	0
Total		100%	44	44	0

*\*Supplier can have one or several zero tolerance based on score card*

In 2023, the most common zero tolerance issues in audit report were related to safe working conditions, and this section covers a total of three areas: fire, electrical and structural safety. The issues found during the audits are usually related to the area of fire or electrical safety, such as "sewing machines without needle guard" often the workers have taken away needle guard themselves due to higher efficiency. "PPE provided but not used properly" is another common non-compliance, also in this case factory provides persona protective equipment but workers do not prefer to use them. Other common issues are "storage of goods against the wall", or "electrical cabinets without a protective cover". The pattern Ellos Group notice is that these types of issues are addressed quickly with a corrective action plan, usually within a week. On the other hand, issues relating to, for example, fire and building documents that are missing or are outdated take longer time to correct based on applying for re-inspection and relevant documents.

Find an overview of critical non-compliances based on social audit tracking 2023 screened with Ellos Groups scorecard in Table 2:

TABLE 2		CRITICAL			
Section scorecard	No. of suppliers*	%	No. of issues	Solved	Unsolved
5. Safe working conditions (fire, electrical, structural)	40	43%	118	72	46
11. Fair remuneration	32	34%	37	19	18
6. Chemical handling	12	13%	20	14	6
7. Hygienic work conditions	7	7%	8	4	4
10. Attendance records & wage list	2	2%	2	1	1
8. Discrimination & ethical business behaviour	1	1%	1	1	0
Total		100%	186	111	75

*\*Supplier can have one or several critical selections based on score card*

In 2023, "safe working conditions" stands out as the most frequently mentioned category when discussing critical issues. The section covers three large areas, fire, electrical and structural safety, thus many non-compliances are related to that specific section in our score card.

Example of critical issues related to this section are "dangerous moving parts of machinery are not properly guarded" or "electrical boxes were not equipped with inner cover or insulation protective devices". The chemical handling section is also a more frequent section where critical issues are found, this could for example be "insufficient risk assessments" or "labeling was not done on chemical containers". These kinds of issues are often solved within a shorter period. The issues that remain unsolved at the end of 2023, Ellos Group is actively working with the supplier to address.

Find an overview of non-compliances via International Accord based on RSC cases Ellos Groups CSR team has tracked and screened with scorecard during 2023 in Table 3:

TABLE 3		INTERNATIONAL ACCORD			
Section scorecard	No. of suppliers*	%	No. of issues	Solved	Unsolved
5. Safe working conditions (fire, electrical, structural)	2	33%	4	4	0
6. Chemical handling	2	33%	2	2	0
11. Fair remuneration	1	17%	1	1	0
2. Female workers	1	17%	1	1	0
Total		100%	8	8	0

*\*Supplier can have one or several critical selections based on score card*

# 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 whistle blowing policy prescribes how to report concerns, and how reported concerns are handled. 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 it is now available for the supply chain as well. The whistleblowing channel is provided by WhistleB, Whistleblowing Centre, to ensure anonymity. The communication channel is encrypted and password protected to ensure all messages will be processed in confidence.  
<https://report.whistleb.com/en/ellosgroup>

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.

Trough audits we get information if suppliers have human right policy and grievance mechanism in place. This information will direct our actions going forward.

The ambition for 2024 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 on our sites. At the end of 2023 we had 1008 external brands, that accounted for 82% of the assortment and 37% of sales at Ellos Group.

Ellos Group wants to be a responsible retailer and make sure that human and labour rights are respected in the supply chains of all our business partners. In 2023 our agreement with external brands was updated to put more emphasis on human right issues.

During 2024 we are committed to further strengthening 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 have introduced five requirements for external brand suppliers:**

The supplier must have a supplier Code of Conduct covering the key areas of social compliance

The supplier must have a procedure for identifying risk and following up suppliers in their value chain

The supplier must have a Restricted Substances List

The supplier must have a routine for chemical follow-up of their products

The supplier must have a contact person for CSR and product safety

## TRANSPORT SUPPLIERS

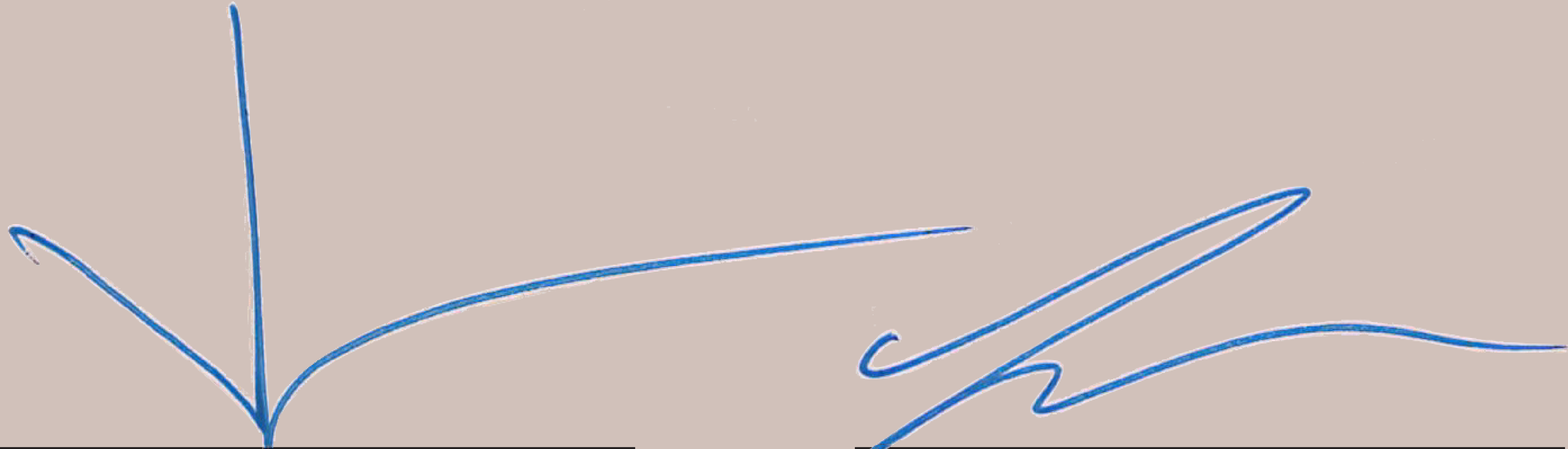
For both inbound and outbound transportation of our products, Ellos Group is dependent upon external logistics companies. In 2023 we had a total of 15 distribution partners to cover our product distribution.

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 distribution partners, but no structured follow-up has been done regarding how well they ensure human rights in their operations.

During 2024 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.

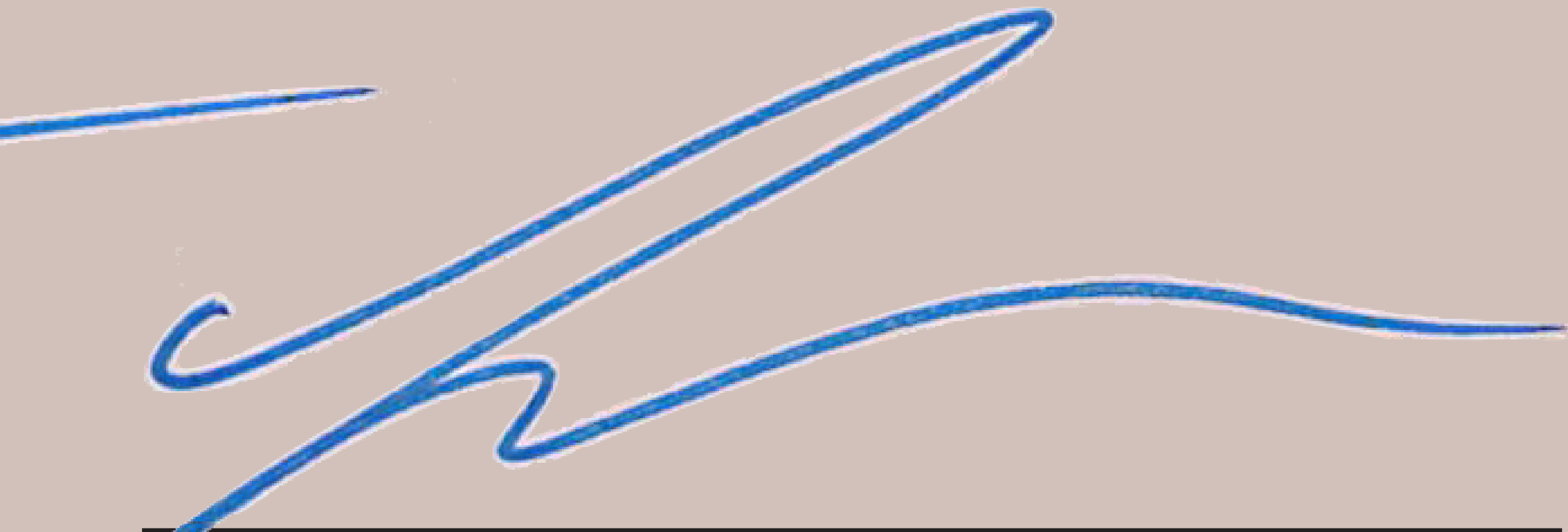


BOARD FOR ELLOS NORWAY AS



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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*