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Human Rights and Environmental

Due Diligence Policy

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Human Rights and Environmental Due Diligence Policy

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1. Foreword

Action is a fast growing international retailer. We provide our customers with a range of quality non-food products and daily essentials at the lowest price. Our growth comes with responsibility. We value simplicity and efficiency in managing our operations. We also acknowledge the importance of environmental sustainability and the well-being of people. Individuals involved in our operations are entitled to fair treatment, safe working conditions and respect for fundamental human rights. This human rights and environmental due diligence policy outlines how Action takes its responsibility.

Hajir Haji
CEO Action

2. Introduction

This human rights and environmental due diligence (HREDD) policy outlines our commitment and approach to the responsible sourcing of products that meet our standards of quality while respecting human rights and the environment. The HREDD policy serves as a framework to help us identify the challenges we face, define our sphere of influence and effectively prevent, mitigate and account for the potential and actual impacts that our business operations have on people and the environment. We will continuously develop and improve our approach as our understanding of our impacts evolves.

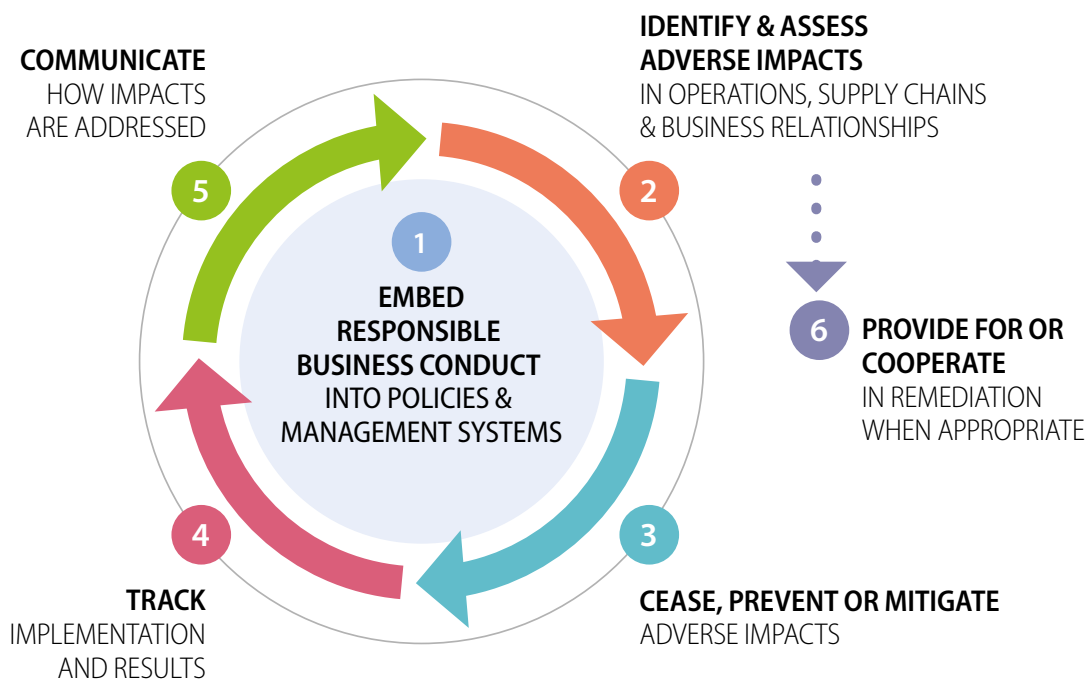
This HREDD policy was developed in alignment with the following internationally recognized standards:

- UN Guiding Principles on Business and Human Rights (UNGPs)
- OECD Guidelines for Multinational Enterprises (OECD Guidelines)
- Fundamental Conventions of the International Labour Organization (ILO)

3. Due diligence at Action

With the adoption of this HREDD policy, we strengthen transparency, accountability and continuous improvement within our organization. Through our due diligence process, we will assess the potential and actual impacts of our operations, seeking to identify any human rights violations, environmental harm or non-compliance with applicable laws and regulations. We are committed to mitigating and addressing any such issues in collaboration with our stakeholders and suppliers and – where necessary – taking corrective actions to ensure a positive and lasting solution.

Our due diligence process:



3.1 Embed responsible business conduct

The Action Sustainability Programme (ASP) plays a central role in embedding responsible business conduct in our organization. Our due diligence governance evidences our commitment to respecting human rights and the environment and reflects our expectations towards our business partners.

Action Sustainability Programme

The ASP is inspired by the United Nations Agenda for Sustainable Development, the Sustainable Development Goals (SDGs) and takes strategic guidance from the European Green Deal. The ASP consists of four pillars: People, Product, Planet and Partnership.

- **People:** Our people are key to our success. We aim to ensure that every employee has access to relevant training and development opportunities enabling them to excel and grow. We foster an inclusive culture where people can be themselves and are appreciated. Respect, teamwork and fun characterize the Action culture and make our people proud and engaged;
- **Product:** We offer products that comply with all applicable quality and safety standards. We aim to source our products responsibly, taking human and environmental considerations into account in our operations. We wish to improve product circularity and aim to increase the use of renewable and recycled materials;
- **Planet:** Our operations inevitably lead to greenhouse gas ("GHG") emissions and the consumption of natural resources. We are committed to decreasing the resulting impact;
- **Partnership:** We consider ourselves a part and partner of society. Therefore, we ensure that our operations meet ethical, societal, and sustainable development standards. In addition, we support a variety of initiatives that contribute to a safe and healthy environment for children.

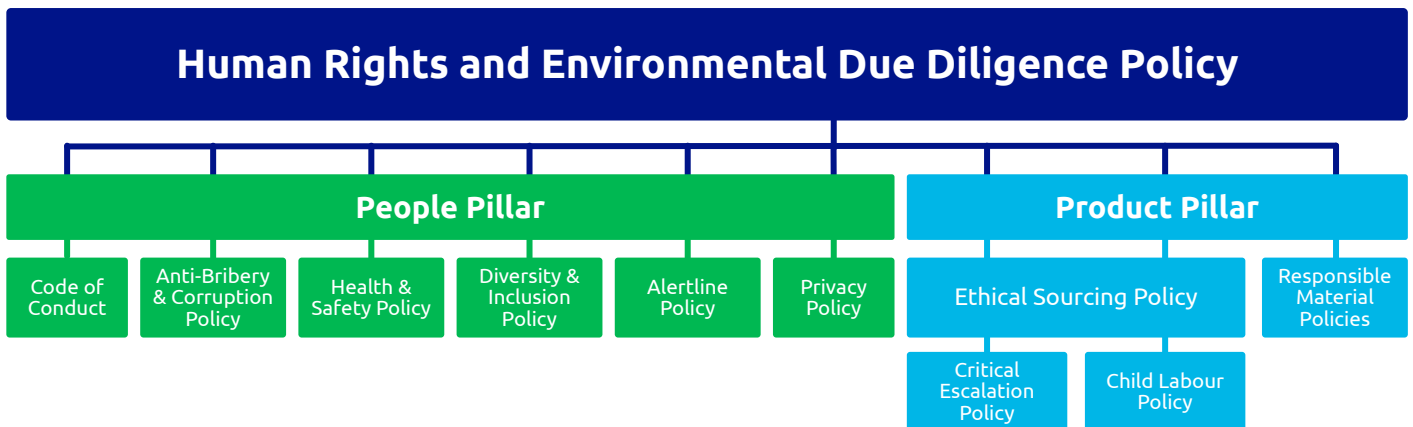
Due diligence governance

The executive board (EB), consisting of our chief executive officer (CEO) and chief financial officer (CFO), is responsible for HREDD. In fulfilling its duties, the EB is assisted by two standing committees, the risk and compliance committee (RCC) and the ASP Committee. The ASP Committee is responsible for the overall execution of our due diligence policies and procedures. They meet regularly to address sustainability topics and are supported by internal stakeholders from relevant domains. Every quarter the ASP Committee reports to the RCC which oversees business-wide topics relating to risk and compliance. We will continuously evaluate our due diligence governance on appropriateness and effectiveness.



Policies

The HREDD policy builds upon the sustainability related policies within our organization (see our [website](#)). It establishes a comprehensive approach to responsible business conduct.



Partners & systems

We work together with various partners and systems to strengthen our due diligence process. They support us by gathering data from our supply chain, monitoring suppliers, identifying risks and assisting in remediation.

- **amfori:** We are a member of amfori, our strategic partner on social and environmental compliance in our supply chain. Among the services they offer we make use of BSCI, BEPI and their Speak for Change grievance mechanism.
- **Li & Fung:** Our sourcing agent is a key partner in delivering our commercial and sustainability targets in our direct import supply base. They work closely together with vendors and producers producing for Action, monitoring their compliance, providing trainings and following up with them in case of non-compliance.
- **ImpactBuying:** Facilitates mapping of producers in our supply chain and monitors their social compliance. Data including social compliance insights from our suppliers and producers are mapped on their platform.
- **Elevate:** We perform additional monitoring in our supply chain to identify potential risks. Elevate supports us by performing unannounced spot checks and follows up on identified non-conformities.
- **The Centre for Child Rights and Business:** The Centre provides support to effectively prevent and remediate child labour cases in our supply chain.
- **CreditSafe:** Evaluates new non-commercial suppliers on financial stability and potential connections to sanctioned persons and/or countries.

3.2 Identify and assess adverse impacts

We recognize our responsibility to identify, assess and prioritize risks and violations in our supply chain. The risk assessment plays a central role in guiding our due diligence activities by helping us identify the most important and urgent issues that we need to address.

Supply chain transparency

Identifying social and environmental risks in the supply chain begins with transparency. Global supply chains from raw materials to finished products are highly complex, involving many different actors such as farmers, producers, agents, wholesalers, and importers. Currently we have visibility of the final product manufacturer of our commercial goods. It is our ambition to have full supply chain transparency by 2030. We will report annually on our progress, including our priorities which will be determined by a risk-based approach.

Annual risk assessment

For our first annual risk assessment we evaluated 18 risks in the area of human rights, labour rights and the environment in 58 countries where we have our own operations and production. In each country, we assessed potential impacts on its severity (scale, scope and irremediability) by reviewing independent sources such as the Children's Rights and Business Atlas, ITUC Global Rights Index and WWF Water Risk Filter. The analysis is followed by a prioritization of our most salient risks based on the highest severity scores.

Our identified salient risks are:

- Climate vulnerability
- Biodiversity loss
- Occupational health & safety
- Forced labour
- Child labour
- Migrant workers

We will conduct an annual risk assessment which will give us the necessary insights to help further prioritize our salient risks. In addition, we will where necessary conduct an ad-hoc risk assessment in case any potential new negative impacts are identified. As we gain more transparency in our supply chains, we will also extend our risk assessment to reflect risks further down our supply chain.

3.3 Cease, prevent or mitigate adverse impacts

Action is committed to ensure good ethical practice throughout our supply chain and operations. We take our responsibility to cease, prevent and/or mitigate the identified adverse impacts. We recognize that we cannot deal with complex global risks and challenges alone, which is why we aim to work closely with our suppliers and partners to address and mitigate identified risks.

Supplier selection

The suppliers we work with play an essential role in our due diligence activities. We believe it is our shared responsibility to ensure good ethical and environmental practices throughout our supply chain and the communities in which we operate. Therefore, we carefully select our suppliers and set clear expectations on social and environmental performance at the beginning of our relationship:

- All contractual suppliers accept and comply with our ethical sourcing policy and cascade its principles down the supply chain.
- Our domestic suppliers that source from risk countries¹ are members of amfori BSCI to demonstrate their commitment to social compliance and transparency in supply chains (exemptions may apply).
- All producers and subcontractors in risk countries are required to have a valid social audit that complies with our Social Compliance Guidance for Suppliers. All subcontractors need to be authorized by Action prior to production.
- Our direct import China-based producers are monitored on environmental alerts by the Institute of Public & Environmental Affairs (IPE) and required to remediate open violations.

Supplier training

We organize various trainings for our (commercial) suppliers in order to raise awareness about our policies and sustainability expectations. Training on social compliance is part of the onboarding procedure for direct suppliers. Our partner Li & Fung also trains our suppliers throughout the year via vendor summits in which our expectations on social and environmental compliance are shared.

¹ As defined by the yearly amfori BSCI Country Risk Classification.

In our Vendor Ownership Program, we have a selection of top vendors representing over 50% of our direct import sourcing. The objective of this program is to engage with vendors and ensure they take ownership for mitigating risks and driving improvement on social compliance and sustainability. Through trainings, the vendors build capacity to more efficiently monitor social compliance in their supply chain. Each vendor is expected to have a dedicated team to monitor their producers, perform internal audits and follow-up on identified non-conformities.

In 2024, we aim to provide further trainings to our IHQ employees on this subject, enabling them to understand the expectations of this due diligence policy and how it impacts their responsibilities.

Supplier disengagement

We strive for a good and trusting collaboration with our suppliers and partners, a relationship where open and honest dialogue is possible. When critical cases are identified through audits at our suppliers we follow our critical escalation policy to remediate the identified risk. If all attempts for improvement fail, our last resort is to end the relationship with the business partner in a responsible manner. The impact of severing ties with the business partner is not taken lightly, and any impact that it may have on the risk identified is taken into consideration.

Sourcing sustainable raw materials

Our sustainable raw material policies and targets aim to ensure that human rights and the environment are respected in our supply chain. Our focus is on our private- and white label assortment. We periodically evaluate and update our policies and targets to further mitigate potential adverse impacts. Our partners are key in achieving the various raw material ambitions.

| Raw material | Target | Target year | Partners Certifications |
|--------------|--|-------------|--------------------------------|
| Cotton | 100% sustainably sourced cotton | 2023 | Better Cotton, GOTS |
| Timber | 100% sustainably sourced timber | 2024 | FSC, PEFC |
| Plastic | 35% third-party verified recycled content | 2025 | GRS and RCS |
| Cocoa | 100% sustainably sourced cocoa | 2024 | Fairtrade, Rainforest Alliance |
| Packaging | 100% recyclable packaging | 2025 | Country Waste Funds |
| | 100% sustainably sourced cardboard | 2025 | FSC |
| | 25% reduction of packaging (vs. baseline 2019) | 2025 | N/A |

Sourcing restrictions

In situations where it is not possible to adequately prevent adverse impacts, we have made business decisions to restrict sourcing of certain commodities and / or from certain countries. Sourcing products or raw materials from persons, entities and countries that are sanctioned through export trade restrictions by the European Union, United Nations or United States is not permitted. In addition, we have restricted sourcing of certain materials such as cotton from Turkmenistan, Uzbekistan and Xinjiang China. Moreover, Action does not source timber (products) from countries with sanctions imposed on timber imports or exports or areas with prevalence of armed conflicts, for which 'conflict timber' may be a concern.

3.4 Track implementation and monitor results

Our ethical sourcing policy outlines the minimum standards that we require our suppliers to comply with in the area of human rights, labour rights and environmental impact. We monitor compliance with this policy through social auditing, our spot check program, critical cases, amfori BEPI self-assessments and IPE environmental alerts. By evaluating learnings and continuously building on our due diligence activities we aim to improve our performance.

Social audits

All producers and subcontractors in risk countries are required to have a valid social audit that complies with one of our 5 accepted standards. During the social audit, a third-party auditor inspects and rates the producer on the protection of labour rights. The audit takes place on a yearly or bi-yearly basis and is usually semi- or fully announced. Monitoring compliance with this requirement is done with the help of our partners Li & Fung for our direct import producers and ImpactBuying for our domestic sourcing producers.

Conducting social audits is a good method for identifying risks as well as monitoring effectiveness of our mitigation activities. The audits give us insights into the performance of our producers on our salient risks occupational health & safety, child labour, forced labour and migrant workers. The majority of the audits performed in our supply chain are amfori BSCI audits, where we

expect a minimum C rating to show the producer has a basic understanding of social compliance. When a producer received a D or E rating we work with them on a corrective action plan (CAP) to ensure they remediate back to a (minimum) C rating. In addition, we are committed to improving producer and vendor performance through training and CAP follow-up.

To further integrate sustainable sourcing into our own operations we have extended monitoring of this requirement to the producers of our non-commercial goods (NCG) in 2023. Over the next years we will continue to work with our NCG suppliers on supply chain transparency and social compliance.

Spot check program

To complement the social audits, our partner Elevate performs unannounced spot checks at 15% of our direct import producers each year. The aim of the spot checks is to verify the social audit results and identify potential new (salient) risks that require mitigation. Producers are selected based on several factors such as potential risk, the length of relationship and annual Free on Board (FOB) value. Identified non-conformities or critical cases are followed up by a CAP. In 2023 we extended our spot check program to our domestic sourcing producers.

Critical cases

In our critical escalation policy we have defined topics that are considered highly critical labour rights (child labour, forced labour, severe health & safety issues) as well as topics that undermine our monitoring activities (bribery, falsification of documents, lacking transparency or unauthorized subcontracting). When a critical case is identified through a social audit, spot check or other identification method we follow the procedure outlined in this policy. Every year we monitor the identified critical cases, their remediation plan and outcome of the case.

amfori BEPI Self-Assessments

In 2022, we started environmental monitoring of our producers through the amfori BEPI Self-Assessment. Depending on the type of processes that the producer performs, they are evaluated on 8 environmental performance areas from chemical use to GHG emissions and wastewater. The self-assessment provides an indication of potential risks and supports yearly monitoring of a producer’s environmental performance. We will continue to expand the number of producers participating in this initiative.

IPE environmental alerts (China)

We monitor our direct import Chinese producers on environmental violations identified by the Institute of Public & Environmental Affairs (IPE) on a monthly basis. Potential violations include illegal discharge of waste, missing environmental impact assessments and misconduct in chemical handling. If a violation is identified, we require evidence of the remediation actions. IPE will verify that the remediation was successfully performed before removing the producer’s violation record.

3.5 Communicate how impacts are addressed

Due diligence is an ongoing learning process, and we understand the importance of sharing our progress, challenges and achievements with our stakeholders. We are therefore committed to communicate transparently about our due diligence process and the implementation of our policy.

| Communication | Update | Content |
|------------------------|-------------------------|---|
| HREDD policy | Annually on our website | The update reflects emerging human rights and environmental issues and our ongoing efforts to integrate due diligence practices into our business. These updates will be communicated internally to all employees to ensure awareness and understanding of our commitments. |
| Annual Update | Annually on our website | In our Annual Update we will communicate our approach to due diligence, as well as the actions we have taken to address identified risks and prevent potential risks. |
| Stakeholder engagement | Ongoing and continuous | We value the input and feedback of our stakeholders during our HREDD process. We will seek their perspectives, conduct consultations when appropriate, and consider their insights to strengthen our understanding and address any concerns. |

3.6 Provide access to remedy

While we take various measures to identify and address risks related to human rights, labour rights and the environment, we acknowledge that violations can still occur. It is important to us that our own employees, external stakeholders and individuals within our operations and supply chains have access to safe ways to report any potential misconduct.

Internal grievance mechanism

We stimulate openness and honesty on the work floor and believe it is essential that there is always room to discuss any concerns our employees may have. We want our employees to feel comfortable to speak up if they believe that our values, our Code of Conduct or any (local) laws or regulations may have been violated. Doing so helps Action to address issues before they can negatively affect our stakeholders and our business.

Both current and former employees are encouraged to report any concerns through the regular reporting channels (i.e. through the line manager or functional director) first. If they feel constrained in doing so concerns can be raised online via action.ethicspoint.com or via the alertline telephone. Our alertline policy is communicated to employees via posters in stores and offices and online through our intranet platform Anet.

Supply chain grievance mechanism

All producers with a social audit are required to have an internal grievance mechanism where workers can submit complaints to their respective factory management. Provided that this mechanism is available, effective, trusted and efficient, we encourage resolving issues within the local context first.

When the internal grievance mechanism is lacking it is important that we give workers the opportunity to reach out to us directly. In 2022 amfori launched the [Speak for Change grievance mechanism](#) in Vietnam. It has been extended to Turkey, Bangladesh and India in 2023. Through this platform workers involved in production for Action can submit grievances to us directly via phone, website or app. All grievances are first received and reviewed by amfori. While working together with other amfori members connected to the producer, our aim is to reach a fair, timely and objective resolution for the workers.

In addition, our sourcing agent Li & Fung has implemented a grievance mechanism at our direct import producers that allows workers to anonymously raise their concerns or complaints 24/7 through an online platform.

Reporting and evaluation

We will report on received grievances in our Annual Update and ensure learnings from remediation are taken into account when enhancing our due diligence process. In addition, we will annually review the effectiveness of the grievance mechanism which can be determined by the amount and outcome of the received complaints.

4. Glossary

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|--------------------------|---|
| Agreement | The purchase contract completed by Supplier and confirmed by Action, or other form of agreement, concluded between Action and a Supplier with regard to the procurement and supply of Goods, including any individual Order thereunder. |
| Brand Types | Action distinguishes between five different type of brands in its assortment: <ul style="list-style-type: none"> - Private label: Action's registered trademark - A-brand label: internationally recognized brand - Licensed label: trademark used by Action under a (sub)license - White label: trademark owned by the Action Suppliers - Fancy label: trademark owned by the Action Suppliers that is sold exclusively to and by Action |
| Goods | The commercial goods as purchased by Action and to be supplied by Supplier as referred to in the Agreement. |
| Order | An individual call-off order for the delivery of Goods under the Agreement, submitted by Action in writing or by electronic means. |
| Producer | The entity that performs the last stage of production or processing in the supply chain where product safety and working conditions are impacted. <ul style="list-style-type: none"> - for non-food products: this means the production location that performs at least one value-adding activity to the product such as final assembly or final production. - for food products: this means the production location that handles the final consumer product including packing or with a co-packer. |
| Sourcing Models | Action distinguishes between two different sourcing models: <ul style="list-style-type: none"> - Direct import: direct sourcing from Suppliers or Producers outside of the EU, for which Goods Action qualifies as an importer - Domestic sourcing: sourcing from Suppliers (categorized as importers or wholesalers) or Producers within the EU, for which Goods Action qualifies as a distributor. |
| Subcontractor | When the Producer that received the production order does not perform any value-adding activities to the product and instead forwards the production order to another entity, we consider this entity to be a subcontractor. This can for instance happen when production is (temporarily) moved to another entity. |
| Supplier / Vendor | The natural person or legal entity supplying Goods to Action under the Agreement. |

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