

HEMA Responsible Exit strategy

Introduction

HEMA works towards strong production chains and long term partnerships in the production chain. HEMA aims to work together with suppliers on continuous improvement on human rights and environmental risks. And finally, HEMA prefers to work with suppliers and production locations that share the values set out in the Supplier Code of Conduct.

However, as a large retailer, it can occur that a collaboration with a supplier or production location needs to be terminated. Several reasons can lead to this decision, which roughly fall into two categories: commercial reasons or an (persistent) infringement of the HEMA (Supplier) Code of Conduct. It can also occur that a supplier or production location initiates the end of the partnership/collaboration.

It is important to note that at HEMA we follow the OECD guidelines on Human rights and environmental due diligence. Please find our Human rights and environmental due diligence statement [here](#). It is our objective to support the supplier or production location in remediation in case of (potential) infringements of human rights and environmental requirements. Additional policies should be seen in coherence, such as our Child labour policy and Emergency response procedure. However, as the aforementioned OECD guidelines also stipulate, when steps to prevent or mitigate negative impacts have failed or are not feasible, a decision can be made to terminate the collaboration.

In this document we outline our exit strategy when, in principle, a decision is made to end the collaboration.

Please note that below steps are taken when partnerships have lasted for more than 1 year.

Exit strategy

Termination of collaboration for commercial reasons

Commercial reasons can be or result from (but are not limited to) a change in demand, a consolidation of suppliers, persistent delivery or quality issues, continued lack of agreement on prices or other commercial terms and/or a change in applicable and relevant (trade) regulations, including Foreign Trade Agreements (FTA's).

Prior to exiting

The business teams involved must take all appropriate steps to engage other teams and demonstrate the measures which they took to address the (commercial) reasons for exiting. The engagement with the supplier/production location should be appropriate to the type of orders HEMA normally places. The following information should be collected within HEMA:

1. Details of production location (including name, country of production, teams using the factory/site/plant).

2. Reason for exiting.
3. Information on the history and duration of collaboration with the supplier/production location including discussions on improvement plans.
4. Production location's dependency on HEMA: the average order volume as a percentage of production location capacity (based on the previous 12 months of production and whether this percentage has varied significantly in recent months).
5. Production location's dependency on others: other HEMA divisions/teams and, if possible, other companies/customers for whom the production location produces and the percentage of factory capacity that their order volume represents.
6. The anticipated final order placement and final shipment dates for all (HEMA) products manufactured in the production location.
7. If relevant, other production locations within the supplier group doing business with the brand's sourcing division.
8. Any other relevant information.

When the decision to end the collaboration for commercial reasons is made, HEMA will take the following steps:

1. Analyse the reason of terminating the collaboration
2. Inform the supplier or production location well in advance in writing and clarify the reason for the termination and the timing thereof (and make sure that this information reaches the management of the supplier/production location)
3. Assess possible social impact of the termination for workers, especially possible/potential lay offs
4. If needed, reach out to (local) workers or their representatives
5. Develop and communicate with the supplier/production location a phase out plan including a timeline when last orders will be placed, produced and shipped

Termination of collaboration for a (persistent) infringement of the HEMA (Supplier) Code of Conduct

When the decision to end the collaboration for a (persistent) infringement of the HEMA (Supplier) Code of Conduct is made, HEMA will take the following steps:

1. Involve relevant stakeholders, (local) workers and their representatives, NGO's and or labour inspection when applicable to verify the infringements and gather information
2. Determine possible social impact of the termination on workers, especially possible/potential layoffs, and role of HEMA based on leverage. If needed, increase leverage by contacting other customers of the production location
3. Inform the supplier or production location in writing and have a final call to stimulate improvements in the area of the specific infringement
4. Monitor supplier or production location through (local) stakeholder on all legal entitlements, i.e. payment of severance pays

Termination of collaboration on initiative of the supplier or production location

The steps HEMA will take if such a situation occurs:

1. Analyse the reasons why the supplier/production location initiates the termination of the partnership/collaboration
2. In case of alleged infringements of the HEMA (Supplier) Code of Conduct: involve the sustainability department and if applicable, involve (local) stakeholders
3. Assess possible social impact of the termination for workers, especially possible/potential lay offs
4. Monitor supplier or production location through (local) stakeholder on completing payments and other legal entitlements towards the workers, i.e. payment of severance pays